

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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



CITIC Securities Corporate Finance (HK) Limited

On 23 July 2007, the Company entered into the Placing Letter (as supplemented by a supplemental letter dated 26 July 2007) with the Placing Agent pursuant to which the Placing Agent agreed to procure, on a best effort basis, Subscribers to subscribe in cash for the Convertible Notes up to a principal amount of HK\$160 million.

On 26 July 2007, the Company entered into two separate subscription agreements with Credit Suisse and Deutsche Bank pursuant to which the Company has conditionally agreed to issue (i) to Credit Suisse the Convertible Notes in the principal amount of HK\$80 million; and (ii) to Deutsche Bank the Convertible Notes in the principal amount of HK\$80 million respectively.

Upon full conversion of the Convertible Notes at the Conversion Price, a total of 160 million new Conversion Shares will be issued, representing approximately 15.48 % of the existing issued share capital of the Company and approximately 13.41 % 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 19 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.

A circular containing, among other things, details of the Subscription Agreements, the Convertible Notes and the notice of the SGM will be sent to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Friday, 20 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 Friday, 27 July 2007.

PLACING LETTER

Date

23 July 2007 and 26 July 2007

Parties

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

Basis of Placing

The Placing Agent will place the Convertible Notes on a best effort basis. It is expected that the Placing Agent will procure not less than 2 Subscribers who are Independent Third Parties to subscribe in cash for the Convertible Notes with a principal amount of up to HK\$160 million.

Placing Agent

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties. The Placing Agent will receive a placing fee of 3% 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 the Subscribers, details of which are as follows:

Date : 26 July 2007
Issuer : The Company
Subscribers : Credit Suisse and Deutsche Bank

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) each of the Subscribers are Independent Third Parties and have no connection with the holders of the First Convertible Notes; (ii) the principal activity of Credit Suisse is financial services; and (iii) the principal activity of Deutsche Bank is banking and financial services.

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

Conditions precedent

Completion of each of the Subscription Agreements shall be conditional upon fulfilment 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 passing of a resolution at the SGM by the Shareholders to approve the Subscription Agreements, the issue of the Convertible Notes and the issue of the Conversion Shares upon exercise of the conversion rights under the Convertible Notes.

If any of the conditions has not been satisfied on or before 5:00 p.m. on 15 September 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 2nd 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\$80 million to Credit Suisse; and (ii) HK\$80 million to Deutsche Bank.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

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

Aggregate principal amount of the

: Up to HK\$160 million

Convertible Notes

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 the then conversion price at any time from 1 November 2007 until a date falling fourteen (14) Business Days prior to the Maturity Date, both days inclusive.

Conversion Price

: The initial conversion price of HK\$1.00 per Conversion Share was arrived at after arm's length negotiation and represents:

- (i) a discount of approximately 30.56 % to the closing price of HK\$1.44 per Share quoted on the Stock Exchange on 19 July 2007, the last trading day before the date of this announcement;
- (ii) a discount of approximately 12.89% to the average closing price per Share of approximately HK\$1.148 per Share as quoted on the Stock Exchange for the last five (5) trading days of the Shares ended on 19 July 2007;
- (iii) a premium of approximately 5.26% over the average closing price per Share of approximately HK\$0.95 per Share as quoted on the Stock Exchange for the last ten (10) trading days of the Shares ended on 19 July 2007; and
- (iv) a premium of approximately 4,707.69% 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 a redemption premium being an amount equal 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 on or after 1 November 2007, and the Company will notify the Stock Exchange when it is informed that any of the Convertible Notes is transferred to a connected person of the Company.

CONVERSION SHARES

Upon full conversion of the Convertible Notes at the Conversion Price, a total of 160 million new Conversion Shares will be issued, representing approximately 15.48% of the existing issued share capital of the Company and approximately 13.41 % of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Conversion Price.

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\$[160] million and no further change in the share capital of the Company from the date of this announcement till the date of full conversion		Assuming full conversion of the Convertible Notes with principal amount of HK\$[160] million and the First Convertible Notes, 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	Shares	Approximate % of shareholding
Cheung Ngan (Note)	311,232,469	30.12	311,232,469	26.08	311,232,469	22.75
Holder of the First Convertible Notes	-	-	-	-	175,000,000	12.79
Credit Suisse	5,400,000	0.52	85,400,000	7.16	85,400,000	6.24
Deutsche Bank	-	-	80,000,000	6.70	80,000,000	5.85
Sub-total of Subscribers	5,400,000	0.52	165,400,000	13.86	165,400,000	12.09
Other public Shareholders	716,664,331	69.36	716,664,331	60.06	716,664,331	52.37
Total	1,033,296,800	100.00	1,193,296,800	100.00	1,368,296,800	100.00

Note : 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\$154.7 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 Letter, 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
9 July 2007	Placing of convertible notes in an aggregate principal amount of HK\$70 million	Approximately HK\$67.8 million	To be used as the Group's general working capital and future investments	As the Group's general working capital and future investments

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 19 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.

A circular containing, among other things, details of the Subscription Agreements, the Convertible Notes and the notice of the SGM will be sent to the Shareholders as soon as practicable. No Shareholder is required to abstain from voting at the SGM.

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 Friday, 20 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 Friday, 27 July 2007.

DEFINITIONS

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

“Board”	board of Directors
“Business Day(s)”	a day (excluding Saturdays and Sundays) on which banks are generally 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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	the conversion price of the Convertible Notes, initially being HK\$1.00 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\$160 million proposed to be issued by the Company pursuant to the Placing Letter
Credit Suisse	Credit Suisse (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is beneficially owned by the Credit Suisse Group
Deutsche Bank	Deutsche Bank AG, Singapore Branch (which is part of Deutsche Bank AG, a company incorporated in Germany)
“Director(s)”	director(s) of the Company
“First Convertible Notes”	a series of zero coupon convertible notes due in the year 2009 in an aggregate principal amount of HK\$70 million issued by the Company, details of which were set out in the announcement of the Company dated 9 July 2007
“Group”	the Company and its subsidiaries from time to time

“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) who are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Convertible Notes, on a best effort basis, by the Placing Agent pursuant to the Placing Letter
“Placing Agent”	CITIC Securities Corporate Finance (HK) Limited, a corporation licensed to carry on Types 1 and 6 of the regulated activities under the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Placing Letter”	the convertible note placing engagement letter dated 23 July 2007 (as supplemented by a supplemental letter dated 26 July 2007) entered into between the Company and the Placing Agent in relation to the Placing, in accordance with the terms and conditions contained therein
“SGM”	the special general meeting of the Company to be convened and held to approve, amongst other things, the Subscription Agreements, the issue of the Convertible Notes and the Conversion Shares and the transaction contemplated thereunder
“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 Letter
“Subscription Agreements”	the two agreements between the Company as issuer, and each of Credit Suisse and Deutsche Bank as subscriber in respect of the subscription of the Convertible Notes in the aggregate principal amount of HK\$160 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
Chan Chung Chun, Arnold
Director

Hong Kong, 27 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*