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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcements (the “Announcements”) of the Company dated 30 April 2010, 20 May 2010, 25 August 2010, 29 October 2010 and 1 February 2011 in relation to the proposed acquisition of 70% equity interest in the Target Company and the Loan. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise stated or the context requires otherwise.

The Company wishes to provide additional information to the Shareholders and potential investors regarding the Supplemental Agreement and the progress of the Acquisition. On 1 February 2011 (after trading hours), BSHK and the Vendor entered into the Supplemental Agreement. The completion of the Acquisition is subject to a number of conditions including, but not limited to, the Reorganisation which involves reorganising the corporate holding structure of the companies comprising the Target Group (which has been completed) and transferring the Property to the WOFE (which has been mostly completed). The Company plans to set up a training school offering various training courses for professional beauty therapists at the Property. The Property comprises 149 flats and a dormitory. Given that the Property is a newly developed property and the large number of flats involved, the transfer of the Property and the issue of the relevant building ownership certificates for the Outstanding Properties in the name of WOFE will take substantial amount of time for the relevant PRC authority to process all the formalities. At the moment, licence for the establishment and operation of a civilian operated professional training school at the Property has been obtained. Furthermore, the building ownership certificates for a majority of the flats comprising the Property have also been obtained. However, in view of the actual time spent previously for the application for those building ownership certificates obtained, the Company estimates that it will take another few months to obtain the relevant building ownership certificates for the Outstanding Properties.

* For identification purposes only

Given that building ownership certificates for a majority of the flats of the Property have been obtained, the Company believes that the issue of the building ownership certificates for the Outstanding Properties is a matter of formality only. The Company anticipates that not all the flats comprising the Property are required at the initial stage of the operation of the training school. Furthermore, according to the PRC legal adviser to the Company, the fact that the building ownership certificates for the Outstanding Properties have not been obtained by the WOFE will not affect the validity of the licence for the establishment and operation of a civilian operated professional training school. Thus, as a matter of business efficacy, the Company believes that it will be in the interest of the Group to commence the training school sooner rather than waiting for completion of the formalities for all the flats of the Property. Hence, the Parties agreed to an alternative way to address the current stage of the Reorganisation and the payment arrangement, and entered into the Supplemental Agreement to pin down these terms in writing.

The Directors consider the Company and its shareholders are better off after the variation of the terms of the S&P Agreement under the Supplemental Agreement as the WOFE can commence its business operating the civilian operated professional training school and generate revenue for the Company sooner. Based on the above, the Directors consider the variation in accordance with the terms of the Supplemental Agreement are fair and reasonable, and in the interest of the Company and its shareholders as a whole.

By order of the Board
China AU Group Holdings Limited
Cheung Tsun Hin, Samson
Chairman

Hong Kong, 14 February 2011

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Chan Choi Har, Ivy and Mr. Ji He Qun; two non-executive Directors, namely Mr. Cheung Tsun Hin, Samson and Mr. Chan Shun Kuen, Eric; and three independent non-executive Directors, namely Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio.

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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will appear and remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the website of the Company at www.bluspa.com.