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China AU Group Holdings Limited

中國金豐集團控股有限公司*

*(to be renamed as EDS Wellness Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8176)

(I) SUBSCRIPTION FOR CONVERTIBLE BONDS; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) THE LOAN AGREEMENT

SUBSCRIPTION FOR CONVERTIBLE BONDS

On 21 March 2013 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issue of the Convertible Bonds in the principal amount of HK\$40,000,000. Completion is subject to the conditions as set out in the paragraph headed "Conditions precedent" below. Detailed terms of the Convertible Bonds are set out in the paragraph headed "Principal terms of the Convertible Bonds" in this announcement.

The issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds will be subject to a specific mandate to be approved by the Independent Shareholders at the EGM.

APPLICATION FOR WHITEWASH WAIVER

Assuming the Capital Reorganisation takes effect and no further Shares or New Shares are issued or repurchased by the Company, the Subscriber will be interested in 40,000,000 New Shares, representing approximately 75.30% of the issued share capital of the Company as enlarged by the allotment and issue of all the Conversion Shares, immediately upon the full exercise of the conversion rights attaching to the Convertible Bonds. Under Rule 26.1 of the Takeovers Code, the Subscriber and the parties acting in concert with it are required to make a mandatory general offer to the Shareholders for all the issued New Shares (other than those New Shares already owned or agreed to be acquired by it) unless the Whitewash Waiver is obtained. In this regard, the Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the Subscription and the exercise of the conversion rights attaching to the Convertible Bonds subject to, among other things, approval by the Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the EGM by way of a poll.

* For identification purpose only

In the event that the Executive does not grant the Whitewash Waiver and/or the Independent Shareholders who are allowed to vote under the GEM Listing Rules and the Takeovers Code do not approve the grant of the Whitewash Waiver, the Subscription will not proceed.

THE LOAN AGREEMENT

On 21 March 2013 (after trading hours), the Company and the Lender entered into the Loan Agreement, pursuant to which, the Lender has conditionally agreed to grant an unsecured loan in the principal amount of HK\$40,000,000 to the Company for a term of three (3) years from the date of drawdown.

The principal terms of the Loan Agreement are set out in the paragraph headed “The Loan Agreement” below.

As the Loan Agreement will be conditional upon the completion of the Subscription Agreement, the Loan Agreement will also be subject to the Independent Shareholders’ approval at the EGM.

GENERAL

The Independent Board Committee comprising all the non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Loan Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

The voting in relation to the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Loan Agreement and the transactions contemplated thereunder at the EGM will be conducted by way of a poll whereby the Subscriber, the Subscriber Holding, the Lender, and their respective associates and parties acting in concert with any of them, and other Shareholders who are interested or involved in the Subscription, the Whitewash Waiver and/or the Loan Agreement shall abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Loan Agreement and the transactions contemplated thereunder .

A circular containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver, and the Loan Agreement and the transactions contemplated thereunder together with the recommendation of the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Loan Agreement and the transactions contemplated thereunder and the notice of EGM will be despatched to the Shareholders as soon as possible in compliance with Rule 8.2 of the Takeovers Code.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on GEM has been suspended with effect from 9:00 a.m. on 30 September 2011 and shall remain suspended until further notice.

The Subscription and the Loan Agreement are subject to fulfillment of a number of conditions precedent and therefore may or may not proceed. Shareholders and the investing public should exercise caution when dealing in the Shares of the Company.

SUBSCRIPTION AGREEMENT

Parties and Date

Date: 21 March 2013 (after trading hours)

Issuer: the Company

Subscriber: New Cove Limited

The Company has rented portion of the Ninth Floor and Car Parking Spaces Nos. 14 and 21 of Lucky (Kwun Tong) Industrial Building, Nos. 398–402 Kwun Tong Road, Kowloon, Hong Kong from Rexdale Investment Limited, an indirect wholly-owned subsidiary of the Subscriber Holding for a monthly rent of HK\$52,700 for a term commencing from 7 March 2012 and ending on 6 March 2015. The tenancy agreement of such premises will be terminated on 1 April 2013.

The Subscriber, the Subscriber Holding and parties acting in concert with any of them, are third parties independent of the Company and its connected persons. Save as disclosed above, prior to the entering into of the Subscription Agreement and the Loan Agreement, neither the Subscriber, the Subscriber Holding nor parties acting in concert with any of them has any interest in or business dealings/transactions with the Group.

The Subscriber, the Subscriber Holding and parties acting in concert with any of them have not acquired any voting rights in the Company during the six month period immediately prior to the date of this announcement, and save for the Subscription, are not interested in any issued Shares or other relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Company and the Subscriber and are summarized as follows:

Principal amount: HK\$40,000,000

Interest: The Convertible Bonds shall carry no interest

Maturity date: 30 months from the date of the issue of the relevant Convertible Bonds (the "**Maturity Date**")

- Redemption:** Unless previously redeemed, repurchased and cancelled or converted, all and any outstanding Convertible Bonds shall be redeemed on the Maturity Date.
- The Company shall be entitled at any time on or after the expiry of the second anniversary of the date of issue of the Convertible Bonds while the Convertible Bonds are outstanding and have not been converted to redeem part or whole of the Convertible Bonds from the holder(s) of the Convertible Bonds pro-rata based on the principal amount of the Convertible Bonds then outstanding by serving 14-day prior notice of redemption to the relevant holder(s) of the Convertible Bonds.
- Ranking of Conversion Shares:** The Conversion Shares will rank pari passu in all respects among themselves and with other New Shares in issue on the date of allotment and issue.
- Conversion:** Provided that the Company will maintain the public float in compliance with the GEM Listing Rules upon conversion of the Convertible Bonds, the conversion rights attaching to any Convertible Bonds may be exercised, at the option of the holder(s) thereof, at any time from the date of the issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date in amounts not less than whole multiples of HK\$1,000,000.
- Conversion period:** The Convertible Bonds may be converted in whole or in part at any time prior to the Maturity Date at the option of the holder(s) thereof.
- Conversion Price:** The principal amount of the Convertible Bonds may be converted into New Shares of HK\$0.10 each in the capital of the Company at the Conversion Price of HK\$1.00 per Conversion Share, subject to adjustments for, amongst other things, consolidations or subdivisions of New Shares, capital distributions, bonus issues, rights issues and other usual events which may have a dilution effect on the Conversion Shares to be allotted and issued to the holder(s) of the Convertible Bonds upon the exercise of the conversion right attached to thereunder.
- Voting:** The holder of the Convertible Bonds shall not be entitled to attend or vote at any meeting of the Company by reason only of it being the holder of the Convertible Bonds.
- Transfer:** With the prior notification to the Company, the Convertible Bonds may be transferable provided that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company without prior written consent of the Company.
- Listing:** No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made to the GEM Listing Committee for the listing of, and permission to deal in the Conversion Shares.

- Event of default: Customary events of default including but not limited to:
- (a) non-payment of any amount due under the Convertible Bonds;
 - (b) appointment of receivership, declaration of insolvency or a bankruptcy petition against the Company; and
 - (c) the Company and its subsidiaries as a whole ceases to carry on its ordinary course of business

Mandate

The Company will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Conversion Shares.

The Conversion Price

The initial Conversion Price of HK\$1.00 per Conversion Share (subject to adjustments) was arrived at after arm's length negotiations between the Company and the Subscriber and represents:

- (a) a discount of approximately 93.79% to the closing price of HK\$16.10 per New Share as quoted on the Stock Exchange on 29 September 2011 (adjusted for and assuming completion of the Capital Reorganisation), being the last trading day immediately before the entering into of the Subscription Agreement;
- (b) a discount of approximately 93.93% to the average of the closing prices per New Share of HK\$16.48 for the last five (5) trading days up to and including 29 September 2011 (adjusted for and assuming completion of the Capital Reorganisation), being the last trading day immediately before the entering into of the Subscription Agreement; and
- (c) a discount of approximately 48.45% to the audited net assets value per New Share as at 30 June 2012 of approximately HK\$1.94 (adjusted for and assuming completion of the Capital Reorganisation).

Assuming that there is no new issue of Shares or New Shares except for the Conversion Shares and the Capital Reorganisation has become effective, based on the initial Conversion Price of HK\$1.00 per Conversion Share, 40,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 304.83% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 75.30% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares.

The aggregate nominal value of 40,000,000 Conversion Shares is HK\$4,000,000. The net initial Conversion Price (after deduction of all related expenses) is approximately HK\$0.98 per Conversion Share.

Conditions precedent

Completion of the Subscription Agreement is conditional upon:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders who are allowed to vote under the GEM Listing Rules, the Takeovers Code and/or other applicable laws and regulations approving separately at the EGM (i) the Subscription Agreement and the transaction contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares); and (ii) the grant of the Whitewash Waiver;
- (b) the GEM Listing Committee having granted the listing of and permission to deal in, the Conversion Shares;
- (c) the warranties under the Subscription Agreement remaining true and correct in all material respects;
- (d) all necessary consents and approvals (including but not limited to approval from the Board and the relevant regulatory approval pursuant to the GEM Listing Rules and the Takeovers Code) as may be required to be obtained by the Company in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained;
- (e) the publication of an announcement of the Subscriber Holding in relation to the Subscription Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;
- (f) the granting of the Whitewash Waiver by the Executive; and
- (g) the Capital Reorganisation having become effective.

The Subscriber shall use its best endeavours to procure the fulfillment of the condition set out in (e) and (f) above. The Company shall use its best endeavours to procure the fulfillment of the conditions set out in (a), (b), (c), (d) and (g) above. The Subscriber may at any time by notice in writing to the Company waive the condition set out in (c) above. The conditions set out in (a), (b), (d), (e), (f) and (g) above are incapable of being waived by the Company and the Subscriber. As at the date of this announcement, condition (e) described above has been fulfilled.

If any of the conditions set out above have not been fulfilled or waived in full by 5:00 p.m. on 31 October 2013 (or such other time and date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement will cease and determine and neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Shareholders and potential investors should be aware of and take note that completion of the Subscription is conditional upon, among others, the GEM Listing Committee having granted the listing of and permission to deal in, the Conversion Shares. As the trading in the Shares on GEM has been suspended since 30 September 2011, the Stock Exchange has expressed that the GEM Listing Committee would only grant the listing of and permission to deal in, the Conversion Shares after trading in the Shares has been resumed.

The Stock Exchange has expressed reservation on the granting of the listing of and permission to deal in, the Conversion Shares before the Company has satisfied all the resumption conditions as set out in the letter from the Stock Exchange dated 13 July 2012. Therefore, the listing of and permission to deal in, the Conversion Shares may or may not be granted.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Completion

Completion shall take place on the second Business Day after the conditions of the Subscription mentioned above have been satisfied or, as appropriate, waived or such other date as the Company and the Subscriber may agree.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in development, distribution and marketing of personal care treatment products.

The Subscriber is principally engaged in investment holding and an indirect wholly-owned subsidiary of the Subscriber Holding.

The Directors are of the view that the Subscription represents a good opportunity to raise additional funds for the general working capital purposes for the future development of the Company. In addition, on the exercise of the conversion rights attaching to the Convertible Bonds, the long-term development of the Company will be benefited by broadening the capital base of the Company.

As such, the Directors (excluding the non-executive Directors who will give their view after taking into consideration of the advice of the independent financial advisor) consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription are HK\$40,000,000. The net proceeds from the Subscription, after deduction of all related expenses, of approximately HK\$39.0 million, are intended to be applied as the general working capital of the Group.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) after completion of the Capital Reorganisation but before the full exercise of the conversion rights attaching to the Convertible Bonds; and (iii) after completion of the Capital Reorganisation and the full exercise of the conversion rights attaching to the Convertible Bonds are as follows (assuming there being no other change in the share capital of the Company) (for illustration purposes only):

Shareholders	At the date of this announcement		After completion of the Capital Reorganisation but before the full exercise of the conversion rights attaching to the Convertible Bonds		After completion of the Capital Reorganisation and the full exercise of the conversion rights attaching to the Convertible Bonds (Note 3)	
	No. of existing Shares	Approximate Percentage	No. of New Shares	Approximate Percentage	No. of New Shares	Approximate Percentage
The Directors						
Wang Xiaofei (Note 1)	230,400,000	17.56%	2,304,000	17.56%	2,304,000	4.34%
Du Juanhong (Note 2)	106,580,000	8.12%	1,065,800	8.12%	1,065,800	2.01%
Subscriber and parties acting in concert with it						
	—	—	—	—	40,000,000	75.30%
Public Shareholders	<u>975,220,000</u>	<u>74.32%</u>	<u>9,752,200</u>	<u>74.32%</u>	<u>9,752,200</u>	<u>18.35%</u>
Total:	<u>1,312,200,000</u>	<u>100.00%</u>	<u>13,122,000</u>	<u>100.00%</u>	<u>53,122,000</u>	<u>100.00%</u>

Notes:

- 1 Mr. Wang Xiaofei is a substantial shareholder and an executive Director.
- 2 Mr. Du Juanhong is a non-executive Director.
- 3 For illustration purposes only. Pursuant to the terms of the Convertible Bonds, the conversion rights attaching to the Convertible Bonds may be exercised provided that the Company will maintain the public float in compliance with the GEM Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any other fund raising activities in the past twelve months immediately before the date of this announcement.

DEALING AND INTEREST OF THE SUBSCRIBER IN THE SECURITIES OF THE COMPANY

As at the date of this announcement, save for the Subscription, (a) the Subscriber, the Subscriber Holding and parties acting in concert with any of them do not hold any outstanding derivatives in respect of securities in the Company, or hold, control or has direction over any relevant securities (as defined in Note 4 to Rule 22) or any other interests in the share capital or voting rights in the Company; (b) the Subscriber, the Subscriber Holding and parties acting in concert with any of them do not borrow or lend any relevant securities (as defined in Note 4 to Rule 22) in the Company; (c) there is no arrangement (whether by way of

option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber which might be material to the Subscription and/or the Whitewash Waiver; (d) there is no agreement or arrangement to which any of the Subscriber, the Subscriber Holding and parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver; and (e) none of the Subscriber, the Subscriber Holding or parties acting in concert with any of them has received any irrevocable commitment to vote for and/or against the Subscription or the Whitewash Waiver.

APPLICATION FOR WHITEWASH WAIVER

Assuming the Capital Reorganisation takes effect and no further Shares or New Shares are issued or repurchased by the Company, the Subscriber will be interested in 40,000,000 New Shares, representing approximately 75.30% of the issued share capital of the Company as to be enlarged by the allotment and issue of all the Conversion Shares, immediately upon the full exercise of the conversion rights attaching to the Convertible Bonds. Under Rule 26.1 of the Takeovers Code, the Subscriber is required to make a mandatory general offer to the Shareholders for all the issued New Shares (other than those New Shares already owned or agreed to be acquired by it) unless the Whitewash Waiver is obtained. In this regard, the Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the Subscription and the exercise of the conversion rights attaching to the Convertible Bonds subject to, among other things, approval by the Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the EGM by way of a poll.

In the event that the Executive does not grant the Whitewash Waiver and/or the Independent Shareholders who are allowed to vote under the GEM Listing Rules and the Takeovers Code do not approve the grant of the Whitewash Waiver, the Subscription will not proceed.

THE LOAN AGREEMENT

On 21 March 2013 (after trading hours), the Company and the Lender entered into a Loan Agreement, pursuant to which, the Lender has conditionally agreed to grant an unsecured loan in the principal amount of HK\$40,000,000 to the Company for a term of three (3) years from the date of drawdown.

The principal terms of the Loan Agreement are summarised as follows:

Date	:	21 March 2013
Lender	:	Hong Kong Builders Finance Limited, a licensed money lender in Hong Kong
Borrower	:	the Company
Principal amount of the loan	:	HK\$40,000,000
Interest rate	:	5% per annum
Security	:	No security will be provided by the Company or any other party under the Loan Agreement
Term	:	Three years commencing from the date of drawdown

- Repayment : The Company shall repay: (a) the interest on a quarterly basis in arrears; and (b) the principal amount of the loan in full at maturity.
- Prepayment : The Company may at any time prepay the loan in full together with the accrued interest by giving not less than ten Business Days' prior written notice to the Lender before maturity.
- Conditions precedent : The Loan Agreement is conditional upon the fulfilment of the following conditions:
- (a) completion of the Subscription Agreement;
 - (b) the publication of an announcement of the Subscriber Holdings in relation to the Subscription Agreement and the Loan Agreement and the transactions contemplated respectively thereunder in compliance with Chapter 14 of the Listing Rules; and
 - (c) the passing of the necessary resolution by the Independent Shareholders who are allowed to vote under the GEM Listing Rules, the Takeovers Code and/or other applicable laws and regulations approving at the EGM the Loan Agreement and the transaction contemplated thereunder.
- Long Stop Date : 31 October 2013 or such other day as agreed by the Lender and the Company

REASONS FOR AND THE BENEFITS OF THE LOAN AGREEMENT

The Loan Agreement provides additional funding to satisfy the Group's need for general working capital. Given that the loan is unsecured and the terms of the Loan Agreement which were agreed between the parties after arm's length negotiations are on normal commercial terms, the Directors are of the view that the terms and conditions of the Loan Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The net proceeds of the loan will be used as general working capital of the Group.

INFORMATION ON THE LENDER

The Lender is an indirect wholly-owned subsidiary of the Subscriber Holding. The Lender is a money lender licensed in Hong Kong under the provisions of the Money Lenders Ordinance. The Lender conducts money lending business in Hong Kong through the provision of secured and unsecured loans to customers.

The Lender and the Subscriber Holding are third parties independent of the Company and its connected person.

GENERAL

As the Loan Agreement will be conditional upon the completion of the Subscription Agreement, the Loan Agreement and the transactions contemplated thereunder will also be subject to the Independent Shareholders' approval at the EGM.

The Independent Board Committee comprising all the non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder; the Whitewash Waiver; and the Loan Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

The voting in relation to the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Loan Agreement and the transactions contemplated thereunder at the EGM will be conducted by way of a poll whereby the Subscriber, the Subscriber Holding, the Lender, and their respective associates and parties acting in concert with any of them, and other Shareholders who are interested or involved in the Subscription, the Whitewash Waiver and/or the Loan Agreement shall abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Loan Agreement and the transactions contemplated thereunder.

A circular containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder; the Whitewash Waiver; and the Loan Agreement, together with the recommendation of the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder, the Whitewash Waiver, the Loan Agreement and the transactions contemplated thereunder and the notice of EGM will be despatched to the Shareholders as soon as possible in compliance with Rule 8.2 of the Takeovers Code.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on GEM has been suspended with effect from 9:00 a.m. on 30 September 2011 and shall remain suspended until further notice.

The Subscription and the Loan Agreement are subject to fulfillment of a number of conditions precedent and therefore may or may not proceed. Shareholders and the investing public should exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meaning:

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| “acting in concert” | has the meaning ascribed thereto in the Takeovers Code |
| “associates” | has the meaning ascribed thereto in the Takeovers Code |
| “Board” | the board of Directors |

“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Consolidation”	the proposed consolidation of every one hundred issued shares of HK\$0.001 each in the share capital of the Company upon the Capital Reduction taking effect into one issued New Share of HK\$0.10
“Capital Reduction”	the proposed reduction of capital of the Company by way of cancellation of the paid-up share capital to the extent of HK\$0.099 on each existing issued Share, such that the par value of all of the issued Shares shall be reduced from HK\$0.10 each to HK\$0.001
“Capital Reorganisation”	the capital reorganisation of the Company involving the Capital Reduction and the Capital Consolidation as disclosed in the circular of the Company dated 24 January 2013
“Company”	China AU Group Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the GEM
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Conversion Price”	the initial conversion price of HK\$1.00 (subject to adjustment) per Conversion Share upon conversion of the Convertible Bonds
“Conversion Shares”	the New Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the zero coupon convertible bonds in principal amount of HK\$40,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to approve, amongst others, the Subscription Agreement and the transactions contemplated thereunder; the Whitewash Waiver; and the Loan Agreement
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Committee”	the GEM listing committee of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee, comprising all the non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transaction contemplated thereunder; the Whitewash Waiver; and/or the Loan Agreement
“Independent Shareholders”	Shareholders other than the Subscriber, the Subscriber Holding, the Lender and the parties acting in concert with any of them and other Shareholders who are interested or involved in the Subscription, the Whitewash Waiver and/or the Loan Agreement
“Lender”	Hong Kong Builders Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Subscriber Holding
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 21 March 2013 entered into between the Lender and the Company as borrower in respect of an unsecured loan in the principal amount of HK\$40,000,000
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“New Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	New Cove Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Subscriber Holding

“Subscriber Holding”	Eternity Investment Limited (Stock code: 764), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Subscription”	the subscription for the Convertible Bonds by the Subscriber subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 21 March 2013 and entered into between the Company and the Subscriber in relation to the Subscription.
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	waiver as may be granted by the Executive in favour of the Subscriber in respect of the obligations of the Subscriber to extend a general offer to acquire the issued Shares (excluding the issued Shares which are owned or agreed to be acquired by the Subscriber and parties acting in concert with it) in accordance with the Takeovers Code
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percent.

By order of the Board
China AU Group Holdings Limited
Yu Shu Kuen
Chairman

Hong Kong, 21 March 2013

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Shu Kuen, Mr. Wang Xiaofei (with Mr. Lee Chan Wah as alternate), Mr. Wang Shangzhong and Mr. Lee Chan Wah; one non-executive Director, namely Mr. Du Juanhong; and three independent non-executive Directors, namely Mr. Tam B Ray Billy, Mr. Chu Kin Wang Peleus and Mr. Tse Joseph.

As at the date of this announcement, the board of directors of the Subscriber comprises two directors, namely, Mr. Lei Hong Wai and Mr. Cheung Kwok Wai, Elton.

As at the date of this announcement, the board of directors of the Subscriber Holding comprises three executive directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai, Elton and Mr. Chan Kin Wah, Billy; one non-executive director, namely, Mr. Cheung Kwok Fan; and three independent non-executive directors, namely, Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the the Subscriber, the Subscriber Holding, the Lender and parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

The directors of the Subscriber and the Subscriber Holding jointly and severally accept full responsibility for the accuracy of the information relating to the Subscriber, the Subscriber Holding, the Lender and parties acting in concert with any of them contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in 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.china-au-group.com.