

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)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE INTEREST IN QMASTOR LIMITED

On 17 July 2007, Grand Capital, a wholly-owned subsidiary of the Company, disposed of the Sale Shares through the Broker at a total consideration of approximately AUD1.07 million (equivalent to approximately HK\$7.28 million). The Sale Shares represent approximately 10.18% of the entire issued share capital of QMASTOR at the date of the Disposal.

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

SUSPENSION 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 an announcement in relation to the proposed issue of convertible notes. Suspension of trading in shares of the Company will continue until the announcement is issued.

THE DISPOSAL

On 17 July 2007, Grand Capital disposed of the Sale Shares, which represent approximately 10.18% of the entire issued share capital of QMASTOR at the date of the Disposal, through the Broker by way of off-market cross trading. As the Sale Shares were sold through the Broker at the price under the limit order of the Company, the Company has no information in respect of the identity(ies) of the purchaser(s) of the Sale Shares. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Directors believe that the purchaser(s) and its/their beneficial owner(s) is/are third parties independent of the Company and its connected persons.

CONSIDERATION

The Consideration of an aggregate amount of approximately AUD1.07 million (equivalent to approximately HK\$7.28 million) was settled by payment through the clearing system of the Australian Stock Exchange Limited. The Consideration was determined by the Directors having regard to the unaudited net asset value of QMASTOR as at 31 December 2006 of approximately AUD5.14 million (equivalent to approximately HK\$35.14 million) and the prevailing market conditions.

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 Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

SETTLEMENT AND COMPLETION

Settlement and completion of the Disposal took place on 20 July 2007, the third business days after the date of the transaction. After the completion of the Disposal, the Group will cease to hold any interest in QMASTOR.

INFORMATION ON THE GROUP AND QMASTOR

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

QMASTOR is a company incorporated in Australia whose shares are listed on the Australian Stock Exchange Limited. QMASTOR is principally engaged in providing specialist software and services to the global mining, port, power generation and bulk commodity industries.

The audited net loss (before and after tax) of QMASTOR for the year ended 30 June 2006 was approximately AUD0.12 million (equivalent to approximately HK\$0.79 million) and AUD0.09 million (equivalent to approximately HK\$0.58 million) respectively. The audited net profit (before and after tax) of QMASTOR for the year ended 30 June 2005 was approximately AUD0.08 million (equivalent to approximately HK\$0.58 million) and AUD0.20 million (equivalent to approximately HK\$1.39 million) respectively.

The audited net asset value of QMASTOR as at 30 June 2006 and 30 June 2005 was approximately AUD5.05 million (equivalent to approximately HK\$34.48 million) and AUD5.13 million (equivalent to approximately HK\$35.06 million) respectively. The book value of the Sale Shares in the audited consolidated financial statements of the Group as at 31 March 2007 and 31 March 2006 was approximately HK\$5.70 million and HK\$3.18 million respectively.

REASONS FOR THE DISPOSAL

The Sale Shares were acquired by the Group in 2004 and recorded as available-for-sale investments in the audited consolidated financial statements of the Group. The Directors considered that the Disposal provided an opportunity for the Group to realise its non-core passive investment in QMASTOR in light of the prevailing market conditions and will allow the Group to focus on its core businesses, i.e. metals and minerals trading. Further, the sale proceeds of approximately AUD1.07 million (equivalent to approximately HK\$7.28 million) generated by the Disposal will provide additional working capital for the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the cost of the Group's investment in QMASTOR of approximately HK\$4.42 million and the sale proceeds of approximately HK\$7.28 million, the Company estimates that the expected net realised gain from the Disposal (before deducting the related transaction costs) will be approximately HK\$2.86 million. The Directors consider that the Disposal does not have any significant adverse effect on the financial position of the Group.

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 Disposal will be sent to the Shareholders as soon as practicable.

SUSPENSION 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 an announcement in relation to the proposed issue of convertible notes. Suspension of trading in shares of the Company will continue until the announcement is issued.

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
“Broker”	Ord Minnett Limited, a company incorporated in Australia and is a licensed securities dealer and a third party independent of the Company and any connected persons of the Company
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the sale and purchase of the Sale Shares, being a sum of approximately AUD1.07 million (equivalent to approximately HK\$7.28 million)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by Grand Capital
“Grand Capital”	Grand Capital Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company

“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“QMASTOR”	QMASTOR Limited, a company incorporated in Australia, the shares of which are listed on the Australian Stock Exchange Limited
“Sale Shares”	4,100,000 ordinary shares in the issued share capital of QMASTOR
“Shareholder(s)”	holder(s) of the shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“AUD”	Australian dollars, the lawful currency of Australia
“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, 20 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.

In this announcement, the exchange rate between Australian dollars and Hong Kong dollars is AUD1=HK\$6.8310.

* *For identification purpose only*