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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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION, APPLICATION FOR WHITEWASH WAIVER AND RESUMPTION OF TRADING

Financial adviser to China Elegance (Holdings) Limited

OPTIMA CAPITAL

Optima Capital Limited

(formerly known as VXL Financial Services Limited)

Very substantial acquisition and connected transaction

The Purchaser, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire from the Vendor the Sale Shares, being 60 shares in Target, representing 60% of the issued share capital of Target. Subject to adjustment on the Sale Shares to be acquired by the Purchaser as mentioned below, the maximum interest of Target to be acquired by the Purchaser is 80%.

* *for identification purpose only*

The Consideration of HK$4,680,000,000 shall be satisfied by the Purchaser by procuring the Company to issue and allot the Consideration Shares at HK$3.6 per Share upon Completion. The Consideration values the Target Group at HK$7,800,000,000 (equivalent to US$1,000,000,000). The Group will engage an independent valuer to perform a valuation of the Target Group. The Acquisition is conditional, among others, the Purchaser having obtained a valuation report issued by an independent and reputable valuer affirming that the valuation of the Target Group is no less than US$1,000,000,000.

If the actual valuation of the Target Group is less than US$1,000,000,000, then the number of Sale Shares shall be increased by such number of shares so that the total number of Sale Shares shall represent a percentage interest in the issued share capital of Target equal to the product of multiplying the quotient obtained by dividing US$1,000,000,000 by the actual valuation of the Target Group by 60%.

Whitewash Waiver

As at the date of the Agreement, the Vendor and parties acting in concert with it were interested in 311,232,469 Shares representing approximately 30.12% of the issued share capital of the Company. Upon Completion and assuming no conversion of the First Convertible Notes or the Second Convertible Notes, the Vendor and parties acting in concert with it will become interested in a total of 1,611,232,469 Shares, representing approximately 69.05% of the issued share capital of the Company as enlarged by the Consideration Shares. The Vendor and parties acting in concert with it will then be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code. An application will be made to the Executive by the Vendor for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders taken by way of a poll at the SGM.

It is one of the conditions of the Agreement that the Whitewash Waiver be obtained. **If the Whitewash Waiver is not granted by the Executive or if granted, not approved by the Independent Shareholders, the Agreement will not become unconditional and the Acquisition will not proceed.**

General

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. Mr. Cheung has been the controlling Shareholder since January 2004 and is interested in approximately 30.12% in the issued share capital of the Company as at the date of this announcement. The Vendor is owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. By virtue of Mr. Cheung's interest in the Company and the Vendor, and Mr. Chan's directorship in the Company, the transactions contemplated under the Agreement constitute connected transaction of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Agreement, including the issue of Consideration Shares, are subject to the approval of the Independent Shareholders at the SGM. The Vendor, Mr. Cheung, Mr. Chan, Mr. Chan Francis Ping Kuen and their respective associates and concert parties and those who are interested in or involved in the Agreement or Acquisition will abstain from voting on the relevant resolutions in relation to the Acquisition and the Whitewash Waiver at the SGM.

An independent board committee has been established by the Company to advise the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard. An announcement will be made by the Company upon appointment of the independent financial adviser.

The Circular containing, among others, (i) details of the Agreement; (ii) the Valuation Report and the Technical Adviser Report; (iii) details of the application of the Whitewash Waiver; (iv) a letter of advice from the independent board committee of the Company to the Independent Shareholders; (v) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; (vi) financial information on the Target Group; and (vii) the notice of the special general meeting will be dispatched to the Shareholders after completion of the Technical Adviser Report and the Valuation Report.

Rule 8.2 of the Takeovers Code provides that a whitewash document should normally be posted within 21 days of the date of announcement of the terms of the whitewash transaction. Accordingly, the Circular should be posted within 21 days of the date of this announcement. Pursuant to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the Circular cannot be posted within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by the Vendor and the Company for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the dispatch of the Circular to 28 February 2009.

Suspension and resumption of trading

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 8 August 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 August 2007.

INTRODUCTION

Reference is made to the announcement of the Company dated 1 August 2007 relating to, among others, the possible acquisition by the Company of certain mining concessions in Chile.

The Directors are pleased to announce that on 7 August 2007, the Purchaser has conditionally agreed to acquire from the Vendor a 60% interest (subject to adjustment as details below) in Target pursuant to the Agreement, details of which are set out below.

THE AGREEMENT

Parties to the Agreement

(i) Vendor: Ceasers Development Limited, which is owned as to 51% by Mr. Cheung Ngan (an executive director and chairman of the Company) and as to 49% by Mr. Chan Chung Chun, Arnold (an executive director and deputy chairman of the Company)

(ii) Purchaser: China Elegance Resources Limited, a wholly-owned subsidiary of the Company

(iii) Target company: Bellavista Holding Group Limited, which is held as to 20% by Loyal Nation and as to 80% by the Vendor as at the date of the Agreement

The Vendor is an investment holding company whose sole assets are the interests in the Target Group.

Assets to be acquired

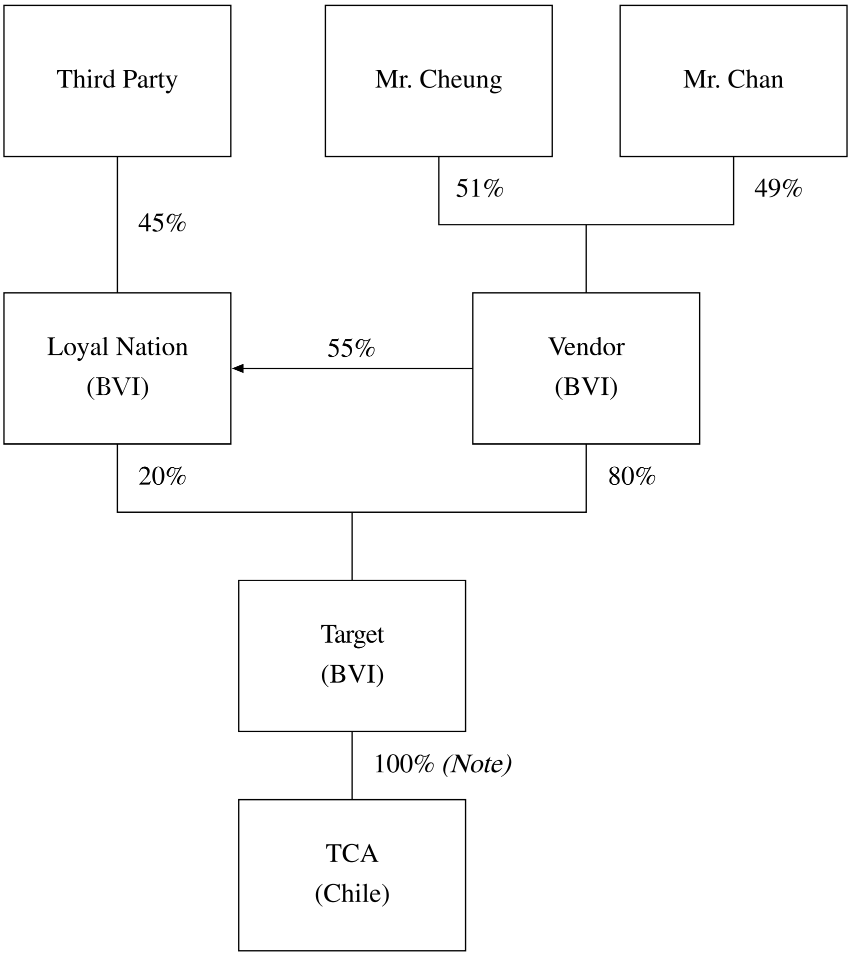
The Purchaser has conditionally agreed to acquire from the Vendor the Sale Shares, being 60 shares in Target, representing 60% of the entire issued share capital of Target (subject to adjustment as mentioned in the paragraph headed "Adjustment to the number of Sale Shares to be acquired by the Purchaser" below).

As at the date of this announcement, Target is held as to 80% by the Vendor and 20% by Loyal Nation. Loyal Nation is held as to 55% by the Vendor and as to 45% by the Third Party. Save for the interests held by Mr. Cheung in the Company, neither Loyal Nation nor the Third Party or their respective associates is interested in any securities of the Company as at the date of this announcement. The Third Party and the Vendor are presumed to be acting in concert under the Takeovers Code.

Upon Completion and assuming no adjustment has to be made on the number of Sale Shares, the Purchaser will hold 60% interest in Target and the remaining 40% interest in Target will be held as to 20% by the Vendor and 20% by Loyal Nation. Subject to adjustment on the Sale Shares to be acquired by the Purchaser as mentioned below, the maximum interest of Target to be acquired by the Purchaser is 80%. The Target Group will become subsidiaries of the Company and their accounts will be consolidated into the accounts of the Group upon Completion.

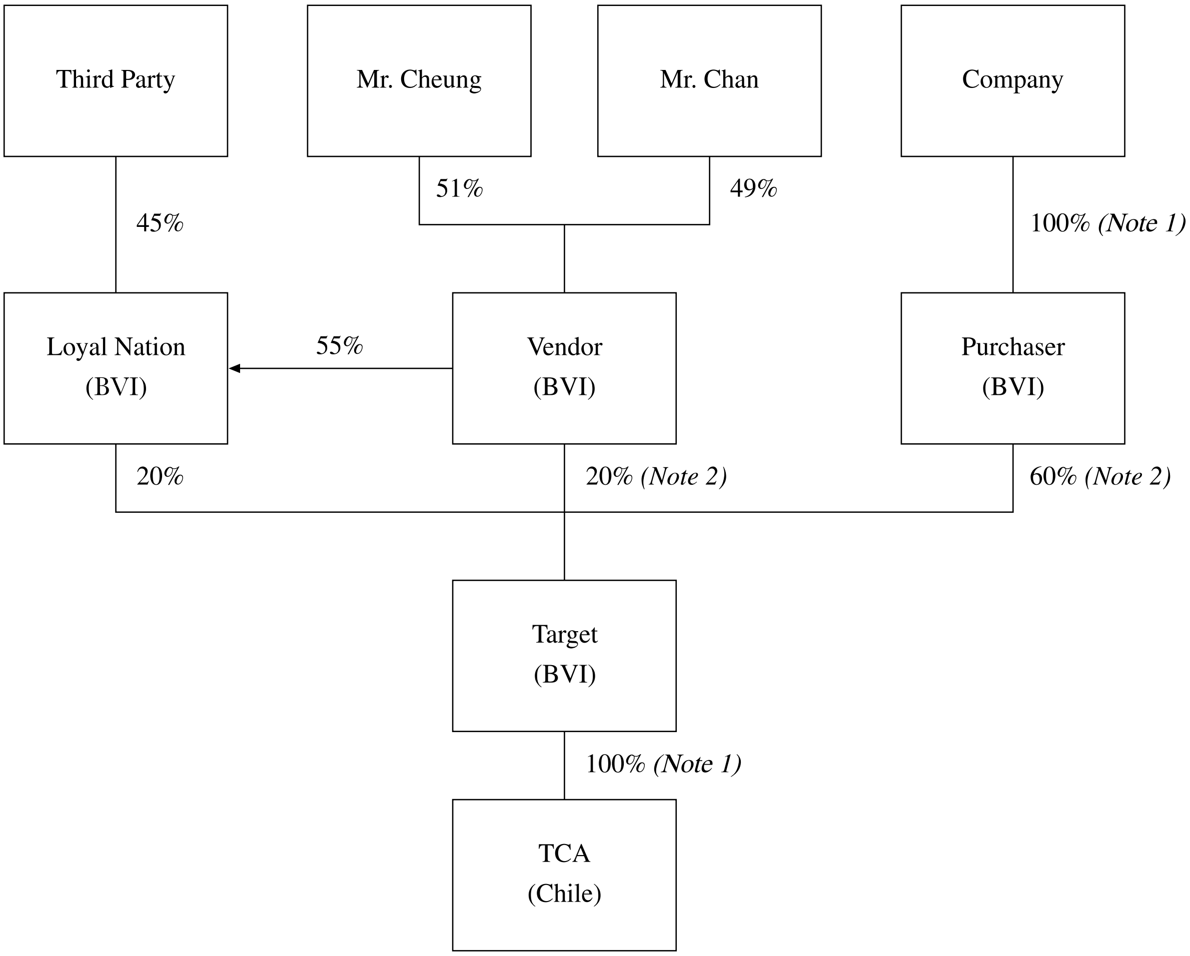
Shareholding structure of the Target Group

Before Completion



Note: Represents indirect shareholding.

After Completion (assuming no adjustment on the number of Sale Shares)



Notes:

1. Represent indirect shareholding.

2. Subject to the adjustments on the Sale Shares to be acquired by the Purchaser as mentioned below, the maximum interest of Target to be acquired by the Purchaser is 80% and on this basis, the Vendor will not directly hold any shares in Target upon Completion.

Consideration

The Consideration of HK$4,680,000,000 for the Acquisition was determined with reference to the preliminary estimation of the copper resources of over 5 million tonnes according to a technical adviser report prepared by NCGEB in 2001, the operating costs of the Target Group's mining operation and the outlook for copper prices. According to the technical adviser report prepared by NCGEB, it is estimated that the copper resources of the Maipo Copper Mines will be over 5 million tonnes. Further information are set out in the paragraph headed "Information on the Target Group" below. The operating costs of the Target Group are expected to include, among others, mining costs, processing costs, general and administrative costs, selling costs, annual mining license fees and taxes. As the operating cost of the Target Group's mining operation will affect the valuation of the Target Group, it is one of the factors for the determination of the Consideration. In determining the Consideration, the copper prices quoted on London Metal Exchange were used and it is assumed that the copper prices would remain stable.

The Consideration values the Target Group at HK$7,800,000,000 (equivalent to US$1,000,000,000). The Group will engage an independent valuer to perform a valuation of the Target Group. The Acquisition is conditional on, among others, the Purchaser having obtained a Valuation Report issued by an independent and reputable valuer in a form and substance satisfactory to the Purchaser, affirming that the valuation of the Target Group is no less than US$1,000,000,000. The Valuation Report will be included in the Circular.

The Consideration shall be satisfied by the Purchaser by procuring the Company to issue and allot the Consideration Shares at a price of HK$3.6 per Share. The total of 1,300,000,000 Consideration Shares to be issued represent approximately 125.8% of the existing issued share capital of the Company and approximately 55.7% of the enlarged issued share capital of the Company. The issue price of the Consideration Shares of HK$3.6 per Share represents:

(i) a discount of approximately 2.17% to the closing price of HK$3.68 per Share as quoted on the Stock Exchange on 7 August 2007, being the last trading day prior to the suspension of trading in the Shares pending the release of this announcement;

(ii) a discount of approximately 3.49% to the average closing price of HK$3.73 per Share over the last 5 trading days up to and including 7 August 2007;

(iii) a premium of approximately 24.57% over the average closing price of HK$2.89 per Share over the last 10 trading days up to and including 7 August 2007;

(iv) a premium of approximately 160.87% over the average closing price of HK$1.38 per Share over the last 30 trading days up to and including 7 August 2007; and

(v) a premium of approximately 17,042.86% over the audited net assets value of the Company of approximately HK$0.021 per Share as at 31 March 2007.

The Directors noted that the technical adviser report prepared by NCGEB was done in 2001. The Directors have recently performed site visits to the Maipo Copper Mines and were not aware of any bulldozers or other scaleable machineries and equipments or infrastructure essential for large scale exploitation. Based on the result of the site visits, the Directors are not aware of any large scale exploitation which significantly affected the copper resources has been carried out in Maipo Copper Mines. Without the aforesaid equipments or infrastructure, the Directors do not consider that other smaller scale exploitations (if any) could have any significant impacts on the copper resources in Maipo Copper Mines. Accordingly, the Directors consider that the copper resources as indicated in the report of NCGEB provide a reasonable basis to the Company to form a basis to determine the Consideration. In any event, the Agreement is conditional on the Purchaser having obtained the Valuation Report, affirming that the valuation of the Target Group is no less than US$1,000,000,000 (or otherwise the number of Sale Shares will be adjusted accordingly as mentioned below). Although the Agreement has provided that the aforesaid condition is waivable by the Purchaser, the Purchaser does not intend to waive such condition. On the above basis, the Directors are of opinion that the Consideration is fair and reasonable and on normal commercial terms.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, Consideration Shares.

Adjustment to the number of Sale Shares to be acquired by the Purchaser

If the actual valuation of the Target Group as evidenced in the Valuation Report (the "Actual Valuation") is:–

(i) equal to or more than the valuation of US$1,000,000,000, then the number of Sale Shares shall remain unchanged;

(ii) less than the valuation of US$1,000,000,000, then the number of Sale Shares shall be increased by such number of shares so that the total number of Sale Shares shall represent a percentage interest in issued share capital of Target equal to the product of multiplying the quotient obtained by dividing US$1,000,000,000 by the Actual Valuation by 60%, provided that if the adjusted number of Sale Shares is not an integer, such number of Sale Shares shall be rounded-up to the nearest integer.

If the Actual Valuation is less than US$750,000,000, the Purchaser shall be entitled to (but not obliged to) terminate the Agreement without liability to the other parties. On the above basis, the maximum interest of Target can be acquired by the Purchaser is 80%.

Due Diligence

The Purchaser is entitled to conduct exploration studies on the geology, mining resources and reserves, quality and feasibility of the Mining Concessions owned by the Target Group from time to time at its own costs and expense before 31 August 2009, the long stop date for the conditions of the Agreement to be fulfilled or waived (as the case may be). The Vendor shall use its best endeavours to procure the members of the Target Group to render all reasonable assistance to the Purchaser in carrying out the exploration studies of the Mining Concessions.

The Group will appoint an independent technical adviser to perform a technical review on the mining sites of the Target Group including, among others, the assessment of mining license, geology, ore resources, mineral resources and exploitation potential as soon as practicable. After preliminary review, the technical adviser will design a drilling program for its exploration and exploitation studies. Based on the advice of the technical adviser, the Group will commence the drilling program. The Group will also engage an independent valuer to perform the valuation of the Target Group. It is currently expected that the program will take approximately 1 to 1.5 years to complete. Set out below is the expected timetable for the program:

Date	**Events**
September 2007 to October 2007	Appoint technical adviser to design the drilling program
November 2007	Commence the infrastructure and preparation work for drilling
November 2007 to October 2008	Carry out the topography (physical shape including hills, valleys and rivers) review, drilling and assay (a test to see how much metal is in an ore or to what extent a precious metal consists of impurities)
November 2008 to January 2009	Appoint independent valuer to perform the valuation of the Target Group
	Based on the results of the drilling program, the technical adviser and the valuer perform analysis and prepare the Technical Adviser Report and the Valuation Report
February 2009	The Technical Adviser Report and the Valuation Report are ready

Based on the initial estimation of the Group, the aggregate expenditure of the aforesaid due diligence exercise, including, among others, capital expenditure, drilling cost and expense in respect of appointment of professionals, will range from HK$33 million to HK$35 million. The expenditure will be borne by the Purchaser who will not be reimbursed in the event that the Acquisition is not completed. As at 31 March 2007, the audited net asset value of the Group is approximately HK$21.5 million. To strengthen its working capital for future investment purpose, the Group had launched two fund raising exercises by issuing convertible notes in July 2007 raising an aggregate of approximately HK$222.5 million, details of which are set out in the announcements of the Company dated 9 July 2007 and 27 July 2007. After considering the benefits arising from the Acquisition as further discussed under the paragraphs headed "Reasons for the Acquisition" below and taking into account of the scale of the Acquisition, the Directors consider that the expenditure for the aforesaid due diligence program is justified in the circumstances.

Conditions of the Agreement

The Agreement is subject to and conditional upon the fulfillment of following conditions precedent:–

(i) Approvals: if necessary, all approvals by the shareholders and/or directors of the Vendor and the Target, government and regulatory authorities of BVI and Chile for the transactions contemplated under the Agreement being obtained;

(ii) Independent Shareholders' Approval: the passing of ordinary resolutions of the Independent Shareholders at a special general meeting by way of a poll (if required) to approve the entering into of the Agreement, the issue of the Consideration Shares and the Whitewash Waiver;

(iii) Listing Approval: the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares;

(iv) Due Diligence: the Purchaser:–

    (a) having received a legal opinion issued by a law firm practicing in Chile appointed by the Purchaser in form and substance acceptable to the Purchaser in relation to the transactions contemplated under the Agreement;

(b) having received the Technical Adviser Report; and

(c) having completed the due diligence and having notified the Vendor that the Purchaser is fully or substantially satisfied with the result of the due diligence, including without limitation the proper corporate registration of the Target Group with the relevant authorities in Chile and BVI, the Target Group's financial condition and the title of the Mining Concessions;

(v) Compliance of regulatory requirements: in relation to the transactions contemplated in the Agreement, all relevant regulatory requirements in Hong Kong and Bermuda (including but not limited to those under the Listing Rules and the Takeovers Code and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied;

(vi) Warranties: the Vendor's warranties given in the Agreement having remained true and accurate in all material respects;

(vii) Performance: each member of the Target Group having performed and complied with all agreements, obligations and conditions contained in the Agreement that are required to be performed or complied with by it on or before Completion;

(viii) No material adverse change: no material adverse change or prospective material adverse change in the Target Group's business, operations, financial conditions or prospects has occurred since the date of signing of the Agreement;

(ix) Whitewash Waiver: the grant of the Whitewash Waiver to the Vendor and parties acting in concert with it by the Executive;

(x) Valuation Report: the Purchaser having obtained the Valuation Report, affirming that the valuation of the Target Group is no less than US$1,000,000,000 (or its equivalent in other currency). If the valuation is less than US$1,000,000,000 (or its equivalent in other currency), the number of Sale Shares shall be subject to the adjustment as set out in the paragraphs headed "Adjustment to the number of Sale Shares to be acquired by the Purchaser" above; and

(xi) Approval of Reports: (if required) the passing of an ordinary resolution of the Independent Shareholders at a special general meeting by way of poll (if required) to approve the Board to accept the Technical Adviser Report and the Valuation Report.

The Purchaser may at any time waive in writing any conditions (other than conditions (i), (ii), (iii), (v), (ix) and (xi) above). The Purchaser does not intend to waive condition (iv) and (x) above. It is expected that the approval by the shareholders of the Vendor and the Target as required by condition (i) will be obtained shortly after the release of this announcement. The Directors do not foresee any problem for obtaining such approval. If any of the above conditions shall not have been fulfilled or waived (as the case may be) on or before 31 August 2009 as such later date as the Vendor and the Purchaser may agree, the Agreement shall lapse, whereupon all rights and obligations of the parties to the Agreement shall cease to have effect except in respect of any accrued rights and obligations of the parties.

Completion

Completion shall take place on the 7th business day after fulfillment or waiver (as the case may be) of all the conditions referred to above or such other date as the parties to the Agreement may agree.

INFORMATION ON THE TARGET GROUP

Target was incorporated on 18 July 2006. Target is an investment holding company whose principal assets are the entire beneficial interests in the Mining Concessions through its indirect wholly-owned subsidiary namely TCA Exploration S.A.. The principal activities of TCA include holding of Mining Concessions, exploration, exploitation and processing of minerals resources. TCA is currently holding the Mining Concessions and is prepared to proceed with the exploration and exploitation of mineral resources in the near future.

TCA, a company incorporated in Chile, at present owns one (1) duly incorporated permanent mining exploitation concession as well as seventeen (17) applications for mining exploitation concessions (including five (5) duly incorporated mining exploration concessions) along the Maipo River mining area in San Gabriel and San Jose of Chile. TCA is the registered applicants for the 17 mining exploitation concessions. To the best knowledge of the Directors, no other application for the 17 exploitation concessions has been submitted by other parties. On the 17 applications for mining exploitation concessions, TCA has secured its preferential interest in obtaining the grant of the 17 mining exploitation concessions over any subsequent petitions by other parties by petitions before the Ordinary Courts of Justice in Chile, completing registration of the petitions for such mining rights in the Discovery Registry in Chile and publication of such rights in the Mining Official Gazette in Chile. As such, subject to completion of formalities involved in the incorporation process of mining concessions, TCA should be granted the exploitation rights on such mining concessions. The aforesaid 18 mining concessions represent all mining concessions under the Agreement.

The mining area covered by the Mining Concessions is divided into 3 parts, namely Perico, South Maipo and North Maipo, with a total area of approximately 47 km^2. In the past years, several geological survey companies were appointed to carry out fieldwork in the area and fundamental geological works have been completed for the purpose of analyzing the exploration and exploitation potential in the Maipo Copper Mines. The Third Party appointed NCGEB to carry out the studies in 2000. NCGEB worked on the Maipo Copper Mines for 14 months from 2000 to 2001. NCGEB is a third party independent of the Company and its connected persons. Based on the information contained in its official website, NCGEB was founded in 1952 and it is now administrated by Tianjin city government, the PRC. NCGEB has a total of 4,942 employees of which 1,013 are experts and technicians. Since its establishment for more than 50 years, NCGEB has discovered a total of more than 500 mining sites, accomplished over 800 geological exploration projects and 140 scientific research projects. According to NCGEB's findings, it is estimated that the copper resources of the Maipo Copper Mines will be over 5 million tonnes. The Directors have recently performed site visits to the Maipo Copper Mines and were not aware of any bulldozers or other scaleable machineries and equipments or infrastructure essential for large scale exploitation. Based on the result of the site visits, the Directors are not aware of any large scale exploitation which significantly affected the copper resources has been carried out in Maipo Copper Mines. Without the aforesaid equipments or infrastructure, the Directors do not consider that other smaller scale exploitations (if any) could have any significant impacts on the copper resources in Maipo Copper Mines.

The unaudited book value of the Mining Concessions in the consolidated accounts of the Target Group was approximately HK$0.1 million as at 31 March 2007. The total investments of the Vendor in the Target Group are approximately HK$0.3 million. An accountants' report on the Target Group containing, among others, the consolidated income statement, consolidated balance sheet and consolidated cashflow statement prepared in accordance with the generally accepted accounting principles in Hong Kong will be included in the Circular.

INFORMATION ON THE MINING CONCESSIONS

The Company will engage an independent technical adviser to perform a technical review on the mining sites of the Target Group including, among others, the assessment of mining tenement, geology, ore resources, mineral resources and exploitation potential as soon as practicable. The Technical Adviser Report in compliance with Chapter 18 of the Listing Rules will be included in the Circular.

In Chile, exploration concession is a right which grants the holder thereof the exclusive right to explore a designated concession territorial limit for minerals and the owner of an exploration concession also has the right to obtain the exploitation right over the same piece of land. Exploitation concession is a right which grants the holder thereof an exclusive right to freely explore and exploit all mineral substances within the concession territorial limit and become the owner of the substances extracted. The exploitation concession right, once granted, is a permanent and perpetual right and subject only to payment of annual mining license fee. It is estimated that the annual mining license fee in respect of TCA's 18 exploitation concessions will be approximately US$30,000.

Details of the Mining Concessions are enlisted below:

NAME	TYPE *(Note)*	AREA (HECT.)	ORIENTATION UNIVERSAL TRANSVERSE MERCATOR (NORTH AND EAST)	LENGTH (METERS)	LOCATION
Perico II 1 al 40	Exploitation	200	6261500, 389000	1000 X 2000	Metropolitan Region
San Gabriel I 1-20	Exploitation	200	6263500, 389000	1000 X 2000	Metropolitan Region
San Gabriel II 1-20	Exploitation	200	6262500, 389000	1000 X 2000	Metropolitan Region
San Gabriel III 1-20	Exploitation	200	6262500, 391000	1000 X 2000	Metropolitan Region
San José I 1-30	Exploitation	300	6246500, 390500	3000 X 1000	Metropolitan Region
San José III 1-30	Exploitation	300	6246000, 392500	1000 X 3000	Metropolitan Region
San José IV 1-30	Exploitation	300	6247000, 392500	1000 X 3000	Metropolitan Region
San José V 1-30	Exploitation	300	6248000, 392500	1000 X 3000	Metropolitan Region
San José V 1-20	Exploitation	100	6248000, 394500	1000 X 1000	Metropolitan Region
San José 10	Exploration and Exploitation	300	6246500, 394500	3000 X 1000	Metropolitan Region
San José 7	Exploration and Exploitation	300	6244000, 392500	1000 X 3000	Metropolitan Region
San José 8	Exploration and Exploitation	300	6243000, 392500	1000 X 3000	Metropolitan Region
San José 9	Exploration and Exploitation	300	6242000, 392500	1000 X 3000	Metropolitan Region
San José 15	Exploration and Exploitation	200	6244000, 390500	2000 X 1000	Metropolitan Region
San José 16	Exploitation	300	6241500, 389500	3000 X 1000	Metropolitan Region
San José 17	Exploitation	300	6241500, 390500	3000 X 1000	Metropolitan Region
San José 18	Exploitation	300	6241000, 392500	1000 X 3000	Metropolitan Region
San José II 1-30	Exploitation	300	6245000, 392500	1000 X 3000	Metropolitan Region

Note:

(a) TCA is the owner of:

1. one (1) duly incorporated mining exploitation concession known as Perico II 1 al 40 and thus TCA has permanent exclusive exploitation right in respect of mineral substances of the said exploitation concession. The acquisition cost of the aforesaid concession was approximately HK$15,000;

2. seventeen (17) applications for mining exploitation concessions (including the 5 mining exploration concessions below) which are in process of incorporation. The cost incurred was approximately HK$100,000 and the estimated cost to completion of the said applications is approximately HK$1.0 million to HK$1.5 million; and

3. five (5) duly incorporated mining exploration concessions, namely (i) San José 10, (ii) San José 7, (iii) San José 8, (iv) San José 9 and (v) San José 15. The acquisition cost of the aforesaid concession was approximately HK$800.

(b) TCA does not own the land in respect of the Mining Concessions.

It is expected that the Target Group will obtain the aforesaid remaining 17 exploitation rights prior to Completion. It is a condition to the Agreement that the Purchaser is satisfied with the result of the due diligence, including the Target Group's title of the Mining Concessions.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following is a summary of the shareholding in the Company (i) as at the date of this announcement; (ii) upon Completion; and (iii) upon Completion and full conversion of the First Convertible Notes and Second Convertible Notes (assuming no other changes in shareholding before then):

Name of Shareholders	**As at the date of this announcement**		**Upon Completion**		**Upon Completion and full conversion of the First Convertible Notes and the Second Convertible Notes**	
	Shares	*Approximate %*	*Shares*	*Approximate %*	*Shares*	*Approximate %*
Mr. Cheung *(Note 1)*	311,232,469	30.12	311,232,469	13.34	311,232,469	11.66
Vendor *(Note 2)*	–	–	1,300,000,000	55.71	1,300,000,000	48.72
Vendor and its concert parties	311,232,469	30.12	1,611,232,469	69.05	1,611,232,469	60.38
Holders of the First Convertible Notes *(Note 3)*	–	–	–	–	175,000,000	6.56
Holders of the Second Convertible Notes *(Note 3)*	67,913,000	6.57	67,913,000	2.91	227,913,000	8.54
Other public Shareholders	654,151,331	63.31	654,151,331	28.04	654,151,331	24.52
Total public Shareholders	722,064,331	69.88	722,064,331	30.95	1,057,064,331	39.62
Total	1,033,296,800	100.00	2,333,296,800	100.00	2,668,296,800	100.00

Notes:

1. Mr. Cheung is the chairman and executive director of the Company.

2. Vendor is owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. Mr. Chan does not own any Shares as at the date of this announcement.

3. Holders of the First Convertible Notes and the Second Convertible Notes are third parties independent of the Company and its connected persons. None of the holders of First Convertible Notes or the Second Convertible Notes are acting or presumed to be acting in concert with the Vendor, Mr. Cheung or Mr. Chan. At the special general meeting of the Company held on 29 August 2007, the issue of the Second Convertible Notes has been approved by the Shareholders, details of the Second Convertible Notes are set out in the announcement of the Company dated 27 July 2007 and the circular of the Company dated 10 August 2007.

As at the date of this announcement, the Company has 54,700,000 outstanding share options entitling the holders thereof to subscribe for 54,700,000 new Shares under the share option scheme of the Company adopted on 5 January 2004. Save for the outstanding First Convertible Notes, the Second Convertible Notes to be issued by the Company and the aforesaid share options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

WHITEWASH WAIVER

As at the date of the Agreement, the Vendor and parties acting in concert with it were interested in 311,232,469 Shares representing approximately 30.12% of the issued share capital of the Company. Upon Completion and assuming no conversion of the First Convertible Notes or the Second Convertible Notes, the Vendor and parties acting in concert with it will become interested in a total of 1,611,232,469 Shares, representing approximately 69.05% of the issued share capital of the Company as enlarged by the Consideration Shares. The Vendor and parties acting in concert with it will then be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code. An application will be made to the Executive by the Vendor for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders taken by way of a poll at the SGM.

It is one of the conditions of the Agreement that the Whitewash Waiver be obtained. If there are disqualifying transactions in the period between the date of this announcement and completion of the issue of the Consideration Shares, the Executive will not grant the Whitewash Waiver. **If the Whitewash Waiver is not granted by the Executive or if granted, not approved by the Independent Shareholders, the Agreement will not become unconditional and the Acquisition will not proceed.**

The Vendor and parties acting in concert with it have not dealt in the Shares or other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares in the six-month period immediately prior to the date of this announcement.

As the two executive Directors, Mr. Cheung and Mr. Chan, are interested in the Acquisition, Mr. Chan Francis Ping Kuen, an independent non-executive Director, was invited to be involved in the negotiations on behalf of the Board with the Vendor in respect of the Acquisition. Accordingly, he has been excluded in the composition of the independent board committee to advise the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver. An independent board committee comprising two independent non-executive Directors namely Mr. Hu Guang and Mr. Chan Chak Paul has been established by the Company to advise the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

REASONS FOR THE ACQUISITION

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

The Group commenced its metals and minerals trading business in July 2002. With a view to reformulating the Group's business strategy and focusing the metals and minerals sector, the Group has discontinued its consumer products business by disposal of its entire 60% interests in Unicon Group in August 2006 and has disposed of its interests in QMASTOR, a company principally engaged in providing specialist software and services to the global mining, port, power generation and bulk commodity industries in July 2007.

The Company will continue its existing business after the Completion. The Directors consider the Acquisition represents an opportunity for the Group to diversify into the mining business. In view of the increase in demand for natural resources in the world and the increase in the prices of metals over the past years, the Directors are optimistic about the future prospects and demand for natural resources. Chile is a country well known for its richness in natural resources including copper. Copper's principal application is in the wire and cable market. End users rely on copper's electrical conductivity, corrosion resistance and thermal conductivity. As a result of the industrialization and urbanization in China and other developing countries, the worldwide demand for commodities has been increasing in recent years, leading to increasing prices. Taking into account of the above, the Directors believe that the Acquisition will contribute to the Group's success in the mining business and will enhance the Group's investment return in future. Mr. Cheung has over 10 years' substantial experience in iron and steel manufacturing and trading in Hong Kong and the PRC, including his several years with a listed company in Hong Kong, specializing in the trading and manufacturing of iron and steel, management of iron and steel refineries, and management in exploration and exploitation of a silicon mine in Fujian, the PRC. Upon Completion, the Group will engage a team of expertise and technicians with relevant professional background and experience in the mining industry, in particular, in Chile to operate the mining business. The Directors believe that with the above professional team structure, the mining business of the Group will be well managed.

The Directors consider the terms of the Agreement to be fair and reasonable as far as the Shareholders are concerned and that the Agreement is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. Mr. Cheung has been the controlling Shareholder since January 2004 and is interested in approximately 30.12% in the share capital of the Company as at the date of this announcement. The Vendor is owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. By virtue of Mr. Cheung's interest in the Company and the Vendor, and Mr. Chan's directorship in the Company, the transactions under the Agreement constitute connected transaction of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Agreement, including the issue of Consideration Shares, are subject to the approval of the Independent Shareholders at the SGM.

GENERAL

A special general meeting will be convened by the Company at which resolutions will be proposed to seek approval of, among other things, the Agreement (including the issue of the Consideration Shares) and the Whitewash Waiver. The Vendor, Mr. Cheung, Mr. Chan and Mr. Chan Francis Ping Kuen and their respective associates and concert parties and those who are interested in or involved in the Agreement or the Acquisition will abstain from voting on the resolutions in relation to the Acquisition and the Whitewash Waiver at the SGM. At such meeting, the votes of the Independent Shareholders in relation to the Agreement (including the issue of the Consideration Shares) and the Whitewash Waiver will be taken by poll.

Mr. Chan Francis Ping Kuen, an independent non-executive Director, was involved in the negotiations on behalf of the Board with the Vendor in respect of the Acquisition. Accordingly, he has been excluded in the composition of the independent board committee to advise the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver. An independent board committee comprising two independent non-executive Directors namely Mr. Hu Guang and Mr. Chan Chak Paul has been established by the Company to advise the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard. An announcement will be made by the Company upon appointment of the independent financial adviser.

The Circular containing, among others, (i) details of the Agreement; (ii) the Valuation Report and the Technical Adviser Report; (iii) details of the application of the Whitewash Waiver; (iv) a letter of advice from the independent board committee of the Company to the Independent Shareholders; (v) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; (vi) financial information on the Target Group; and (vii) the notice of the special general meeting will be dispatched to the Shareholders after completion of the Technical Adviser Report and the Valuation Report.

Rule 8.2 of the Takeovers Code provides that a whitewash document should normally be posted within 21 days of the date of announcement of the terms of the whitewash transaction. Accordingly, the Circular should be posted within 21 days of the date of this announcement. Pursuant to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the Circular cannot be posted within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by the Vendor and the Company for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the dispatch of the Circular to 28 February 2009.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 8 August 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 August 2007.

DEFINITIONS

The following terms are used in this announcement:

"Acquisition"	acquisition of 60 shares in Target (subject to adjustment as mentioned herein), representing 60% of the entire issued share capital of Target, pursuant to the Agreement
"Agreement"	a sale and purchase agreement dated 7 August 2007 entered into between the Vendor, the Purchaser and Target in relation to the Acquisition
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"BVI"	British Virgin Islands
"Chile"	the Republic of Chile
"Circular"	a circular of the Company containing, among others, (i) details of the Agreement; (ii) the Valuation Report and the Technical Adviser Report; (iii) details of application of the Whitewash Waiver; (iv) a letter of advice from the independent board committee of the Company to the Independent Shareholders; (v) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; (vi) financial information on the Target Group; and (vii) the notice of the special general meeting to be dispatched to the Shareholders
"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 Agreement

"Completion Date"	the date being the 7th business day after the fulfillment of all the conditions precedent to the Agreement
"connected persons"	has the meaning given to it under the Listing Rules
"Consideration"	HK$4,680,000,000, the consideration for the Acquisition pursuant to the Agreement
"Consideration Shares"	1,300,000,000 new Shares to be issued to the Vendor upon Completion
"Directors"	directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"First Convertible Notes"	a series of zero coupon convertible notes due in the year 2009 in an aggregate principal amount of HK$70 million issued by the Company, details of which were set out in the announcement of the Company dated 9 July 2007
"Group"	the Company and its subsidiaries
"Independent Shareholders"	Shareholders other than Mr. Cheung, Mr. Chan, the Vendor, Mr. Chan Francis Ping Kuen and their respective associates and concert parties and those who are interested in or involved in the Agreement or Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loyal Nation"	Loyal Nation Enterprises Limited, a company incorporated in BVI
"Maipo Copper Mines"	the mining area covered by the Mining Concessions

"Mining Concessions"	the mining concessions (including the exploration rights and the exploitation rights) along Maipo River mining area in San Gabriel and San Jose of Chile held or to be held by TCA
"Mr. Chan"	Mr. Chan Chung Chun, Arnold, the deputy chairman and executive director of the Company
"Mr. Cheung"	Mr. Cheung Ngan, the chairman and executive director of the Company
"NCGEB"	North China Geological Exploration Bureau in Tianjin, which is administrated by Tianjin city government, the PRC
"PRC"	the People's Republic of China
"Purchaser"	China Elegance Resources Limited, a wholly-owned subsidiary of the Company
"QMASTOR"	QMASTOR Limited, a company incorporated in Australia, the shares of which are listed on the Australian Stock Exchange Limited
"Sale Shares"	60 ordinary shares of US$1.00 each in the capital of Target beneficially owned by the Vendor, representing 60% of the entire issued shares of Target (subject to adjustment as mentioned herein)
"Second Convertible Notes"	a series of zero coupon convertible notes due in the year 2009 in an aggregate principal amount of HK$160 million to be issued by the Company, details of which were set out in the announcement of the Company dated 27 July 2007 and the circular of the Company dated 10 August 2007
"SFC"	Securities and Futures Commission of Hong Kong
"SGM"	the special general meeting of the Company to be convened to approve, among other things, the Acquisition and the Whitewash Waiver

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	holders of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target"	Bellavista Holding Group Limited, a company incorporated in BVI
"Target Group"	Target and its subsidiaries
"TCA"	TCA Exploration S.A., a company incorporated in Chile
"Technical Adviser Report"	a technical adviser report to be issued by an independent technical adviser to be appointed by the Purchaser in accordance with the Listing Rules and in form and substance acceptable to the Purchaser in relation to the Mining Concessions
"Third Party"	a third party independent of the Company and its connected persons, who is interested in 45% of Loyal Nation
"Unicon Group"	Unicon Spirit Development Ltd., a company incorporated in BVI, and its subsidiaries
"Valuation Report"	a valuation report in respect of the Target Group to be issued by an independent and reputable valuer in a form and substance satisfactory to the Purchaser
"Vendor"	Ceasers Development Limited, a company incorporated in BVI, which is owned as to 51% by Mr. Cheung and 49% by Mr. Chan

"Whitewash Waiver"	a waiver of the obligation of the Vendor and parties acting in concert with it to make a mandatory offer for all the Shares not already owned or agreed to be acquired by them under Note 1 to Dispensations from Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares
HK$	Hong Kong dollars
US$	United States of America dollars

Throughout this announcement, amounts in US$ have been translated, for illustration only, into HK$ at the exchange rate of US$1.0 = HK$7.8.

By Order of the Board
CHINA ELEGANCE (HOLDINGS) LIMITED
Cheung Ngan
Chairman

Hong Kong, 29 August 2007

As at the date of this announcement, the Board 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.