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# 中國金洋集團有限公司 CHINA GOLDJOY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1282)

## USE OF PROCEEDS FROM THE SHARE SUBSCRIPTION

Reference is made to the announcement dated 4 June 2015 and the circular dated 29 June 2015 (the “**Circular**”) made by China Goldjoy Group Limited (the “**Company**”) in relation to the Share Subscription. Unless otherwise specified, terms used herein shall have the same meaning as defined in the Circular.

The Board wishes to update the Shareholders in respect of the use of the net proceeds raised from the Share Subscription as at the date of this announcement.

	“Intended Use of Proceeds” as disclosed in the Circular	Actual use of proceeds (as at the date of this announcement)	Reasons for deviations between the actual and intended uses of proceeds	Proposed use of the remaining proceeds (as at the date of this announcement)
a)	“approximately HK\$334.6 million, representing approximately 10% of the net proceeds, will be used to strengthen and expand the existing business of the Group;”	<p>A total amount of HK\$173.8 million was spent on strengthening and expanding the existing businesses of the Group as set out below:</p> <ul style="list-style-type: none"> <li>i) an amount of US\$3 million (equivalent to approximately HK\$23.3 million) was utilised by an indirect wholly-owned subsidiary of the Group for the subscription of 30,000 convertible preference shares issued by BIO-Key International, Inc. (“<b>BIO-key</b>”) in mid November 2015. The Group has expected to further explore and develop the FingerQ technology by capitalizing on BIO-key’s expertise and industry experience;</li> <li>ii) an amount of HK\$84.5 million was used for strengthening and expanding the manufacturing business of the Group; and</li> <li>iii) an amount of HK\$66.0 million was used for strengthening and expanding the automation business of the Group.</li> </ul>	There is no deviation.	The Group has on hand an amount of HK\$160.8 million of the net proceeds earmarked for the original intended use.

	<b>“Intended Use of Proceeds” as disclosed in the Circular</b>	<b>Actual use of proceeds (as at the date of this announcement)</b>	<b>Reasons for deviations between the actual and intended uses of proceeds</b>	<b>Proposed use of the remaining proceeds (as at the date of this announcement)</b>
b)	<p>“approximately HK\$836.5 million, representing approximately 25% of the net proceeds, will be used to explore business opportunities in the energy-saving lighting industry in the PRC;”</p>	<p>A total amount of approximately HK\$98.9 million was spent on exploring business opportunities in the energy-saving lighting industry in the PRC. The Group established 深圳寶耀科技有限公司 (Shenzhen Bao Yao Technology Limited*) (“<b>Shenzhen Bao Yao</b>”) in January 2016 with a registered capital and a paid up capital of RMB500 million (approximately HK\$618.0 million) and RMB80 million (approximately HK\$98.9 million), respectively. Shenzhen Bao Yao is principally engaged in light-emitting diode manufacturing business. Shenzhen Bao Yao is positioned to support the Group to explore business opportunities in the energy-saving lighting industry in the PRC and to develop its own new energy industry and light-emitting diode manufacturing business as well as related research and development, which was consistent with the Shareholders’ mandate.</p>	<p>The Company has not identified any suitable acquisition target. To increase the source of income to the Group and better the returns to the Shareholders, the Company intends to apply RMB157.5 million (approximately HK\$182.9 million) out of the proceeds earmarked for the original intended use for paying 50% of the consideration for the acquisition of the residential units of Buildings No. 3 and No. 8 (excluding floors 1–2 which are intended for commercial use), Phase 2 of Baonengcheng, located at Binghu District, Hefei City, Anhui Province, the PRC (the “<b>Properties</b>”) by mid-end November 2016. The Group shall apply an additional RMB157.5 million (approximately HK\$182.9 million) for paying the remaining consideration for the acquisition of the Properties if it fails to obtain bank financing for the acquisition. The particulars of the acquisition were disclosed in the Company’s announcement dated 13 September 2016.</p>	<p>The Group has on hand an amount of HK\$737.6 million for item b).</p> <p>The Group plans to inject further capital of RMB200 million (approximately HK\$247.2 million) in Shenzhen Bao Yao by the end of December 2017.</p> <p>A maximum amount of RMB315.0 million (approximately HK\$365.8 million) will be earmarked for the acquisition of the Properties.</p> <p>The unutilised net proceeds of the Share Subscription in the amount of approximately HK\$124.6 million will be applied for financing the acquisition of companies in the energy-saving industry (including energy-saving lighting) in the PRC. The Company intends to broaden the scope for the proposed use of proceeds to investment in companies engaged in the energy-saving industry (rather than solely on energy-saving lighting) given that the energy-saving industry is fast-growing in the PRC with the support from favourable government policies. In recent years, the PRC government has strongly supported the development of the energy-saving business. The Board believes that the Company will be able to further improve the Shareholders’ returns by investing in this sector.</p>

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c)	“approximately HK\$836.5 million, representing approximately 25% of the net proceeds, subject to completion of the potential acquisition of the Optoelectronic Enterprise, will be used to expand the product capacity of the Optoelectronic Enterprise, and finance the acquisition of fixed assets;”	An amount of RMB380 million (equivalent to approximately HK\$450.5 million) was utilised for the financing the acquisition of 深圳鴻勝節能科技有限公司 (Shenzhen Hongsheng Energy-saving Technology Co., Ltd.)*, which controls 50% equity interest of 深圳邦凱新能源股份有限公司 (Shenzhen B&K New Energy Co., Ltd.)* (“ <b>Shenzhen B&amp;K</b> ”), in July 2016. Shenzhen B&K is principally engaged in the production and operation of machinery and electronic products and the development of new energy technologies.	There is no deviation.	Shenzhen B&K currently holds a piece of land with approximately 120,000 square meters at the core area of Guangming New District in Shenzhen. The Group plans to apply approximately HK\$420.0 million (of which approximately HK\$386.0 million will be from the net proceeds of the Share Subscription) for the purposes of constructing a building on it. In light of the foregoing, the Group has fully earmarked the portion of the net proceeds from the Share Subscription for its original intended use.

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d)	<p>“approximately HK\$1,003.9 million, representing approximately 30% of the net proceeds, will be used to acquire the equity interest of a domestic financial enterprise;”</p>	<p>A total amount of HK\$1,145.8 million (of which approximately HK\$1,003.9 million from the net proceeds of the Share Subscription) has been spent on acquiring enterprises engaged in providing financial services.</p> <p>A total amount of HK\$255.7 million was applied for the acquisition of KB Credit Limited, KB Bullion Limited, KB Investment Limited, China Yinsheng Wealth Management Limited, China Yinsheng Securities Limited and China Yinsheng Asset Management Limited between May and August 2016. All of these companies are engaged in the financial service sector.</p> <p>On 22 March 2016, the Group subscribed for 207,760,000 shares of China Zheshang Bank Co., Ltd. (“<b>China Zheshang Bank</b>”) at a consideration of approximately HK\$831 million, representing 6.30% and 1.19% of the total H shares and total issued shares of China Zheshang Bank, respectively. On 1 April 2016, the Group completed its subscription of 33.21% interest in Zhanjiang Jifutong Financial Service Joint Stock Company Limited, a company engaged in internet financial services business, at a total consideration of RMB50 million (equivalent to approximately HK\$59.1 million).</p>	<p>There is no deviation. The actual uses of proceeds were in line with the Group’s investment strategy to capture the development opportunity in the financial services sector in the PRC in the hope of bringing investment returns to the Group.</p>	<p>The Group has fully utilised the portion of the net proceeds from the Share Subscription earmarked for its original intended use.</p>

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e)	“approximately HK\$334.7 million, representing approximately 10% of the net proceeds will be used as the general working capital of the Company, of which approximately HK\$150 million to HK\$200 million will be used as operating expenses for its automation business (in particular, to support the business development of Gallant Tech Limited) and the remaining proceeds for daily operation of the non-automation businesses of the Group.”	The Group has not utilised the net proceeds that have been earmarked.	There is no deviation.	<p>The Group plans to purchase new office premises for self-use in Hong Kong for a consideration amount of approximately HK\$500 million by the end of December 2016, approximately HK\$300 million of which will be expected to be financed by the net proceeds from the Share Subscription and approximately HK\$200 million of which will be expected to be financed by bank borrowing. The Management intends that the new office premises will be used as the head office of the Group to house and integrate the management teams of the different business divisions including the automation business division. Part of the proceeds allocated to the automation business division will be applied to this end.</p> <p>The remaining amount will be earmarked for the purposes set out in the original intended use.</p>

The Board considers the above uses of proceeds from the Share Subscription and the dealing with the unutilised proceeds will satisfy the financial needs of the Group in a more effective manner and increase the Company’s flexibility in financial management, and is in the interest of the Company and its Shareholders as a whole.

By order of the Board  
**China Goldjoy Group Limited**  
**Yao Jianhui**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 September 2016

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. Yao Jianhui, Mr. Feng Huiming and Mr. Li Minbin; one non-executive director, namely Mr. Huang Wei; and three independent non-executive directors, namely Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew, and Mr. Lee Kwan Hung.*

*\* For identification purpose only*