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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 CONVERTIBLE NOTES AND RESUMPTION OF TRADING**

**Placing Agent**



**SBI E2-Capital Securities Limited**

On 4 July 2007, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to procure, on a best efforts basis, Subscribers to subscribe in cash for the Convertible Notes up to a principal amount of HK\$70 million.

Upon full conversion of the Convertible Notes at the Conversion Price, a total of 175 million new Conversion Shares will be issued, representing approximately 16.94% of the existing issued share capital of the Company and approximately 14.48% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Conversion Price.

The Board noted the increase in the price and trading volume of the Shares on 4 July 2007 and wishes to state that the Board is not aware of any reason for such increase. Save for the proposed placing and subscription of Convertible Notes as disclosed in this announcement, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on Thursday, 5 July 2007 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Tuesday, 10 July 2007.

## **PLACING AGREEMENT**

### **Date**

4 July 2007

### **Parties**

- (a) the Company
- (b) the Placing Agent

### **Basis of Placing**

The Placing Agent will place the Convertible Notes on a best efforts basis. It is expected that the Placing Agent will procure not less than six Subscribers who are Independent Third Parties to subscribe in cash for the Convertible Notes with a principal amount of up to HK\$70 million.

### **Placing Agent**

To the best knowledge, information and belief of the Directors having made all reasonable enquires, the Placing Agent and its ultimate beneficial owners are Independent Third Parties. The Placing Agent will receive a placing commission of 3.0% of the principal amount of the Convertible Notes being placed which will be payable by the Company upon completion of the Placing.

## **THE SUBSCRIPTION AGREEMENTS**

Through the procurement by the Placing Agent, the Company has entered into Subscription Agreements with each of Plus All and six other Subscribers, details of which are as follows:

Date	5 July 2007 in respect of Plus All; 6 July 2007 in respect of each of six other Subscribers
Issuer	: The Company
Subscribers	: Plus All and six other Subscribers (including five corporate investors and one individual investor).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) Plus All, six other Subscribers and each of their ultimate beneficial owners are Independent Third Parties; and (ii) the principal activity of each of the corporate investors (including Plus All) is investment holding.

Principal terms of the : The principal terms of the Convertible Notes are summarized in  
Convertible Notes the paragraph headed "Principal Terms of the Convertible Notes"  
below.

### **Conditions precedent**

Completion of each of the Subscription Agreements shall be conditional upon fulfillment of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Conversion Shares; and
- (b) the Stock Exchange having approved (if required) the issue of the Convertible Notes.

If any of the conditions has not been satisfied on or before 5:00 p.m. on 18 July 2007, or such later date as the parties may agree, the Subscription Agreements shall lapse and none of the parties to the Subscription Agreements shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Subscription Agreements.

### **Completion**

Completion of each of the Subscription Agreements shall take place on the 2<sup>nd</sup> Business Day (or such other date as the parties may agree) following the date on which all the conditions are fulfilled. At Completion, the Company will issue the Convertible Notes in the principal amount of (i) HK\$50 million to Plus All; and (ii) totaling HK\$20 million to six other Subscribers.

### **PRINCIPAL TERMS OF THE CONVERTIBLE NOTES**

The following is a summary of the principal terms of the Convertible Notes:

- Aggregate principal amount of the Convertible Notes : Up to HK\$70 million
- Conversion : The holders of the Convertible Notes can convert the outstanding principal amount of each Convertible Note of denomination of HK\$1 million each in whole into Conversion Shares at any time from the date of issue until a date falling fourteen (14) Business Days prior to the Maturity Date.
- Conversion Price : The initial conversion price of HK\$0.40 per Conversion Share was arrived at after arm's length negotiation and represents:
- (i) a discount of approximately 19.19 % to the closing price of HK\$0.4950 per Share as quoted on the Stock Exchange on 4 July 2007, the last trading day before the date of this announcement;

- (ii) a discount of approximately 13.79% to the average closing price per Share of approximately HK\$0.4640 per Share as quoted on the Stock Exchange for the last five (5) trading days of the Shares ended on 4 July 2007;
- (iii) a discount of approximately 13.51% to the average closing price per Share of approximately HK\$0.4625 per Share as quoted on the Stock Exchange for the last ten (10) trading days of the Shares ended on 4 July 2007.; and
- (iv) a premium of approximately 1,823.08% over the audited consolidated net asset value per Share of approximately HK\$0.0208 as at 31 March 2007.

The initial conversion price will be subject to adjustment for share consolidations, share subdivisions, capitalisation issues, rights issues or open offer.

- Interest rate : The Convertible Notes bear no coupon rate.
- Maturity Date : The second anniversary after the date of issue of the Convertible Notes. On the Maturity Date, all of the remaining outstanding Convertible Notes will be redeemed by the Company at the outstanding principal amount of the Convertible Notes together with the redemption premium equals to 4% on the outstanding principal amount.
- Voting : A holder of Convertible Notes will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being a holder of Convertible Notes.
- Listing : No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares (if any) to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.
- Ranking : The Conversion Shares to be allotted and issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other Shares outstanding at the date of conversion of the Convertible Notes, except that the Conversion Shares so allotted will not rank for any dividend or other distribution declared or paid or made by reference to a record date for the payment of a dividend or other distribution with respect to the Shares on or prior to the registration date in respect of the Convertible Notes converted into such Conversion Shares.
- Transferability : The Convertible Notes are freely transferable. The Company will notify the Stock Exchange when it is informed that any of the Convertible Notes is transferred to a connected person (as defined in the Listing Rules) of the Company.

## CONVERSION SHARES

Upon full conversion of the Convertible Notes at the Conversion Price, a total of 175 million new Conversion Shares will be issued, representing approximately 16.94% of the existing issued share capital of the Company and approximately 14.48% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Conversion Price.

## GENERAL MANDATE

The Conversion Shares will be issued under the general mandate to allot, issue and deal with the Shares granted to the Directors pursuant to a resolution of the Shareholders passed at the annual general meeting of the Company held on 28 June 2007. As at the date of this announcement, no Share has been issued under the said general mandate.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Name of Shareholders	As at the date of this announcement		Assuming full conversion of the Convertible Notes with principal amount of HK\$70 million and no further change in the share capital of the Company from the date of this announcement till the date of full conversion	
	Shares	Approximate % of shareholding	Shares	Approximate% of shareholding
Cheung Ngan (Note 1)	311,232,469	30.12	311,232,469	25.76
Plus All Other Subscribers	-	-	125,000,000	10.34
			50,000,000	4.14
Sub-total of Subscribers	-	-	175,000,000	14.48
Other public Shareholders	722,064,331	69.88	722,064,331	59.76
Total	1,033,296,800	100.00	1,208,296,800	100.00

Note 1 : Mr. Cheung Ngan is the chairman and executive director of the Company.

## USE OF PROCEEDS FROM THE ISSUE OF THE CONVERTIBLE NOTES

The net proceeds from the issue of the Convertible Notes (after deducting related expenses) will be approximately HK\$67.8 million. The Company intends to use the fund raised for the Group's general working capital and for future investments. As at the date of this announcement, there is no specific allocation as to the amount of the fund raised between general working capital and investments. As at the date of this announcement, no specific investment opportunity has been identified by the Group.

## REASONS FOR THE PLACING AND ISSUE OF THE CONVERTIBLE NOTES

The issue of the Convertible Notes is primarily for fund raising purposes. The Directors consider that the issue of the Convertible Notes may provide (i) the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders; and (ii) an opportunity for the Company, if the conversion rights attached to the Convertible Notes are exercised, to enlarge and strengthen its capital base and also broaden its Shareholders base by introduction of investors. The Directors consider the terms of the Placing Agreement, the Subscription Agreements and the Convertible Notes to be fair and reasonable and the issue of the Convertible Notes is in the interests of the Company and the Shareholders as a whole.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds
7 July 2006	Placing of 150,000,000 Shares pursuant to a placing agreement dated 6 July 2006.	Approximately HK\$8.04 million	To be used as the Group's general working capital and future investments	As general working capital of the Group

Save for the aforesaid, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement.

## GENERAL

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

The Board noted the increase in the price and trading volume of the Shares on 4 July 2007 and wishes to state that the Board is not aware of any reason for such increase. Save for the proposed placing and subscription of Convertible Notes as disclosed in this announcement, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

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## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturdays and Sundays) on which banks are open for business in Hong Kong
“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 Subscription Agreements
“Conversion Price”	the conversion price under the Convertible Notes, initially being HK\$0.40 per Conversion Share, which is subject to adjustments
“Conversion Share(s)”	new Share(s) which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes, at the then effective conversion price
“Convertible Notes”	a series of zero coupon convertible notes due in the year 2009 in an aggregate principal amount up to HK\$70 million proposed to be issued by the Company pursuant to the Placing Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) are independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Placing”	the placing of the Convertible Notes by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	SBI E2-Capital Securities Limited, a corporation licensed to carry on Types 1, 4 and 9 of the regulated activities under the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Placing Agreement”	the convertible note placing agreement dated 4 July 2007 entered into between the Company and the Placing Agent in relation to the Placing, subject to the terms and conditions contained therein
“Plus All”	Plus All Holdings Limited, a company incorporated in Samoa with limited liability and is owned by Shougang Holding (Hong Kong) Limited, the ultimate beneficial owner of which is state owned.
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	any individual, institutional or other professional investor(s) procured by the Placing Agent to subscribe for the Convertible Notes pursuant to the Placing Agent’s obligations under the Placing Agreement
“Subscription Agreements”	the seven agreements between the Company as issuer, and each of Plus All and six other Subscribers as subscriber in respect of the subscription of the Convertible Notes in the aggregate principal amount of HK\$70 million
“subsidiaries”	has the meaning attributed to it under the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**CHINA ELEGANCE (HOLDINGS) LIMITED**  
**Cheung Ngan**  
Chairman

Hong Kong, 9 July 2007

*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.*

*\*For identification purpose only*