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 2007

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 2007 together with the comparative figures for the previous corresponding year as follows:

Consolidated Income Statement
Year ended 31 March 2007

	Note	2007 HK$'000	(Restated) 2006 HK$'000
CONTINUING OPERATION			
Turnover	2	**48,833**	90,751
Cost of sales		**(47,456)**	(82,275)
Gross profit		**1,377**	8,476
Other revenue	3	**734**	2,061
Selling and distribution costs		**(196)**	(371)
Administrative expenses		**(17,660)**	(16,410)
Other operating expenses		**(198)**	(1,464)
Finance costs		**(232)**	(1,214)
Gain on disposal of subsidiaries		**368**	–
Share of profits of associates		**1,810**	2,708
Loss before tax		**(13,997)**	(6,214)
Tax	4	**–**	–
Loss for the year from continuing operation		**(13,997)**	(6,214)
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation	5	**61**	(9,333)

* *For identification purpose only*

	Note	2007	2006
LOSS FOR THE YEAR	*6*	**(13,936)**	(15,547)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(14,440)**	(11,043)
Minority interests		**504**	(4,504)
		(13,936)	(15,547)
LOSS PER SHARE	*7*		
From continuing and discontinued operations			
– Basic (HK$)		**(0.0147)**	(0.0125)
From continuing operation			
– Basic (HK$)		**(0.0146)**	(0.0070)

Consolidated Balance Sheet

31 March 2007

		2007	2006
	Note	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,470**	719
Interests in associates		**3,781**	4,038
Available-for-sale investments		**5,700**	3,183
Corporate membership		**–**	268
		10,951	8,208
Current assets			
Inventories		**–**	3,524
Bills receivable		**–**	155
Accounts receivable	*8*	**1,034**	1,699
Prepayments, deposits and other receivables		**16,835**	1,913
Pledged bank deposits		**676**	–
Cash and bank balances		**5,983**	13,890
		24,528	21,181
Current liabilities			
Accounts payable	*9*	**2,338**	241
Accrued liabilities and other payables		**893**	2,786
Due to a director		**10,140**	–
Tax payable		**564**	564
		13,935	3,591

Net current assets		**10,593**	17,590
Net assets		**21,544**	25,798
EQUITY			
Share capital	*10*	**10,333**	8,833
Reserves		**11,211**	16,595
Equity attributable to equity holders of the Company		**21,544**	25,428
Minority interests		**–**	370
Total equity		**21,544**	25,798

NOTES

31 March 2007

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of these new and revised HKFRSs has resulted in changes to the Group's accounting policies in the following area:

HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts"

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit and loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

The adoption of this amendment has had no material effect on the results and presentation of the Group's financial statements.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised HKFRSs which were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

2. SEGMENT INFORMATION

The Group principally engages in metals and minerals trading, and the manufacture, trading and distribution of consumer products. During the year, the Group discontinued its consumer products operation with details set out in note 5.

An analysis of turnover and results by business segments is as follows:

Primary reporting format – business segments

For the year ended 31 March 2007

	Continuing operation	Discontinued operation		
	Metals and minerals *HK$'000*	**Consumer products** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Revenue from external customers	**48,833**	**7,636**	**–**	**56,469**
Segment results	**(3,144)**	**(13)**	**–**	**(3,157)**
Unallocated operating income and expenses				**(12,799)**
Gain on disposal of subsidiaries	**–**	**74**	**368**	**442**
Finance costs	**(232)**	**–**	**–**	**(232)**
Share of profits of associates	**1,810**	**–**	**–**	**1,810**
Loss for the year				**(13,936)**
Depreciation	**–**	**107**	**495**	**602**
Impairment loss of debts, net	**–**	**200**	**225**	**425**

Segment assets	**19,484**	**–**	**–**	**19,484**
Interests in associates	**3,781**	**–**	**–**	**3,781**
Unallocated assets				**12,214**
Total assets				**35,479**
Segment liabilities	**12,569**	**–**	**–**	**12,569**
Unallocated liabilities				**1,366**
Total liabilities				**13,935**
Capital expenditure incurred during the year	**–**	**320**	**1,801**	**2,121**

For the year ended 31 March 2006

	Continuing operation	Discontinued operation		
	Metals and minerals	Consumer products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	90,751	14,522	–	105,273
Segment results	5,259	(12,020)	–	(6,761)
Unallocated operating income and expenses				(10,280)
Finance costs	(1,214)	–	–	(1,214)
Share of profits of associates	2,708	–	–	2,708
Loss for the year				(15,547)
Depreciation	–	563	386	949
Impairment loss of				
– goodwill	–	1,449	–	1,449
– debts, net	–	2,976	–	2,976
Segment assets	9,171	7,238	–	16,409
Interests in associates	4,038	–	–	4,038
Unallocated assets				8,942
Total assets				29,389
Segment liabilities	40	3,083	–	3,123
Unallocated liabilities				468
Total liabilities				3,591
Capital expenditure incurred during the year	–	72	59	131

Secondary reporting format – geographical segments

As over 90% of the Group's business revenue was generated from the People's Republic of China (the "PRC") including Hong Kong, no geographical segments information regarding the Group's business revenue and results is presented.

An analysis of the segment assets and capital expenditure by the geographical area in which the assets are located is as follows:

	Segment assets		**Capital expenditure incurred during the year**	
	2007	2006	**2007**	2006
PRC (including Hong Kong)	**10,220**	20,709	**2,121**	131
Asia Pacific	**9,659**	7,742	**–**	–
Europe	**15,600**	–	**–**	–
Others	**–**	938	**–**	–
	35,479	29,389	**2,121**	131

3. OTHER REVENUE

	Continuing operation		**Discontinued operation**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sundry income	**481**	805	**172**	317	**653**	1,122
Administration fee income, net	**–**	–	**348**	1,648	**348**	1,648
Interest income	**241**	1,177	**3**	14	**244**	1,191
Exchange gain, net	**12**	79	**29**	128	**41**	207
Rental income	**–**	–	**–**	8	**–**	8
	734	2,061	**552**	2,115	**1,286**	4,176

4. TAX

(a) No Hong Kong profits tax has been provided for the Company and its subsidiaries as the Group sustained a loss for the year (2006: Nil).

Overseas taxes on assessable profits 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.

There were no significant unprovided deferred tax liabilities at the balance sheet date (2006: Nil). The unprovided deferred tax asset at the balance sheet date amounted to approximately HK$3,160,000 (2006: HK$3,612,000) related primarily to tax losses.

(b) Reconciliation between the actual total tax charge and loss before tax at applicable tax rates is as follows:

	2007		2006	
	HK$'000	%	*HK$'000*	%
Loss before tax				
– from continuing operation	**(13,997)**		(6,214)	
– from discontinued operation	**61**		(9,333)	
	(13,936)		(15,547)	
Tax credit at the applicable rates	**(2,450)**	**17.58**	(2,602)	16.74
Non-taxable revenue	**(427)**	**3.06**	(751)	4.83
Non-deductible expenses	**2,831**	**(20.31)**	2,396	(15.41)
Share of results of associates	**(317)**	**2.27**	(474)	3.05
Effect of tax losses not recognised	**341**	**(2.44)**	1,380	(8.88)
Others	**22**	**(0.16)**	51	(0.33)
Tax credit and effective tax rate for the year	**–**	**–**	–	–

5. DISCONTINUED OPERATION

The Company had, through its wholly-owned subsidiary, entered into a sale and purchase agreement on 17 August 2006 with a third party to dispose of its entire 60% interest in Unicon Spirit Development Ltd. ("Unicon Spirit") for a consideration of HK$3,400,000 (the "Disposal"). Unicon Spirit and its subsidiaries ("Unicon Group") are engaged in the manufacture, trading and distribution of consumer products. The Disposal represented the discontinuance of the Group's consumer products operation.

An analysis of the results of the discontinued operation is as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover	**7,636**	14,522
Cost of sales	**(5,179)**	(12,023)
Gross profit	**2,457**	2,499
Other revenue	**552**	2,115
Selling and distribution costs	**(832)**	(1,782)
Administrative expenses	**(2,190)**	(6,268)
Other operating expenses	**–**	(5,897)
Loss before tax	**(13)**	(9,333)
Tax	**–**	–
Loss after tax of discontinued operation	**(13)**	(9,333)
Gain on disposal of discontinued operation	**74**	–
Profit/(loss) for the year from discontinued operation	**61**	(9,333)

	2007	2006
Attributable to:		
Equity holders of the Company	**(8)**	(4,885)
Minority interests	**69**	(4,448)
	61	(9,333)

The cash flows attributable to the discontinued operation are as follows:

	2007	2006
	HK$'000	*HK$'000*
Cash inflow/(outflow) from:		
Operating activities	**1,570**	(2,749)
Investing activities	**(317)**	2,067
Net cash inflow/(outflow)	**1,253**	(682)

6. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	Continuing operation		**Discontinued operation**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**350**	350	**–**	–	**350**	350
Depreciation	**495**	386	**107**	563	**602**	949
Property, plant and equipment written off	**9**	15	**25**	–	**34**	15
Inventories written off	**–**	–	**–**	3,462	**–**	3,462
Impairment loss of goodwill	**–**	–	**–**	1,449	**–**	1,449
Goodwill written off	**12**	–	**–**	–	**12**	–
Impairment loss of debts, net	**225**	–	**200**	2,976	**425**	2,976
Operating lease rentals on						
– leasehold land and buildings	**2,050**	1,287	**144**	611	**2,194**	1,898
– equipment	**–**	–	**–**	97	**–**	97
Staff costs (including directors' remuneration)						
– Salaries and wages	**4,359**	4,481	**678**	2,106	**5.037**	6,587
– Other benefits	**843**	921	**–**	17	**843**	938
– Pension contributions	**146**	138	**34**	88	**180**	226
	5,348	5,540	**712**	2,211	**6,060**	7,751

7. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data:

Loss

	2007	2006
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(14,440)**	(11,043)
Less:		
Loss for the year from discontinued operation attributable to equity holders of the Company	**8**	4,885
Loss for the purpose of basic loss per share from continuing operation	**(14,432)**	(6,158)

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	**985,625,567**	883,296,800

Basic loss per share from the discontinued operation is HK$0.0001 (2006: HK$0.0055), which is calculated based on the loss for the year from discontinued operation attributable to equity holders of the Company of HK$8,000 (2006: HK$4,885,000) and the weighted average number of ordinary shares for the purpose of basic loss per share detailed above.

No diluted loss per share is shown for both current and prior years as the Company has no potential dilutive ordinary shares at the respective balance sheet dates.

8. ACCOUNTS RECEIVABLE

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

	2007		2006	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Current to three months	**1,034**	**100**	1,349	79
Four to six months	**–**	**–**	53	3
Over six months	**–**	**–**	297	18
	1,034	**100**	1,699	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$1,012,000 denominated in United States Dollar (2006: HK$105,000 denominated in Japanese Yen).

At 31 March 2007, the fair value of the Group's accounts receivable approximates to the corresponding carrying amount.

9. ACCOUNTS PAYABLE

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

	2007		2006	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Current to three months	**2,338**	**100**	89	37
Over six months	**–**	**–**	152	63
	2,338	**100**	241	100

The above accounts payable is denominated in United States Dollar (2006: Nil).

At 31 March 2007, the fair value of the Group's accounts payable approximates to the corresponding carrying amount.

10. SHARE CAPITAL

	2007		2006	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000,000**	**500,000**	50,000,000,000	500,000
Issued and fully paid:				
At beginning of year	**883,296,800**	**8,833**	883,296,800	8,833
Issue of shares in placing arrangement	**150,000,000**	**1,500**	–	–
At end of year	**1,033,296,800**	**10,333**	883,296,800	8,833

On 26 July 2006, pursuant to a conditional placing agreement between the Company and a placing agent, the Company issued an aggregate of 150,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.055 per share (the "Placing") to independent third parties. The net proceeds received by the Company from the Placing are approximately HK$8,040,000. Excess of net proceeds over the nominal value of shares amounting to HK$6,540,000 were credited to share premium.

11. PLEDGE OF ASSETS

As at 31 March 2007, the Group pledged its bank deposits of approximately HK$676,000 (2006: Nil) to secure banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

12. COMPARATIVE FIGURES

Due to the Disposal during the year, as disclosed in note 5, which constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures were restated so as to reflect the results for the continuing operation.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2007.

RESULTS

During the first half year, the Group restructured its operation to direct its focus in the metals and minerals trading business by discontinuing the consumer products business through the disposal of Unicon Spirit Development Ltd. and its subsidiaries (the "Unicon Group").

During the year ended 31 March 2007, the Group's turnover from its continuing operation, the metals and minerals trading business, decreased by 46.3% to HK$48.8 million (2006: HK$90.8 million) as compared to that of last year. The decrease in turnover was mainly due to the increased volatility of global metals and minerals market and the increase in the sea freight costs during the year.

Gross profit from continuing operation for the year ended 31 March 2007 decreased by 83.5% to HK$1.4 million (2006: HK$8.5 million) as compared to that of last year. The rising cost of sea freight squeezed the gross profit margin of the metals and minerals trading business. The decrease in both the turnover and the gross profit margin resulted in a decline in gross profit.

During the year, the Group had relocated its head office which resulted in an increase in operating lease rentals on leasehold land and buildings and therefore there is a slight increase in administrative expenses. The significant decrease in operating expenses for current year was due to a non-recurring impairment loss for goodwill arised on the acquisition of certain subsidiaries in prior years had been provided for in last year.

As a result, the net loss attributable to equity holders of the Company increased to approximately HK$14.4 million (2006: HK$11.0 million). Basic loss per share for the year increased to HK$0.0147 per share (2006: HK$0.0125 per share).

BUSINESS REVIEW

Consumer products business

As mentioned in the 2006 annual report of the Company, there was a rise in raw materials and manufacturing costs of consumer products and an intense market competition on global consumer products market. As a result, 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 its consumer products business by the disposal of its entire 60% interests in Unicon Group (the "Disposal"). The Directors considered that the Disposal will allow the Group to focus on its other core business, metals and minerals trading. The Disposal was completed on 17 August 2006 and it constituted the discontinued operation of the Group in the current year.

Metals and minerals trading

During the year, both the turnover and gross profit margin dropped because of the volatility in the demand for metals and minerals in the People's Republic of China (the "PRC") as well as the increase in the transportation and freight costs.

LIQUIDITY AND FINANCIAL RESOURCES

The Company announced on 7 July 2006 that the Company proposed for a placement of up to 150,000,000 new shares at the issue price of HK$0.055 per placing share (the "Placing"). The Directors have considered various ways of raising additional funds for future use and having considered that 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 at a relatively low cost while broadening the shareholder base of the Company. The Placing was completed on 26 July 2006 and 150,000,000 new shares were issued to independent third parties. The net proceeds of approximately HK$8.04 million will be used for general working capital of the Group and for future investments.

During the year, a director of the Company advanced HK$10.14 million (2006: nil) to the Group to meet its short-term funds requirement. The amount has been subsequently settled after the balance sheet date.

Besides the capital raised and the amount advanced by a director, 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 2007 was 47.1% (2006: nil), based on the amount advanced by a director of HK$10.14 million (2006: nil) and the equity attributable to the equity holders of the Company of HK$21.54 million (2006: HK$25.43 million). No interest was charged on the amount advanced by the director.

As at 31 March 2007, the Group had bank balances and cash of approximately HK$6.7 million (2006: HK$13.9 million). The Group had obtained banking facilities with a total amount of US$12.0 million (2006: nil) which had not been utilised at the balance sheet date. Bank deposits of HK$0.7 million (2006: nil) were pledged to secure these banking facilities.

The operating cash flows of the Group are mainly denominated in HK dollars, 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 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

The demand for metals and minerals was volatile in the PRC during the year due to increased volatility of global metals and minerals market as well as the increase in transportation and freight costs. The Group will be cautious and careful in dealing with the metals and minerals trading business.

In the meantime, the Group will also focus its efforts to identify and pursue other resources type trading business and the Directors believe that the Group will be able to take up such opportunities when they arise.

CONTINGENT LIABILITIES

At 31 March 2007, the Company had provided corporate guarantee of US$12.0 million (2006: nil) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

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 2007 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 and (ii) the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election.

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, 31 May 2007

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.