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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)**

### **PLACING OF NEW SHARES UNDER THE GENERAL MANDATE**

#### **Placing Agent**

**Orient Securities Limited**

On 27 July 2011 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best efforts basis, a maximum of 110,000,000 Placing Shares to not less than six Placées at a price of HK\$0.15 per Placing Share.

The Placing Price of HK\$0.15 represents (i) a discount of approximately 12.79% to the closing price of HK\$0.172 per Share as quoted on the Stock Exchange on 27 July 2011, being the date of the Placing Agreement; (ii) a discount of approximately 4.82% to the average closing price of approximately HK\$0.1576 as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Placing Agreement; and (iii) a discount of approximately 10.07% to the average closing price of approximately HK\$0.1668 in the last 10 trading days up to and including the Last Trading Day.

The Placing Shares represents (i) approximately 9.15% of the issued share capital of the Company of 1,202,200,000 Shares; and (ii) approximately 8.39% of the Company's issued share capital as enlarged by the Placing Shares.

An application will be made to the GEM Listing Committee for the approval for the listing of and permission to deal in the Placing Shares.

\* For identification purpose only

The Placing Shares will be allotted and issued pursuant to the General Mandate.

On the assumption that all Placing Shares are fully placed, the gross proceeds and the net proceeds arising from the Placing will be HK\$16.5 million and approximately HK\$16.0 million respectively which is intended to be used as general working capital and for future potential investments of the Company.

**Shareholders and potential investors should note that completion of the Placing is subject to the fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **THE PLACING AGREEMENT**

Date : 27 July 2011 (after trading hours)  
Issuer : The Company  
Placing Agent : Orient Securities

Orient Securities is the placing agent, who has conditionally agreed to place a maximum of 110,000,000 Placing Shares on a best effort basis on terms and conditions of the Placing Agreement.

The Placing Agent and its ultimate beneficial owner(s) are not connected persons of the Company and are independent from and not connected with the Company and/or its connected persons.

The Placing Agent will place the Placing Shares to not less than six Placees, who are expected to be institutional, professional or private investors, and who and (where a corporation) whose ultimate beneficial owner(s) will not be connected persons of the Company and will be independent from and not connected with the Company and/or its connected persons. It is expected that none of the Placees will become controlling or substantial shareholder immediately after completion of the Placing.

### **Placing commission**

The Placing Agent will receive a placing commission of 2.5% on the gross proceeds from the Placing upon its completion. The Placing commission was determined after arm's length negotiation between the Company and the Placing Agent by reference to the size, the current and expected market condition and the time allowed for the Placing Agent to procure Placees for the Placing.

The Directors (other than Mr. Ji He Qun, Mr. Gu Da Xin and Ms. Liu Jiang who are not contactable) are of the view that the placing commission payable for the Placing is fair and reasonable.

## **Placing Shares**

The maximum of 110,000,000 Placing Shares represent (i) approximately 9.15% of the Company's existing issued share capital; and (ii) approximately 8.39% of the Company's issued share capital as enlarged by the Placing Shares.

Based on the estimated expenses of approximately HK\$0.5 million for the Placing, the gross proceeds and the net proceeds from the Placing will be HK\$16.5 million and approximately HK\$16.0 million respectively. On that basis, the net price per Placing Share will be approximately HK\$0.146.

The Placing Shares will be allotted and issued under the General Mandate. The Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and articles of association of the Company and with the relevant rules and regulations applicable to the Company in Hong Kong and Cayman Islands and will, upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto the record date of which falls on or after the date of allotment and issue of the Placing Shares.

## **Ranking of Placing Shares**

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares. Holders of the Placing Shares will be entitled to receive all future dividends and distributions the record date of which falls on or after the date of allotment and issue of the Placing Shares.

## **Placing Price**

The Placing Price of HK\$0.15 per Share represents:

- (i) a discount of approximately 12.79% to the closing price of HK\$0.172 on the Last Trading Day; and
- (ii) a discount of approximately 4.82% to the average closing price of approximately HK\$0.1576 in the last 5 trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 10.07% to the average closing price of approximately HK\$0.1668 in the last 10 trading days up to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (other than Mr. Ji He Qun, Mr. Gu Da Xin and Ms. Liu Jiang who are not contactable) consider that the Placing Price is fair and reasonable based on the current market conditions and the Placing are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **Condition precedent to the Placing**

The Placing is conditional upon the GEM Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object) the listing of, and permission to deal in, the Placing Shares and such listing and permission not subsequently being revoked prior to the date of completion of the Placing Agreement.

If the above condition is not fulfilled on or before 10 August 2011, the obligations and liabilities for the Company and the Placing Agent under the Placing Agreement shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing Agreement.

## **Completion of the Placing**

Subject to the fulfilment of the condition precedent under the Placing Agreement, completion of the Placing shall take place on the second Business Day after the end of Placing Period (or such other termination date as the Placing Agent may determine and notify the Company in writing).

## **Termination**

If at any time on or prior to 5:00 p.m. on the Completion Date:

- (i) there develops, occurs or comes into force:
  - (a) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect on the business or financial condition or prospects of the Group; or
  - (b) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Placing Agent is or may be materially adverse in the context of the Placing; or
  - (c) any significant change (whether or not permanent) in local, national or international market conditions which in the reasonable opinion of the Placing Agent is or may be materially adverse in the context of the Placing or makes it inadvisable or inexpedient to proceed therewith; or
  - (d) any material litigation or claim being instigated against any member of the Group; or
- (ii) any breach (which is material in the reasonable opinion of the Placing Agent) of any of the warranties and undertakings of the Company set out in the Placing Agreement comes to the knowledge of the Placing Agent or there has been a breach (which is material in the reasonable opinion of the Placing Agent) of any other provision of the Placing Agreement; or

(iii) there is any adverse change in the condition (financial or otherwise) of the Company, or the Group which in the reasonable opinion of the Placing Agent is material in the context of the Placing,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to 5:00 p.m. on the date of completion of the Placing Agreement.

In the event that the Placing Agent terminates the Placing Agreement due to the occurrence of any of the aforesaid event, all obligations of each of the Company and the Placing Agent under the Placing Agreement shall cease and determine and none of the Company and the Placing Agent shall have any claim against each other in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation and the liabilities as prescribed in the Placing Agreement.

### **Mandate to issue the Placing Shares**

The Placing is not subject to Shareholders' approval.

The Placing Shares will be allotted and issued under the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 132,440,000 Shares. As at the date of this announcement, no Share has been issued under the General Mandate and the General Mandate is sufficient for the issue and allotment of the Placing Shares.

### **Application for listing**

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Placing Shares.

### **REASONS FOR THE PLACING AND USE OF NET PROCEEDS**

The principal activity of the Company is sales of beauty equipment and beauty products, royalty fee income, therapy services and provision of training courses.

Assuming all the Placing Shares were subscribed at the Placing Price, the gross proceeds from the Placing will amount to HK\$16.5 million and the net proceeds are estimated to be approximately HK\$16.0 million after deducting the relevant expenses to be incurred in relation to the Placing. The Company intends to apply the net proceeds from the Placing for general working capital and for future potential investments of the Company.

The Directors (other than Mr. Ji He Qun, Mr. Gu Da Xin and Ms. Liu Jiang who are not contactable) consider that the Placing Agreement was entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities in the past 12 months from the date of this announcement:

Date of announcement	Description	Net Amount raised (approximately)	Proposed use of proceeds	Actual use of proceeds
29 November 2010	Subscription of new shares	HK\$29.8 million	For general working capital	For general working capital

Save as disclosed above, the Company has not conducted any fund raising activities during the past 12 months immediately prior to the date of this announcement.

## EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the Company's shareholding structure before and after completion of the Placing Agreement assuming there is no change in the existing shareholdings of the Company except for the Placing.

Shareholders	As at the date of this announcement (Shares)	Per cent. (approximately)	Immediately after the Placing	Per Cent. (approximately)
Queensbury Global Limited (Note 1)	682,200	0.06%	682,200	0.05%
XO-Holdings Limited (Note 2)	11,065,787	0.92%	11,065,787	0.84%
Ms. Ivy Chan (Note 2)	2,000,000	0.17%	2,000,000	0.15%
Mr. Gu Da Xin	16,180,000	1.35%	16,180,000	1.23%
Mr. Ji He Qun (Note 3)	15,370,000	1.28%	15,370,000	1.17%
Mr. Wang Xiao Fei	230,400,000	19.16%	230,400,000	17.56%
Public:				
– Placees	–	–	110,000,000	8.38%
– Other public Shareholders	926,502,013	77.06%	926,502,013	70.62%
Sub-total	926,502,013	77.06%	1,036,502,013	79.00%
Total	<u>1,202,200,000</u>	<u>100.00%</u>	<u>1,312,200,000</u>	<u>100.00%</u>

*Notes:*

1. Queensbury Global Limited is owned as to 88.38% by Million Fortune Group Limited. Million Fortune Group Limited is owned as to 87% by Ms. Samantha Keung, the chief executive officer of the Company.
2. The issued share capital of XO-Holdings Limited is beneficially owned as to 65% by Ms. Ivy Chan, a Director.
3. 13,610,000 shares are owned by Mr. Ji He Qun, a Director and Chairman of the board of the Company and 1,760,000 shares are owned by Ms. Sun Guang Hong, the spouse of Mr. Ji He Qun.

**General**

The existing authorized share capital of the Company consists of 5,000,000,000 Shares out of which 1,202,200,000 Shares are issued and fully paid up as at the date of this announcement.

**DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holiday), on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Company”	China AU Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on GEM (Stock Code: 8176)
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the Council of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“General Mandate”	the general mandate to allot, issue and deal with up to 132,440,000 new Shares granted to the Directors by resolution of the Shareholders passed at the Company’s annual general meeting held on 16 December 2010
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	27 July 2011, being the last full trading day for the Shares on GEM prior to the issue of this announcement
“Long Stop Date”	10 August 2011 or such later time and date as the Placing Agent and the Company shall agree in writing
“Placees”	any institutional, professional or private investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent” or “Orient Securities”	Orient Securities Limited, a licensed corporation to carry out type 1 and type 4 regulated activities within the meaning of the SFO
“Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 27 July 2011 (after trading hours) in relation to the Placing
“Placing Period”	the period of three months from the date of the Placing Agreement (or such other termination date as the Placing Agent may determine and notify the Company in writing)
“Placing Price”	HK\$0.15 per Share
“Placing Shares”	a maximum of 110,000,000 Shares to be issued and allotted pursuant to the conditional Placing Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)



“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to this term under the GEM Listing Rules
“%”	per cent

By order of the Board  
**China AU Group Holdings Limited**  
**Ivy Chan**  
*Vice Chairman*

Hong Kong, 28 July 2011

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Ji He Qun, Ms. Chan Choi Har, Ivy, Mr. Gu Da Xin and Mr. Wang Xiao Fei; 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 Ms. Liu Jiang.*

*This announcement, for which the Directors (other than Mr. Ji He Qun, Mr. Gu Da Xin and Ms. Liu Jiang who are not contactable) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors (other than Mr. Ji He Qun, Mr. Gu Da Xin and Ms. Liu Jiang who are not contactable), 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 document misleading.*