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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China Elegance (Holdings) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

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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)**

## **DISCLOSEABLE TRANSACTION** **DISPOSAL OF THE ENTIRE INTEREST IN QMASTOR LIMITED** **AND** **PROPOSED PLACING AND SUBSCRIPTION OF CONVERTIBLE NOTES**

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A notice convening a special general meeting of China Elegance (Holdings) Limited (the “Company”) to be held at Rooms 1910-1913, Hutchison House, 10 Harcourt Road, Central, Hong Kong at 11:00 a.m. on Wednesday, 29 August 2007 (“SGM”) is set out on pages 20 to 21 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you intend to attend the said meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company’s principal place of business in Hong Kong at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjourned meeting(s) should you so wish.

\* *For identification purpose only*

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Board”	board of Directors
“Broker”	Ord Minnett Limited, a company incorporated in Australia and is a licensed securities dealer and an Independent Third Party
“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
“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)
“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 of up to HK\$160 million proposed to be issued by the Company
“Credit Suisse”	Credit Suisse (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is beneficially owned by Credit Suisse Group

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## DEFINITIONS

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“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
“Disposal”	the disposal of the Sale Shares by Grand Capital
“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
“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
“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 third party(ies) independent of the Company and its connected person
“Last Trading Day”	19 July 2007, the last day on which the Shares were traded on the Stock Exchange immediately preceding the publication of the announcement in relation to placing and subscription of Convertible Notes
“Latest Practicable Date”	6 August 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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

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## DEFINITIONS

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“Placing Agent”	CITIC Securities Corporate Finance (HK) Limited, a corporation licensed to carry on Types 1 and 6 of the regulated activities under the SFO
“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
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 transactions 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 Shares
“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 dated 26 July 2007 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

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## DEFINITIONS

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“subsidiaries”	has the meaning attributed to it under the Listing Rules
“AUD”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

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## LETTER FROM THE BOARD

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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)**

*Executive Directors*

Mr. Cheung Ngan (*Chairman*)

Mr. Chan Chung Chun, Arnold (*Deputy Chairman*)

*Independent Non-executive Directors*

Mr. Chan Francis Ping Kuen

Mr. Hu Guang

Mr. Chan Chak Paul

*Registered Office*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal*

*Place of Business in Hong Kong*

37th Floor, China Online Centre

333 Lockhart Road, Wanchai

Hong Kong

10 August 2007

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE INTEREST IN QMASTOR LIMITED AND PROPOSED PLACING AND SUBSCRIPTION OF CONVERTIBLE NOTES**

#### **INTRODUCTION**

On 20 July 2007, the Board announced that Grand Capital, a wholly-owned subsidiary of the Company, 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 at a total consideration of approximately AUD1.07 million (equivalent to approximately HK\$7.28 million). The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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On 27 July 2007, the Board announced that the Company entered into (i) the Placing Letter 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; and (ii) two separate Subscription Agreements with Credit Suisse and Deutsche Bank pursuant to which the Company has conditionally agreed to issue (1) to Credit Suisse the Convertible Notes in the principal amount of HK\$80 million; and (2) to Deutsche Bank the Convertible Notes in the principal amount of HK\$80 million, respectively.

The purpose of this circular is to provide you with further details regarding, among other things, the Disposal, the Subscription Agreements and the transactions contemplated thereunder, and the notice convening the SGM.

### 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 Independent Third Party(ies).

### 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 ceased to hold any interest in QMASTOR.



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## LETTER FROM THE BOARD

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### 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 mineral 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.

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## LETTER FROM THE BOARD

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### 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 of 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 assets and liabilities of the Group.

### PLACING LETTER

#### Date

23 July 2007 (as supplemented by a supplemental letter dated 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.

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## LETTER FROM THE BOARD

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### 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 Subscriber is an Independent Third Party and has 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 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 passing of a resolution at the SGM by the Shareholders to approve the Subscription Agreements, the issue of the Convertible Notes and the Conversion Shares upon exercise of the conversion rights attached to 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 other 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.

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## LETTER FROM THE BOARD

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### 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 : Up to HK\$160 million  
amount of the  
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 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 12.89% to the average closing price 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 the Last Trading Day;

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## LETTER FROM THE BOARD

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- (iii) a premium of approximately 5.26% over the average closing price 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 the Last Trading Day;
- (iv) a discount of approximately 73.40% to the closing price of HK\$3.76 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) 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 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.   |

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## LETTER FROM THE BOARD

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- 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.

## LETTER FROM THE BOARD

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Name of Shareholders	As at the Latest Practicable Date		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 Latest Practicable Date 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 Latest Practicable Date till the date of full conversion	
	<i>Approximate % of</i>		<i>Approximate % of</i>		<i>Approximate % of</i>	
	<i>Shares</i>	<i>shareholding</i>	<i>Shares</i>	<i>shareholding</i>	<i>Shares</i>	<i>shareholding</i>
Cheung Ngan ( <i>Note</i> )	311,232,469	30.12	311,232,469	26.08	311,232,469	22.75
Holders of the First Convertible Notes	–	–	–	–	175,000,000	12.79
Credit Suisse	49,623,000	4.80	129,623,000	10.86	129,623,000	9.47
Deutsche Bank	11,370,000	1.10	91,370,000	7.66	91,370,000	6.68
Sub-total of Subscribers	60,993,000	5.90	220,993,000	18.52	220,993,000	16.15
Other public Shareholders	661,071,331	63.98	661,071,331	55.40	661,071,331	48.31
Total	<u>1,033,296,800</u>	<u>100.00</u>	<u>1,193,296,800</u>	<u>100.00</u>	<u>1,368,296,800</u>	<u>100.00</u>

*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 Latest Practicable Date, there is no specific allocation as to the amount of the fund raised between general working capital and investments and no specific investment opportunity has been identified by the Group.

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## LETTER FROM THE BOARD

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### 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 that 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 in the past 12 months.

### SGM

A notice convening the SGM at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the Subscription Agreements, the issue of the Convertible Notes and the Conversion Shares and the transactions contemplated thereunder is set out on pages 20 to 21 of this circular. To the best knowledge, information and belief of the Directors having made reasonable enquiries, other than Credit Suisse and Deutsche Bank, which own and are entitled to exercise control over the voting right in respect of 49,623,000 Shares and 11,370,000 Shares respectively as at the Latest Practicable Date, no Shareholder is required to abstain from voting at the SGM.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you intend to attend the said meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's principal place of business in Hong Kong at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjourned meeting(s) should you so wish.



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## LETTER FROM THE BOARD

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### PROCEDURE FOR DEMANDING A POLL

Pursuant to the Bye-law 73, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:–

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

A demand by a person as proxy for a Shareholder or in case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

### RECOMMENDATION

The Board considers that terms of the Subscription Agreements and the Convertible Notes are fair and reasonable and the issue of the Convertible Notes is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
**For and on behalf of the Board**  
**Chan Chung Chun, Arnold**  
*Executive Director*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or they were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

*Interests in the Shares or underlying Shares (long position)*

Name of Director	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of existing issued share capital of the Company
Mr. Cheung Ngan	Beneficial owner	311,232,469	30.12%

Save as disclosed herein, as at the Latest Practicable Date, none of Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Interest of Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than Mr. Cheung Ngan's interests which are disclosed in the sub-paragraph headed "Interest of Directors" above, the following persons had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

***Interests in the Shares or underlying Shares (long position)***

<b>Name</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of Shares or underlying Shares</b>	<b>Approximate percentage of existing issued share capital of the Company</b>
Plus All Holdings Limited ( <i>Note 1</i> )	Beneficial owner	125,000,000	12.10%
Credit Suisse ( <i>Note 2</i> )	Beneficial owner	129,623,000	12.54%
Deutsche Bank ( <i>Note 3</i> )	Beneficial owner	91,370,000	8.84%
Earnest Investments Holdings Limited ( <i>Note 4</i> )	Beneficial owner	54,375,000	5.26%

*Notes:*

1. Interests in 125,000,000 underlying Shares represent the conversion rights attached to the convertible notes of a principal amount of HK\$50 million issued under the First Convertible Notes. Plus All Holdings Limited, a company incorporated in Samoa with limited liability and is owned by Shougang Holding (Hong Kong) Limited. Shougang Holding (Hong Kong) Limited is deemed to be interested in the 125,000,000 underlying Shares under Part XV of the SFO.
2. Included interests in 80,000,000 underlying Shares represent the conversion rights attached to the Convertible Notes of a principal amount of HK\$80 million which was agreed to be issued under one of the Subscription Agreements. Credit Suisse is beneficially owned by Credit Suisse Group. Credit Suisse Group is deemed to be interested in the 129,623,000 Shares and underlying Shares under Part XV of the SFO.
3. Included interests in 80,000,000 underlying Shares represent the conversion rights attached to the Convertible Notes of a principal amount of HK\$80 million which was agreed to be issued under one of the Subscription Agreements. Deutsche Bank AG, Singapore Branch is part of Deutsche Bank AG. Deutsche Bank AG is deemed to be interested in the 91,370,000 Shares and underlying Shares under Part XV of the SFO.
4. Earnest Investments Holdings Limited, the shares of which are listed on the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries that was not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**4. MATERIAL LITIGATION**

As at the Latest Practicable Date, so far as known to the Directors, there is no litigation or claim of material importance pending or threatened against any member of the Group.

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of Directors or their respective associates (as defined in the Listing Rules) had any interests in a business which competes or may compete with the business of the Group.

**6. MISCELLANEOUS**

- (a) Mr. Chan Chun Chung Arnold, an associate member of the Hong Kong Institute of Certified Public Accountants, is an executive Director, the secretary and the qualified accountant of the Company.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) The English text of this circular and the proxy form shall prevail over their respective Chinese text in the case of inconsistency.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of China Elegance (Holdings) Limited (the “Company”) will be held at Rooms 1910- 1913, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Wednesday, 29 August 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following ordinary resolution:

#### **ORDINARY RESOLUTION**

##### **“THAT**

- (A) the performance by the Company of the subscription agreements (the “Subscription Agreements”, a copy each of which has been produced to this meeting marked “A” and initialled by the Chairman of this meeting for identification purpose) both dated 26 July 2007, one entered into between Credit Suisse (Hong Kong) Limited and the Company and the other entered into between Deutsche Bank AG, Singapore Branch and the Company, and relating to the proposed issue of zero coupon convertible notes due 2009 in an aggregate principal amount of HK\$160 million (the “Convertible Notes”), the principal terms and conditions of which are set out in the circular of the Company dated 10 August 2007 (the “Circular”, a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of this meeting for identification purpose), be and is hereby approved, confirmed and ratified;
- (B) the issue of the Convertible Notes upon the terms and conditions as set out in the Subscription Agreements be and is hereby approved;
- (C) the issue and allotment of new ordinary shares of HK\$0.01 each in the share capital of the Company upon the due exercise of the conversion rights attaching to the Convertible Notes be and is hereby approved;

\* For identification purpose only

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## NOTICE OF SPECIAL GENERAL MEETING

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- (D) the directors of the Company (the “Directors”) be and are hereby authorised to approve any amendments or modifications to the Subscription Agreements as they may, in their absolute discretion, consider necessary or desirable; and
- (E) the Directors be and are hereby authorised to (i) execute all such documents; and (ii) do all such other acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect, implement and complete the Subscription Agreements and any or all the transactions contemplated in this resolution.”

By Order of the Board  
**CHINA ELEGANCE (HOLDINGS) LIMITED**  
**Chan Chung Chun, Arnold**  
*Executive Director*

Hong Kong, 10 August 2007

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place of Business in Hong Kong:*

37th Floor, China Online Centre  
333 Lockhart Road, Wanchai  
Hong Kong

*Notes:–*

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. In order to be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal place of business of the Company located at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours prior to the meeting.
3. The register of shareholders of the Company will be closed from Monday, 27 August 2007 to Wednesday, 29 August 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending this special general meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 August 2007.