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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)

SETTLEMENT OF LEGAL PROCEEDINGS

The Board announces that on 1 November 2012, BSHK and Mr. Shum Yeung entered into a deed of settlement for the purpose of settling the Claims under the Writ.

This announcement is made pursuant to Rule 17.10 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited.

Reference is made to the announcements of China AU Group Holdings Limited (the “**Company**”) dated 5 April 2012, 4 July 2012, 24 July 2012 and 3 August 2012 in relation to the termination of the proposed acquisition of 70% of the entire issued share capital of Vertical Signal Investments Limited and the loan owed to Mr. Shum Yeung and the indirect acquisition of a piece of land situated at 獅嶺鎮楊赤路 in Guangzhou, Hua Du and with certain buildings thereon for the consideration of HK\$80,000,000, the announcement of the Company dated 28 September 2012 in relation to the writ of summons (the “**Writ**”) issued in the High Court of Hong Kong by Blu Spa (Hong Kong) Limited (“**BSHK**”) against Mr. Shum Yeung and the announcement of the Company dated 26 October 2012 in relation to the application for summary judgment against Mr. Shum Yeung.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 1 November 2012, BSHK and Mr. Shum Yeung entered into a deed of settlement (the “**Deed**”) for the purpose of settling the claims (the “**Claims**”) under the Writ.

Pursuant to terms of the Deed, in consideration of BSHK and Mr. Shum Yeung agreeing to settle the Claims as follows:

- (i) Mr. Shum Yeung shall pay the following amounts by way of cashier’s order or solicitors’ cheque to BSHK on the following specified dates:
 - (a) HK\$4,050,000.00 payable to BSHK on 13 November 2012;
 - (b) HK\$1,597,808.20 payable to BSHK on 13 November 2012; and

* *for identification purposes only*

- (c) HK\$36,450,000.00 payable to BSHK on 30 November 2012; and
- (ii) upon payment of the entirety of the sums by Mr. Shum Yeung on the specified dates as set out above, BSHK shall by way of court order withdraw the legal proceedings and the summary judgment application under the Writ and the statutory demand against Mr. Shum Yeung with no order as to costs.

The Company will keep the shareholders of the Company and potential investors informed of any further material development in connection with the above legal proceedings and the Deed by way of further announcement(s) as and when appropriate.

By order of the Board
China AU Group Holdings Limited
Lee Chan Wah
Executive Director

Hong Kong, 1 November 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 alternate), Mr. Wang Shang Zhong and Mr. Lee Chan Wah; one non-executive Director, namely Mr. Du Juan Hong; and three independent non-executive Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph.

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 for a minimum period of 7 days from the date of its publication and on the Company's website at www.bluspa.com.