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

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

RESULTS

The board of directors (the "Directors") of China Elegance (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 together with the comparative figures for the previous corresponding year as follows:

Consolidated Income Statement
Year ended 31 March 2006

	Notes	**2006** *HK$'000*	2005 *HK$'000*
TURNOVER	*3*	**105,273**	182,169
Cost of sales		**(94,298)**	(169,764)
Gross profit		**10,975**	12,405
Other income		**4,176**	6,904
Selling and distribution costs		**(2,153)**	(3,314)
Administrative expenses		**(22,678)**	(22,847)
Other operating expenses		**(7,361)**	(830)
Finance costs		**(1,214)**	(699)
Share of profits of associates		**2,708**	2,550
LOSS BEFORE TAX	*4*	**(15,547)**	(5,831)
Tax	*5*	**–**	450
LOSS FOR THE YEAR		**(15,547)**	(5,381)

* *For identification purpose only*

ATTRIBUTABLE TO:			
Shareholders of the Company		**(11,043)**	(823)
Minority interests		**(4,504)**	(4,558)
		(15,547)	(5,381)
LOSS PER SHARE	*6*		
Basic		**HK$(0.0125)**	HK$(0.0009)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 March 2006

		2006	2005
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**719**	2,591
Goodwill		**–**	1,449
Interests in associates		**4,038**	2,950
Available-for-sale investments		**3,183**	4,426
Corporate membership		**268**	268
		8,208	11,684
CURRENT ASSETS			
Inventories		**3,524**	6,936
Bills receivable		**155**	305
Accounts receivable	*7*	**1,699**	2,141
Prepayments, deposits and other receivables		**1,913**	10,935
Pledged bank deposit		**–**	1,042
Cash and bank balances		**13,890**	14,310
		21,181	35,669
CURRENT LIABILITIES			
Accounts payable	*8*	**241**	257
Accrued liabilities and other payables		**2,786**	3,944
Tax payable		**564**	564
		3,591	4,765

NET CURRENT ASSETS	**17,590**	30,904
NET ASSETS	**25,798**	42,588
CAPITAL AND RESERVES		
Share capital	**8,833**	8,833
Reserves	**16,595**	28,881
Capital and reserves attributable to shareholders of the Company	**25,428**	37,714
Minority interests	**370**	4,874
	25,798	42,588

NOTES

31 March 2006

1. THE ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, balance sheet and statement of changes in equity.

With effect from 1 January 2005, minority interests are presented as part of equity separated from interests attributable to the equity shareholders of the Company, rather than as a deduction from net assets. Minority interests in the consolidated income statement are presented as an allocation to the profit/loss for the year rather than as a deduction from profit/loss. The changes in presentation have been applied retrospectively.

In prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates. The changes in presentation have also been applied retrospectively.

In addition, the adoption of the new HKFRSs had resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

HKASs 32 and 39

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in changes in the accounting policies relating to the Group's long term investments securities which were previously stated at cost less provision for impairment losses, if any, are now redesignated as available-for-sale investments and carried in the consolidated balance sheet at their fair values. The change in fair value is recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. The amount, being the difference between the fair values of these available-for-sale investments and their previous carrying amounts, of HK$1,337,000 as at 31 March 2005 was debited to the Group's revaluation reserve as at 1 April 2005.

As HKAS 39 does not permit to recognize, derecognize and measure financial assets and liabilities on a retrospective basis, all the related financial impact on the Group's financial statements are reflected as opening adjustments to the Group's revaluation reserve as at 1 April 2005 and accordingly, the comparative figures as presented in the consolidated balance sheet have not been restated.

HKFRS 2

The adoption of HKFRS 2 "Share-based Payment" has resulted in a change in the accounting policy for share-based payments. The Group operates an equity settled, share-based compensation plan. Until 31 March 2005, the provision of share options granted by the Company to the Group's employees including directors did not result in expenses in the consolidated income statement. With effect from 1 April 2005, the fair value of the employees services received in exchange for the grant of the share options of the Company is recongised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted by the Company.

The change in accounting policy has no effect on the results and financial position of the Group as there were no options outstanding at 1 April 2005 or granted during the year ended 31 March 2006.

HKFRS 3

The adoption of HKFRS 3 "Business Combinations" has resulted in a change in the accounting policy for goodwill. In prior years, goodwill on acquisitions of subsidiaries or associates on or after 1 January 2001 was:

– amortised on a straight-line basis over ten years; and

– assessed for an indication of impairment at each balance sheet date.

In accordance with the provision of HKFRS 3:

– the Group ceased amortization of goodwill with effect from 1 April 2005;

– accumulated amortization of goodwill as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill; and

– goodwill is tested annually for impairment, as well as when there is an indication of impairment.

As a result of this change in accounting policy, no amortization has been charged in the current year. Comparative figures for prior year have not been restated.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKAS 1 Amendment	Capital Disclosures[1]
HKAS 19 Amendment	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[3]
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[3]
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[3]
HKAS 39 Amendment	The Fair Value Option[3]
HKAS 39 & HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[3]
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[4]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[3]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease[3]
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[3]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[4]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]

1. *Effective for annual periods beginning on or after 1 January 2007*
2. *Effective for annual periods beginning on or after 1 March 2006*
3. *Effective for annual periods beginning on or after 1 January 2006*
4. *Effective for annual periods beginning on or after 1 December 2005*

3. SEGMENT INFORMATION

The Group principally engages in metals and minerals trading, and the manufacture, trading and distribution of consumer products.

Primary reporting format – business segments

	Consumer products 2006 *HK$'000*	Properties trading 2006 *HK$'000*	Metals and minerals 2006 *HK$'000*	Inter-segment elimination 2006 *HK$'000*	Unallocated 2006 *HK$'000*	Consolidated 2006 *HK$'000*
Revenue from external customers	**14,522**	**–**	**90,751**	**–**	**–**	**105,273**
Segment results	**(12,020)**	**–**	**5,259**	**–**	**–**	**(6,761)**
Unallocated operating income and expenses						**(10,280)**
Finance costs						**(1,214)**
Share of profits of associates	**–**	**–**	**2,708**	**–**	**–**	**2,708**
Tax	**–**	**–**	**–**	**–**	**–**	**–**
Loss for the year						**(15,547)**
Depreciation for the year	**563**	**–**	**–**	**–**	**386**	**949**
Impairment of						
– goodwill	**1,449**	**–**	**–**	**–**	**–**	**1,449**
– doubtful debts	**2,976**	**–**	**–**	**–**	**–**	**2,976**
Major non-cash expenses (other than depreciation and impairment)	**3,470**	**–**	**–**	**–**	**7**	**3,477**
SEGMENT ASSETS	**7,238**	**–**	**9,171**	**–**	**–**	**16,409**
Interests in associates	**–**	**–**	**4,038**	**–**	**–**	**4,038**
Unallocated assets						**8,942**
Total assets						**29,389**
SEGMENT LIABILITIES	**3,083**	**–**	**40**	**–**	**–**	**3,123**
Unallocated liabilities						**468**
Total liabilities						**3,591**
Capital expenditure incurred during the year	**72**	**–**	**–**	**–**	**59**	**131**

	Consumer products 2005 *HK$'000*	Properties trading 2005 *HK$'000*	Metals and minerals 2005 *HK$'000*	Inter-segment elimination 2005 *HK$'000*	Unallocated 2005 *HK$'000*	Consolidated 2005 *HK$'000*
Revenue from external customers	10,018	–	172,151	–	–	182,169
Segment results	(1,103)	62	2,333	(30)	–	1,262
Unallocated operating income and expenses						(8,944)
Finance costs						(699)
Share of profits of associates	–	–	2,550	–	–	2,550
Tax	–	–	450	–	–	450
Loss for the year						(5,381)
Depreciation for the year	678	–	13	–	458	1,149
Amortisation for the year	102	–	272	–	–	374
Impairment loss of fixed assets	457	–	–	–	–	457
SEGMENT ASSETS	17,751	5,283	17,590	(3,683)	–	36,941
Interests in associates	–	–	2,950	–	–	2,950
Unallocated assets						7,462
Total assets						47,353
SEGMENT LIABILITIES	2,993	5,433	38,676	(42,885)	–	4,217
Unallocated liabilities						548
Total liabilities						4,765
Capital expenditure incurred during the year	273	–	14	–	88	375

Secondary reporting format – geographical segments

As over 90% of the Group's business revenue was generated from the People's Republic of China, no geographical segments analysis is presented.

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2006	2005
	HK\$'000	*HK\$'000*
Amortisation of goodwill	**–**	374
Depreciation	**949**	1,149
Fixed assets written off	**15**	–
Inventories written off	**3,462**	–
Impairment loss of fixed assets	**–**	457
Impairment loss of goodwill	**1,449**	–
Impairment loss of doubtful debts, net	**2,976**	–
Share of taxation of associates	**1,042**	1,023
Gain on disposal of fixed assets	**–**	(108)
Gain on disposal of subsidiaries	**–**	(2,456)
Interest income	**(1,191)**	(98)
Administration fee income, net	**(1,648)**	(3,088)

5. TAX

Tax in the consolidated income statement represents:

	Group	
	2006	2005
	HK\$'000	*HK\$'000*
Group		
Hong Kong – overprovided for prior years	**–**	(450)

No Hong Kong profits tax has been provided for the Company and its subsidiaries as the accumulated tax losses exceed the estimated assessable profits for the year (2005: Nil).

Overseas taxes on profits assessable of the Company or its subsidiaries, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$11,043,000 (2005: HK\$823,000) and 883,296,800 (2005: 883,296,800) ordinary shares in issue during the year.

Diluted loss per share is not presented for both years as the Company had no potential ordinary shares as at the respective balance sheet dates.

7. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	2006		2005	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Current to three months	**1,349**	**79**	1,350	63
Four to six months	**53**	**3**	120	6
Over six months	**297**	**18**	671	31
Total after provision	**1,699**	**100**	2,141	100

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

Included in the above accounts receivable is an amount of HK$105,000 (2005: Nil) denominated in Japanese Yen.

At 31 March 2006, the fair values of the Group's accounts receivable approximates to the corresponding carrying amounts.

8. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	2006		2005	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Current to three months	**89**	**37**	189	74
Four to six months	**–**	**–**	28	11
Over six months	**152**	**63**	40	15
	241	**100**	257	100

At 31 March 2006, the fair values of the Group's accounts payable approximates to the corresponding carrying amounts.

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2006.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 10 July 2006 to Wednesday, 12 July 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming Annual General Meeting to be held on Wednesday, 12 July 2006, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 7 July 2006.

RESULTS

During the year ended 31 March 2006, the Group's turnover decreased by 42.2% to HK$105.3 million (2005: HK$182.2 million) as compared to that of last year. The decrease in turnover was mainly due to the decrease in turnover of the metals and minerals trading business as a result of disposal of the subsidiary Chang Yuang Resources Limited ("Chang Yuang") in the second half of last financial year.

Gross profit for the year ended 31 March 2006 decreased by 11.3% to HK$11.0 million (2005: HK$12.4 million) as compared to that of last year. Although the gross profit margin of the metals and minerals trading business had improved in current year after disposal of Chang Yuang, yet the total gross profit for the year had decreased due to the drop in turnover for metals and minerals trading business as well as the drop in gross profit margin for consumer products business.

There was a decrease in administration fee income as a result of non-performance of several sub-licencees in the consumer products business and there was no gain on disposal of subsidiaries recorded in current year, therefore other income had decreased as compared to that of last year. Selling and distribution costs continued to drop for current year as a result of decrease in turnover. The significant increase in other operating expenses for current year was mainly due to the write-offs of slow moving inventories and impairment on doubtful debts for consumer products business.

As a result, the net loss attributable to shareholders increased to approximately HK$11.0 million (2005: HK$0.8 million). Basic loss per share for the year increased to HK$0.0125 per share (2005: HK$0.0009 per share)

BUSINESS REVIEW

Consumer products business

The Group's consumer products business comprises mainly manufacture, wholesaling and distribution of garments and leatherware products, for branded and non-branded items.

During the year, the gross profit margin dropped because of rises in raw material and manufacturing costs, and due to intense market competition, all those increases in costs cannot be fully transferred to customers. Also, due to keen competition on global consumer products market, product life cycle has become shorter and therefore some finished products and raw materials were written off in current year as a result of obsolescence.

The sub-licensing of brand as mentioned in last year's annual report has become more difficult as more and more international brands entered PRC market as well as the rise of various local brands. As a result, administration fee income decreased in current year. Moreover, due to financial difficulties of debtors, certain trade and other receivables became doubtful and therefore impairment for such was made in the current year.

Properties trading

At present, the Group has no property project under development and management will take a prudent approach in evaluating any new prospective projects.

Metals and minerals trading

After disposal of Chang Yuang in last year, the Group continues its metals and minerals trading business through China Elegance Mining Company Limited and Shui Yuen (Manganese) Group Limited. Without the burden of the loss contributing Chang Yuang, overall gross profit margin for this business improves during the current year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflows during the year under review. However, the Group's metals and minerals trading division has sometimes discounted its bills receivable to finance its business.

The Group's gearing ratio as at 31 March 2006 was nil (2005: nil) as there was no bank borrowings at the balance sheet date. Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 31 March 2006, the Group had bank balances and cash of approximately HK$13.9 million (2005: HK$15.4 million).

The operating cash flows of the Group are mainly denominated in HK dollars, Japanese Yen, Renminbi and US dollars. The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable are denominated in US dollars, Japanese Yen and Renminbi. Foreign exchange exposure in respect of US dollars and Renminbi are considered to be minimal as HK dollars have been pledged with US dollars, and despite the recent gradual rise in Renminbi, the exchange rate of Renminbi against HK dollars is still considered relatively stable. For other currencies, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

PROSPECTS

With the rise in consumer awareness and intensified competition, the consumer products market in PRC has become diversified and fragmented. In view of this, the Group will continue to monitor the operation cautiously, and meanwhile continue to solicit appropriate sub-licencees for the consumer products business.

The overheated PRC property market during recent years has resulted in further tightening measures imposed by the Central Government, the directors believe that the market will become uncertain in the near future. However those measures are believed to facilitate a healthy development of the PRC property market in the long run. Currently the Group has no other property project on hand and has temporarily suspended the property trading business until the market is more stable.

CONTINGENT LIABILITIES

At 31 March 2006, the Group had no significant contingent liabilities (2005: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2006 except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual as the Board considered that non-segregation would not result in considerable concentration of power, (ii) the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election, (iii) a remuneration committee of the Board comprising a majority of independent non-executive directors was only formed on 14 October 2005 in compliance with the Code.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirement of the Code and comprised of three independent non-executive directors, Mr. Hu Guang, Mr. Chan Chak Paul and Mr. Chan Francis Ping Kuen. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the final results for the year.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Code of Conduct during the year under review.

By order of the Board
Cheung Ngan
Chairman

Hong Kong, 13 June 2006

As at the date of this announcement, the executive Directors of the Company are Mr. Cheung Ngan and Mr. Chan Chung Chun Arnold, and the independent non-executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hu Guang and Mr.Chan Chak Paul.

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