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**CHINA ELEGANCE (HOLDINGS) LIMITED**  
**( 瑞源國際有限公司\* )**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 476)**

**PLACING OF NEW SHARES UNDER GENERAL MANDATE  
AND  
RESUMPTION OF TRADING**

On 6 July 2006, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best effort basis, an aggregate of 150,000,000 new Shares at the issue price of HK\$0.055 per Placing Share.

The Placing Shares represent approximately 16.98% of the existing issued share capital of the Company and approximately 14.52% of the enlarged issued share capital of the Company immediately after the Placing.

Assuming all the Placing Shares are subscribed by and allotted to the Placees, the gross proceeds from the Placing will be HK\$8.25 million. The net proceeds of approximately HK\$8.04 million from the Placing (after deducting the expenses) will be used for general working capital purpose and future investments. As at the date of this announcement, the Company has not identified any specific projects or investments to which the general working capital of the Company may be applied.

The Placing is conditional upon, amongst other things, the Stock Exchange granting listing of and permission to deal in the Placing Shares.

**SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares on the Stock Exchange have been suspended from 9:30 a.m. on Friday, 7 July 2006 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on Monday, 10 July 2006.

**As the Placing may or may not be consummated, investors should exercise caution when dealing in the shares of the Company.**

**PLACING AGREEMENT**

**Date**

6 July 2006

\* For identification purpose only

## **Parties**

- (a) the Company
- (b) the Placing Agent, an independent third party and not a connected person of the Company (as defined in the Listing Rules)

## **Basis of Placing**

The Placing Agent will place the Placing Shares on a best effort basis.

## **Placees**

It is expected that the Placing Shares will be placed to not less than six independent professional, institutional, corporate or individual investors. All Placees and their respective ultimate beneficial owners will be independent third parties and not connected persons of the Company (as defined in the Listing Rules). It is expected that no Placée will become a substantial shareholder of the Company as a result of the Placing.

## **Placing Shares**

Up to 150,000,000 Shares, representing approximately 16.98% of the existing issued share capital of the Company as at the date of this announcement and approximately 14.52% of the enlarged issued capital of the Company immediately after the Placing. 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.

## **Placing Price**

The Placing Price is HK\$0.055 per Placing Share, which represents

- (i) a discount of approximately 8.33 % to the closing price of HK\$0.06 per Share quoted on the Stock Exchange on 6 July 2006, being the Last Trading Day;
- (ii) a discount of approximately 6.14% to the average closing price per Share of approximately HK\$0.0586 per Share as quoted on the Stock Exchange for the last five trading days of the Shares up to and including the Last Trading Day; and
- (iii) a discount of approximately 4.84% to the average closing price per Share of approximately HK\$0.0578 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares up to and including the Last Trading Day.

The Company shall pay the placing commission, legal costs, printing costs and other expenses incurred in fulfilment of the Company's obligations under the Placing Agreement, which will amount to approximately HK\$210,000. Pursuant to the Placing Agreement, the Placing Agent agrees to place the Placing Shares on a best effort basis and will receive a placing commission of 2% on the gross proceeds of the Placing.

After deducting the commission payable to the Placing Agent and other expenses in relation to the Placing, the net placing price will be approximately HK\$0.0536 per Placing Share.

The terms of the Placing Agreement, including the Placing Price, were determined after arm's length negotiations between the Company and the Placing Agent. The Board considers that the terms of the Placing Agreement including the Placing Price are fair and reasonable and the Placing is in the best interest of the Company and the Shareholders as a whole.

## **Conditions of the Placing Agreement**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares and trading in Shares on the Stock Exchange not being suspended for any single period of more than 10 trading days prior to the Closing Date (for reason other than suspension for the purpose of clearing by the Stock Exchange and/or SFC of any announcement relating to the Placing and other matters).

## Closing of the Placing

Closing of the Placing shall take place on the 4th Business Day after the date on which the aforesaid conditions are fulfilled or such other date as the Company and the Placing Agent may agree in writing, which shall not be later than 28 July 2006.

## APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the grant of the listing of and permission to deal in the Placing Shares.

## GENERAL MANDATE

The Placing Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the directors of the Company by resolution of the Shareholders passed at the Company's annual general meeting held on 19 August 2005. As at the date of this announcement, no Share has been issued under the said general mandate.

## REASONS FOR THE PLACING AND THE INTENDED USE OF PROCEEDS

The Directors consider that the Placing represents an opportunity for the Company to raise capital while broadening the Shareholder base and capital base of the Company. The Directors have considered various ways of raising additional funds for future use. Having considered the recent rising trend of interest rates of bank loans, the Directors consider that the Placing represents an opportunity for the Company to raise capital while broadening the shareholder base and the capital base of the Company at a relatively low cost, compared with bank borrowings which would entail interest expenses whereas an equity issue does not involve any interest expenses. Further, the Shareholders are not required to make any capital contribution to the Placing.

Assuming all the Placing Shares are subscribed by and allotted to the Placees, the gross proceeds from the Placing will be HK\$8.25 million. The net proceeds of approximately HK\$8.04 million from the Placing (after deducting the expenses) will be used for general working capital of the Group and for future investments. As at the date of this announcement, the Company has not identified any specific projects or investments to which the general working capital of the Company may be applied.

## EFFECTS ON THE SHAREHOLDING

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

	Existing shareholding structure		Shareholding immediately after Placing	
	No. of Shares	%	No. of Shares	%
Mr. Cheung Ngan ( <i>Note</i> )	311,232,469	35.24	311,232,469	30.12
Placees of the Placing Shares	–	–	150,000,000	14.52
Public	572,064,331	64.76	572,064,331	55.36
	<u>883,296,800</u>	<u>100.00</u>	<u>1,033,296,800</u>	<u>100.00</u>

*Note:* Mr. Cheung is the chairman and executive director of the Company.

## GENERAL

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of investment holding, metals and minerals trading and the manufacture, trading and distribution of consumer products.

The Company has not conducted any capital raising activities for the 12 months immediately before the date of this announcement.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares on the Stock Exchange have been suspended from 9:30 a.m. on Friday, 7 July 2006 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on Monday, 10 July 2006.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“Business Day”	Any day (excluding Saturday) on which banks generally are open for business in Hong Kong
“Closing Date”	the 4th Business Day after the date on which the Conditions are fulfilled
“Company”	China Elegance (Holdings) Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the conditions to be satisfied prior to closing of the Placing, as stated above under the heading “Conditions of the Placing Agreement”
“Director”	director of the Company
“Last Trading Day”	6 July 2006, being the last trading day for the Shares prior to the issue of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Placee”	any professional institutional or other investor procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Yicko Securities Limited, a deemed licensed corporation to carry on regulated activities types 1 and 4 as defined under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Placing Agreement”	the conditional placing agreement dated 6 July 2006 between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.055 per Placing Share
“Placing Shares”	up to 150,000,000 new Shares to be placed pursuant to the Placing Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“Shares”	fully paid ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and

“%”

per cent.

By Order of the Board  
**Cheung Ngan**  
*Chairman*

Hong Kong, 7 July 2006

*As at the date of this announcement, the Board of Directors comprise two executive Directors, namely Messrs. Cheung Ngan and Chan Chung Chun, Arnold and three independent non-executive Directors, namely Messrs. Chan Francis Ping Kuen, Hu Guang and Chan Chak Paul.*

Please also refer to the published version of this announcement in The Standard.