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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE INTEREST IN UNICON SPIRIT DEVELOPMENT LTD.
AND
CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

On 17 August 2006, China Elegance Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which it agreed to sell and the Purchaser agreed to purchase the Sale Shares, which represents 60% interest in Unicon Spirit, at a consideration of HK\$3.4 million. Completion took place forthwith upon signing of the Agreement.

The Disposal contemplated under the Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Agreement and the Disposal will be sent to the Shareholders as soon as practicable.

THE AGREEMENT

Date

17 August 2006

Parties

1. Vendor: China Elegance Holdings Limited, a wholly-owned subsidiary of the Company
2. Purchaser: Ms. Leung Shuk Fun. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is a social acquaintance of a director of a member of the Group and an Independent Third Party with no business relationship with the Group

Interest being disposed of

60% of the entire issued share capital of Unicon Spirit.

Consideration

The Consideration of an aggregate amount of HK\$3.4 million has been satisfied by payment in cash upon Completion. The Consideration was negotiated between the parties at arm's length on normal commercial terms, having regard to the audited consolidated net asset value of Unicon Spirit Group as at 31 March 2006 of approximately HK\$4.2 million. The Consideration under the Agreement was approximately equal to the Group's attributable interest of 60% in Unicon Spirit Group's audited consolidated net asset value as at 31 March 2006.

Having considered the above and the factors described in the paragraph headed "Reasons for the Disposal" below, the Directors are of the view that the terms of the Agreement (including the Consideration) are fair and reasonable and in the interests of the Shareholders as a whole.

Completion

Completion of the Agreement took place forthwith upon signing of the Agreement. After the Completion, Unicon Spirit is no longer a subsidiary of the Company and the Group does not hold any interest in Unicon Spirit.

INFORMATION ON THE GROUP AND UNICON SPIRIT

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. Immediately after the Disposal, the Group is not engaged in the manufacture, trading and distribution of consumer products.

Unicon Spirit is a non-wholly owned subsidiary of the Vendor and is owned as to 60% by the Vendor. The Unicon Spirit Group is principally engaged in the manufacture, trading and distribution of consumer products.

The audited turnover of Unicon Spirit Group for the years ended 31 March 2005 and 31 March 2006 were approximately HK\$10.0 million and HK\$14.5 million respectively. The audited consolidated net loss of Unicon Spirit Group before taxation and minority interest for the year ended 31 March 2005 was approximately HK\$0.6 million and the audited consolidated net profit of Unicon Spirit Group after taxation and minority interest for the year ended 31 March 2005 was approximately HK\$0.1 million. The audited consolidated net loss of Unicon Spirit Group for the year ended 31 March 2006 before and after taxation and minority interest were approximately HK\$9.3 million and HK\$8.1 million respectively.

The audited consolidated net asset value of Unicon Spirit Group as at 31 March 2006 was approximately HK\$4.2 million, which attributes approximately 16.3% to the audited consolidated net asset value of the Group as at 31 March 2006 of approximately HK\$25.8 million.

REASONS FOR THE DISPOSAL

As mentioned in the 2006 Annual Report of the Company, there was a rise in raw material and manufacturing costs of consumer products and an intense market competition on global consumer products market. The gross profit margin of the Group's consumer products business dropped from approximately 30% to approximately 17% during the past financial year.

In view of the above, the Directors decided to reformulate the Group's business strategy by disposing of Unicon Spirit. The Directors considered that the Disposal will allow the Group to focus on its other core businesses, including but not limited to, metals and minerals trading. Further, the sale proceeds of approximately HK\$3.4 million generated by the Disposal will provide additional working capital for the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the carrying amount of the investment in Unicon Spirit Group, the Group estimates that the expected net gain from the Disposal (after deducting the related transaction costs) will not be more than HK\$0.1 million. The Directors consider that the Disposal does not have any significant adverse effect on the financial position of the Group.

CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

The Board also announces that the Company's head office and principal place of business in Hong Kong will be changed to 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong with effect from 21 August 2006.

GENERAL

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Agreement and the Disposal will be sent to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Agreement”	the sale and purchase agreement dated 17 August 2006 entered into between the Purchaser and the Vendor relating to the Disposal
“Board”	board of Directors
“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
“Completion”	completion of the Disposal upon the terms set out in the Agreement

“Consideration”	the aggregate consideration for the sale and purchase of the Sale Shares under the Agreement, being a sum of HK\$3.4 million
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares to the Purchaser by the Vendor
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	third party independent of and not connected with the Company and its connected person (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Ms. Leung Shuk Fun
“Sale Shares”	6 ordinary shares of US\$1 each in the issued share capital of Unicon Spirit, which represents 60% of its issued share capital as at the date of the Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unicon Spirit”	Unicon Spirit Development Ltd, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by the Vendor and 40% by Mr. Ng Tai Kee, a director of Unicon Spirit
“Unicon Spirit Group”	Unicon Spirit and its subsidiaries

“Vendor”	China Elegance Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Cheung Ngan
Chairman

Hong Kong, 18 August 2006

As at the date of this announcement, the Board comprises 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.

* *for identification only*

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