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**China AU Group Holdings Limited**  
**中國金豐集團控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8176)**

**(I) PROPOSED REMOVAL OF DIRECTOR AT EGM;  
(II) LOSS OF INVENTORY; AND  
(III) VOLUNTARY ANNOUNCEMENT IN RELATION TO  
THE LOAN AGREEMENT WITH KOFFMAN**

**PROPOSED REMOVAL OF DIRECTOR AT EGM**

The Board announces that it has resolved to propose a special resolution to remove Mr. Cheng as an independent non-executive Director at EGM with effect from the date of the passing of the special resolution to approve to Proposal Removal.

**LOSS OF INVENTORY**

The Board also announces that during the stock taking process, it has been discovered by the Company that a total of 27 carbon laser machines with a total book value of approximately HK\$9 million stored in the Company's warehouse in Guangzhou were lost. The Company has reported the incident to both the Hong Kong and PRC police departments for investigation.

**VOLUNTARY ANNOUNCEMENT IN RELATION TO THE LOAN AGREEMENT WITH KOFFMAN**

The Board further announces that the Company, as borrower, has entered into the Loan Agreement with Koffman, as lender, on 27 March 2012 for a loan facility of HK\$20 million for a term of 3 months from the date of the Loan Agreement. The Loan will be used as general working capital of the Group.

\* *For identification purpose only*

## **GENERAL**

As Koffman is an associate of a Director and thus a connected person of the Company, the Loan Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company. Given that the financial assistance under such transaction is provided by Koffman on normal commercial terms and without grant of security over assets of the Group, such connected transaction is exempted from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65(4) of the GEM Listing Rules.

## **PROPOSED REMOVAL OF DIRECTOR AT EGM**

Reference is made to the announcement of China AU Group Holdings Limited (the “**Company**”, together with its subsidiary, the “**Group**”) dated 20 March 2012 in relation to an EGM to be convened (“**EGM**”) for the adoption of the proposed amended and restated memorandum and articles of association of the Company.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that it has resolved to propose a special resolution to remove Mr. Cheng Hai (“**Mr. Cheng**”) as an independent non-executive Director at EGM (the “**Proposed Removal**”) with effect from the date of the passing of the special resolution to approve the Proposed Removal.

### **Reasons for the Proposed Removal**

The Board has been unable to get into contact with Mr. Cheng since 2012. The Board therefore considers that Mr. Cheng is unable to continue to discharge his duties as an independent non-executive Director effectively. Accordingly, the Board is of the view that it would not be in the best interests of the Company and its shareholders as a whole to allow Mr. Cheng to continue to assume the office as an independent non-executive Director.

To the best of the Directors' knowledge, information and belief there would not be any material adverse impact to the Company if the Proposed Removal becomes effective.

### **Removal procedures**

Pursuant to article 86(5) of the articles of association (the “**Articles**”) of the Company, the members of the Company may, at any general meeting convened and held in accordance with the Articles, by special resolution remove a Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim under any such agreement).

A circular containing further information in respect of the Proposed Removal in addition to the proposed adoption of amended and restated memorandum and articles of association of the Company and a notice of EGM will be dispatched to the shareholders of the Company as soon as practicable.

## **LOSS OF INVENTORY**

The Board also announces that during the stock taking process, it has been discovered by the Company that a total of 27 carbon laser machines with a total book value of approximately HK\$9 million stored in the Company's warehouse in Guangzhou were lost. The Company has reported the incident to both the Hong Kong and PRC police departments for investigation.

## **VOLUNTARY ANNOUNCEMENT IN RELATION TO THE LOAN AGREEMENT WITH KOFFMAN**

The Board further announces that the Company, as borrower, has entered into a loan agreement (the "**Loan Agreement**") with Koffman Investment Limited ("**Koffman**"), as lender, on 27 March 2012 for a loan facility of HK\$20 million for a term of 3 months from the date of the Loan Agreement.

Pursuant to the terms of the Loan Agreement, Koffman has agreed to make available to the Company a loan facility up to HK\$20,000,000 (the "**Loan**") for a term of 3 months from the date of the Loan Agreement. Interest on the Loan shall accrue at the rate of 12% per annum and be payable monthly. The Company shall repay the Loan in full in one lump sum upon expiry of the term of the Loan. There is no security over the assets of the Group granted in respect of the Loan. The Loan will be used as general working capital of the Group. The terms of the Loan Agreement including the interest rate were agreed between the parties after arm's length negotiations. The Board considers that the Loan Agreement is on normal commercial terms and in the interests of the Company and its shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the ultimate beneficial owner as to 50% of Koffman is Mr. Yu Shu Kuen who is an executive Director.

## **GENERAL**

As Koffman is an associate of a Director and thus a connected person of the Company, the Loan Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company. Given that the financial assistance under such transaction is provided by Koffman on normal commercial terms and without grant of security over assets of the Group, such connected transaction is exempted from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65(4) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

By order of the Board  
**China AU Group Holdings Limited**  
**Du Juan Hong**  
*Chairman*

Hong Kong, 2 April 2012

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Shu Kuen, Mr. Wang Xiao Fei (with Mr. Lee Chan Wah as his alternate), Mr. Wang Shang Zhong and Mr. Ji He Qun; one non-executive Director, namely Mr. Du Juan Hong; and three independent non-executive Directors, namely Mr. Cheng Hai, Mr. Tam B Ray, Billy, and Mr. Chu Kin Wang, Peleus.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of its publication and on the Company’s website at [www.bluspa.com](http://www.bluspa.com).*