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; CONTINUING CONNECTED TRANSACTION AND RESUMPTION OF TRADING

Financial adviser to China Elegance (Holdings) Limited

Optima Capital Limited

THE JV AGREEMENT

The Directors are pleased to announce that on 16 October 2007, the Subsidiary, Tong Guan (a wholly owned subsidiary of Tongling Nonferrous Metals Group Holding Co., Ltd., a PRC State-owned enterprise and the market leader in cathode copper production in PRC in 2006) and CCCL entered into the JV Agreement for the establishment of the Joint Venture which will carry on business of processing copper ores in Chile.

According to the information in the public domain, Tongling, established in 1952, is principally engaged in copper mining, mineral processing, smelting and refining and copper products processing, and also involves in trade, scientific research and design, machine building, construction and installation and shaft and drift construction. Tongling is one of PRC top 500 enterprises. In 2006, its sales revenue reached RMB33,670,000,000 and the output of cathode copper hit 544,800 tons, representing the market leader in PRC and eighth place among the large copper refineries of the world. One of Tongling's subsidiaries, namely Tongling Nonferrous Metals Group Co., Ltd., is listed on the Shenzhen Stock Exchange (stock code: 000630).

* *For identification purpose only*

Pursuant to the JV Agreement, the Joint Venture will construct a hydrometallurgical processing plant in Chile to operate the processing of copper ores with an annual processing capacity of approximately 1,800,000 metric tons of copper ores.

As the professional mining company, Tong Guan has undertaken that it will assist in seconding and recruiting part of management team and technical expertise for the Joint Venture.

It was proposed that Tong Guan will construct either by itself or with co-operation with other parties or through Verde another floatation plant with an annual processing capacity up to 14,600,000 metric tons of copper ores. In the event that the construction of the aforesaid floatation plant materializes, Verde will supply the copper ores purchased from the Supplier under the Master Agreement to this floatation plant.

The total registered capital of the Joint Venture will be US$50,000,000 (equivalent to approximately HK$390,000,000). The Subsidiary will contribute US$30,000,000 (equivalent to approximately HK$234,000,000) from the Group's internal resources as the registered capital of the Joint Venture, representing 60% of the equity interests of the Joint Venture. Tong Guan will contribute US$10,000,000 (equivalent to approximately HK$78,000,000) as the registered capital of the Joint Venture, representing 20% of the equity interests of the Joint Venture. CCCL will inject the entire issued share capital of Verde, a wholly owned subsidiary of CCCL, to the Joint Venture as registered capital, in consideration of which, CCCL will be interested in 20% of the equity interests of the Joint Venture. The principal assets of Verde include equipments and machineries, water usage right, land use right and office and ancillary facilities in the La Plata area in Chile. The Joint Venture will become a 60% owned subsidiary of the Company upon its establishment and its accounts will be consolidated into the Group's accounts.

THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Master Agreement, Verde has agreed to purchase and the Supplier has agreed to exclusively supply and sell the copper ores extracted from the mining concessions in La Plata area of Chile to Verde at the sale price from the Commencement Date, subject to the terms and conditions contained therein.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms and conditions of the Master Agreement are on normal commercial terms and in the ordinary and usual course of business and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and (ii) the Annual Caps are fair and reasonable.

LISTING RULES IMPLICATIONS

The transactions contemplated under the JV Agreement constitute a very substantial acquisition under Chapter 14 of the Listing Rules. By virtue of Mr. Cheung's and Mr. Chan's interests in the Company and CCCL, the transactions contemplated under the JV Agreement constitute a connected transaction for the Company under the Listing Rules. Accordingly, Mr. Cheung, Mr. Chan and their respective associates will abstain from voting on the resolution to be proposed at the SGM regarding the JV Agreement. At such meeting, the votes of the Independent Shareholders in relation to the JV Agreement will be taken by poll.

The Supplier is held as to 45% by independent third parties and 55% by a company which is indirectly owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. By virtue of Mr. Cheung's and Mr. Chan's interests in the Supplier and Verde (which will become a wholly-owned subsidiary of the Joint Venture), the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Annual Caps for the three years ending 31 March 2010 are expected to exceed 2.5% and the annual consideration is expected to exceed HK$10,000,000, the continuing connected transactions under the Master Agreement constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and such transactions and the Annual Caps are subject to the disclosure, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Cheung, Mr. Chan and their respective associates will abstain from voting on the resolution to be proposed at the SGM regarding the Master Agreement. At such meeting, the votes of the Independent Shareholders in relation to the Master Agreement will be taken by poll.

GENERAL

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 JV Agreement and the Master Agreement. Hercules has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The circular containing, among others, (i) details of the JV Agreement; (ii) details of the Master Agreement and the Annual Caps; (iii) information of the Group; (iv) a valuation report on Verde; (v) a letter of advice from the independent board committee of the Company to the Independent Shareholders; (vi) a letter of advice from Hercules to the independent board committee of the Company and the Independent Shareholders; and (vii) the notice of the SGM will be dispatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING
Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 17 October 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 30 October 2007.

Reference is made to the announcement of the Company dated 12 October 2007 stipulating that the Group was in discussion with certain parties including connected persons in relation to the formation of a joint venture company which will carry on business of processing copper ores in Chile. The Directors are pleased to announce that on 16 October 2007, the Subsidiary, Tong Guan and CCCL entered into the JV Agreement for the establishment of the Joint Venture.

THE JV AGREEMENT

Date : 16 October 2007

Parties :

(i) Zhong Xing Heng He Holdings Limited, a wholly owned subsidiary of the Company;

(ii) Tong Guan Resources Holdings Ltd., a wholly owned subsidiary of Tongling Nonferrous Metals Group Holding Co., Ltd., a PRC State-owned enterprise; and

(iii) Catania Copper (Chile) Limited, an associate of Mr. Cheung and Mr. Chan and therefore is a connected person of the Company.

According to the information in the public domain, Tongling, established in 1952, is principally engaged in copper mining, mineral processing, smelting and refining and copper products processing, and also involves in trade, scientific research and design, machine building, construction and installation and shaft and drift construction. Tongling is one of PRC top 500 enterprises. In 2006, its sales revenue reached RMB33,670,000,000 and the output of cathode copper hit 544,800 tons, representing the market leader in PRC and eighth place among the large copper refineries of the world. One of Tongling's subsidiaries, namely Tongling Nonferrous Metals Group Co., Ltd., is listed on the Shenzhen Stock Exchange (stock code: 000630). Tong Guan is principally engaged in mineral resources management and investment, and minerals trading. CCCL is principally engaged in investment holding activities.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Tong Guan and Tongling are third parties independent of the Company and its connected persons.

The Joint Venture

Purpose : The Joint Venture will be incorporated in BVI and will be principally engaged in the operation of processing copper ores through Verde in Chile.

The Joint Venture will construct a hydrometallurgical processing plant in Chile to operate the processing of copper ores with an annual processing capacity of approximately 1,800,000 metric tons of copper ores.

Registered capital : The total registered capital of the Joint Venture will be US$50,000,000 (equivalent to approximately HK$390,000,000). The Subsidiary will contribute US$30,000,000 (equivalent to approximately HK$234,000,000) as the registered capital of the Joint Venture, representing 60% of the equity interests of the Joint Venture. Tong Guan will contribute US$10,000,000 (equivalent to approximately HK$78,000,000) as the registered capital of the Joint Venture, representing 20% of the equity interests of the Joint Venture. CCCL will inject the entire issued share capital of Verde, a wholly owned subsidiary of CCCL, to the Joint Venture as registered capital, in consideration of which, CCCL will be interested in 20% of the equity interests of the Joint Venture. On this basis, the equity interests of Verde represent a value of US$10,000,000 (equivalent to approximately HK$78,000,000) in the registered capital of the Joint Venture.

Verde is principally engaged in the operation of processing copper ores in Chile. The principal assets of Verde include equipments and machineries, water usage right, land use right, and office and ancillary facilities in the La Plata area in Chile. The location of water usage right and land use right are close to the mining area and the Directors consider this is advantageous to the business of the Joint Venture because substantial transportation cost can be saved. Verde also secured the Master Agreement with the Supplier in respect of exclusive supply of copper ores to Verde which is an integral part of the business of Joint Venture. The stable and reliable supply of copper ores from the Supplier provides a strong foundation for the business growth of Joint Venture. In view of the worldwide global demand of natural resources, the Directors consider that Verde, with its unique leverage as mentioned above, is important to the success of the Joint Venture. The total investments of CCCL in Verde as at 30 June 2007 were approximately US$2,190,000 (equivalent to approximately HK$17,110,000). Taking into account of the intangible value arisen from the proximity of the location of the land use right and water usage right held by Verde to the mining concessions, the supply secured under the Master Agreement and the business potential of Verde, the Directors consider the value of Verde will be no less than US$10,000,000 (equivalent to approximately HK$78,000,000) and the injection of Verde by CCCL to the Joint Venture as registered capital and the value of US$10,000,000 (equivalent to approximately HK$78,000,000) represented by the equity interests of Verde is fair and reasonable. The Company will appoint an independent valuer to prepare a valuation report on Verde which will be included in the circular to be dispatched to the Shareholders. The registered capital of the Joint Venture of US$50,000,000 (equivalent to approximately HK$390,000,000) and the contribution of each party to the Joint Venture will not be affected even if the value of Verde as determined by the independent valuer varies from US$10,000,000 (equivalent to approximately HK$78,000,000).

		Based on the unaudited management accounts of Verde, the net profit before and after taxation for the period from 27 January 2006 (the date of incorporation) to 30 June 2007 amounted to approximately US$140,000 (equivalent to approximately HK$1,100,000) and approximately US$120,000 (equivalent to approximately HK$910,000) respectively; and the net assets of Verde amounted to approximately US$220,000 (equivalent to approximately HK$1,680,000). The Joint Venture will become a 60% owned subsidiary of the Company upon its establishment and its accounts will be consolidated into the Group's accounts. The capital contributed by the Subsidiary and Tong Guan of an aggregate of US$40,000,000 (equivalent to approximately HK$312,000,000) will be the source of funding for future development of the Joint Venture. Apart from the aforesaid capital contribution by the Subsidiary to the Joint Venture, the Subsidiary does not have any other capital commitment to the Joint Venture pursuant to the JV Agreement. The capital contribution to registered capital of the Joint Venture by the Subsidiary will be financed from the internal resources of the Group.
Operation	:	It is expected that the operation of the Joint Venture will be processing copper ores in Chile. The copper ores will be principally supplied by the Supplier based on the terms and conditions of the Master Agreement, entered into between Verde and the Supplier. Further details of the Master Agreement are set out below.
Board members	:	The board members of the Joint Venture will be delegated by the shareholders of the Joint Venture in accordance with their respective shareholdings in the Joint Venture.

Conditions

The JV Agreement is subject to and conditional upon the fulfillment of the following conditions:-

a) all necessary consents and/or approvals of the Stock Exchange, any relevant governmental or regulatory authorities and other relevant third parties which are necessary for the entering into the JV Agreement and for all transactions contemplated under the JV Agreement having been obtained; and

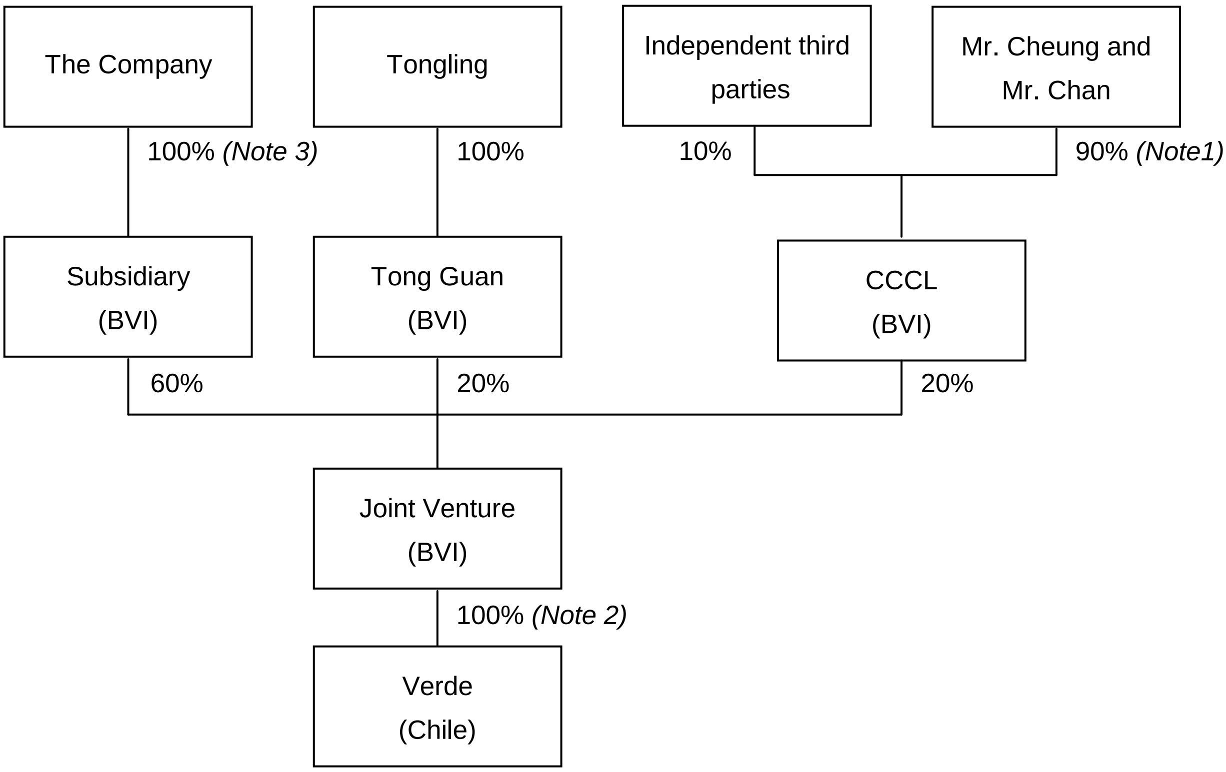
b) the approval of the JV Agreement by the Independent Shareholders at a duly convened special general meeting of the Company in accordance with the Listing Rules.

In the event that any of the above conditions are not fulfilled on or before three months from the date of the JV Agreement (or such other date the parties to the JV Agreement may agree), the JV Agreement shall terminate.

The contributions for the registered capital of the Joint Venture are to be fulfilled within one month from the date of the above conditions having been fulfilled.

Shareholding structure

Set out below is the shareholding structure of the Joint Venture after the completion of the JV Agreement:



Notes :

1. Mr. Cheung and Mr. Chan indirectly and jointly controlled 90% of CCCL.

2. Verde will be injected to the Joint Venture by CCCL. Upon the completion of the JV Agreement, Verde will be directly and wholly owned by the Joint Venture.

3. Represents indirect shareholding.

Principal obligations of the parties to the JV Agreement

The Subsidiary and CCCL have undertaken that Tong Guan is the sole and only professional mining company participating in the Joint Venture for the business development of the Joint Venture.

As the professional mining company, Tong Guan has undertaken that it will assist in seconding and recruiting part of management team and technical expertise for the Joint Venture.

The copper ores to be processed by the hydrometallurgical processing plant to be constructed by the Joint Venture are oxide ores and the production process includes, among others, crushing, heap leaching and extraction. It was proposed that Tong Guan will construct either by itself or with co-operation with other parties or through Verde another floatation plant with an annual processing capacity up to 14,600,000 metric tons of copper ores. The techniques adopted for floatation plant are different. The copper ores to be processed by the floatation plant are sulphide ores and the production process includes, among others, crushing, grinding and floatation. The construction cost, shareholding and funding structures of this floatation plant are yet to be determined. However, in the event that the construction of the aforesaid floatation plant materializes, Verde will acquire sulphide ores from the Supplier pursuant to the terms of the Master Agreement and supply such ores to this floatation plant.

Tong Guan proposes to purchase (on a committed basis) 50% of the production output from the floatation plant with reference to the long term contract prices in the market. Besides, Tong Guan will have the first right of refusal to acquire the remaining 50% of the production output from the floatation plant, the terms of which will be agreed separately. Upon formation of the Joint Venture, Tong Guan will be interested in 20% of the Joint Venture which will be a non wholly-owned subsidiary of the Company. By virtue of Tong Guan's interests in the Joint Venture, the above supply of production output by the Joint Venture to Tong Guan will constitute continuing connected transactions for the Company. In the event that the aforesaid arrangements materialize, the Company will comply with the relevant provisions of the Listing Rules governing continuing connected transactions.

REASONS FOR THE FORMATION OF THE JOINT VENTURE

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, while Mr. Cheung and the senior management have been engaged in metals and minerals trading since 1980s. 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. In order to diversify its business into the mining industry in Chile, the Group entered into a sale and purchase agreement dated 7 August 2007, pursuant to which the Group proposed to acquire 60% interest in Bellavista Holding Group Limited which indirectly owns certain mining concessions in Chile. Details of the aforesaid acquisition are set out in the announcement of the Company dated 29 August 2007.

The Directors consider the formation of the Joint Venture will enable the Group to further expand its mining business. The Joint Venture will be principally engaged in the operation of processing copper ores in Chile. 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 the demand for natural resources. With the extensive network and expertise of Tong Guan and its commitment to purchase 50% of the production output from the proposed floatation plant, the Joint Venture is well equipped with the necessary technical knowledge of processing copper ores and with business potential. Taking into account of the above, the Directors believe that the formation of the Joint Venture will contribute to the Group's success in the mining business and will enhance the Group's investment return in future.

The Directors consider that the terms of the JV Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the JV Agreement to be fair and reasonable as far as the Independent Shareholders are concerned and that the JV Agreement is in the interests of the Company and its Shareholders as a whole.

THE CONTINUING CONNECTED TRANSACTIONS

The Directors are pleased to announce that on 16 October 2007, Verde (to be injected to the Joint Venture) has entered into the Master Agreement with CAH Reserve S. A..

MASTER AGREEMENT

Date	:	16 October 2007	
Parties	:	(i)	Verde (as the exclusive buyer), a company indirectly and jointly controlled as to 90% by both Mr. Cheung, who is the chairman and executive Director of the Company, and Mr. Chan, who is the deputy chairman and executive Director of the Company; and
		(ii)	CAH Reserve S. A. (as the supplier). The Supplier is held as to 45% by independent third parties and 55% by a company which is indirectly owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. The Supplier is principally engaged in extraction of copper ores.

Term	:	The Master Agreement will commence on the Commencement Date and subject to the provisions of the Master Agreement, shall subsist (i.e. a duration of longer than 3 years) until terminated by Verde (at the sole discretion of Verde) by giving to the Supplier not less than 6 months' written notice of termination any time after the 3rd anniversary of the Master Agreement. Accordingly, the Master Agreement is a perpetual agreement unless terminated in accordance with the aforesaid clauses. Taking into account of the business plan of the Joint Venture and the capital investment of the Joint Venture, the Directors believe that it is beneficial to the Group to secure a long term supply contract with the Supplier. Hercules has been appointed by the Company as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in accordance with Rule 14A.35(1) of the Listing Rules. Taking into account that (i) the purpose of entering into the Master Agreement is to facilitate the development and operation of the newly established copper processing business of the Joint Venture and to maintain a stable trading relationship with the Supplier; (ii) where two parties come together to establish a new business on a long term basis relying on the technical knowledge and support of each other as in the case of Verde, it is a normal business practice for the partners to commit to provide support to Verde throughout its terms without time limitation; and (iii) the Master Agreement is a vital contract to the Joint Venture, it would not be in the interests of the shareholders of Verde for the Master Agreement to be of a stipulated duration or negotiated every three years. On the above basis, Hercules considers that it is normal business practice for contracts of this type to be of such duration. Further explanation by Hercules why a longer period for the Master Agreement is required will be included in the circular to be dispatched to the Shareholders.
Business	:	Pursuant to the Master Agreement, Verde has agreed to purchase and the Supplier has agreed to exclusively supply and sell the copper ores extracted from the mining concessions in La Plata area of Chile to Verde free from all liens, charges and encumbrances at the sale price. The sale price shall be a price equivalent to the aggregate of the extraction costs of the copper ores per metric ton plus US$8 per metric ton subject to the condition that the sale price shall not exceed (i) the comparable market price of copper ores in Chile; or (ii) by agreement between the parties based on prices no less favourable to third party if no comparable market price can be taken as a reference. The sale price was determined after arm's length negotiations between the parties to the Master Agreement with reference to the market price of copper ores in Chile. Based on the estimated extraction costs, the sale price under the Master Agreement represents approximately 50% discount to the current market price of the copper ores. The Directors consider the sale price is a favourable term to the Company and is in the interests of the Company.

An estimated sale price shall also be agreed upon by Verde and the Supplier for interim billing purpose at least 6 months before the following financial year. The actual sale price will be calculated based on the extraction costs as reflected and calculated by reference to the audited financial statements of the Supplier to be provided to Verde within 4 months after the Supplier's financial year ends.

Exclusivity : The Master Agreement requires the Supplier to exclusively supply and sell the copper ores extracted by the Supplier to Verde from the Commencement Date to and inclusive of 31 March 2010.

With effect from 1 April 2010, the quantity of the copper ores to be sold by the Supplier to Verde shall be determined in the following manner:-

(a) Verde shall provide the Supplier with an estimated requirement on the quantity of copper ores for the next financial year (from 1 April to 31 March next year) by giving to the Supplier not less than 6 months' advance notice in writing and shall promptly notify the Supplier of any changes in circumstances which may affect its estimated requirement;

(b) if the estimated requirement for any financial year on or after 1 April 2010 is less than 16,400,000 metric tons, the Supplier shall be entitled to sell the balance of the copper ores (i.e. 16,400,000 metric tons less the estimated requirement of Verde), if any, to any third party at a price no less favourable than the sale price.

Notwithstanding the above exclusivity, Verde shall not be restricted by the Master Agreement from purchasing copper ores from other suppliers in Chile if the Supplier is unable to meet Verde's estimated requirement.

Conditions of the Master Agreement

The commencement of the Master Agreement is conditional upon the fulfillment of the following conditions:-

(a) if necessary, all approvals by the Independent Shareholders, government and regulatory authorities (including but not limited to those in Hong Kong and Chile), corporate approvals and consents for the transactions contemplated under the Master Agreement having been obtained; and

(b) in relation to the transactions contemplated in the Master Agreement, all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied.

ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER AGREEMENT

The proposed annual caps for each of the three years ending 31 March 2010 are as follows:

	For the year ending 31 March		
	2008	**2009**	**2010**
	US$	***US$***	***US$***
Annual Caps	3,000,000 (equivalent to approximately HK$23,400,000)	16,500,000 (equivalent to approximately HK$128,700,000)	33,000,000 (equivalent to approximately HK$257,400,000)

The Joint Venture will construct a hydrometallurgical processing plant in Chile to operate the processing of copper ores with an annual processing capacity of approximately 1,800,000 metric tons of copper ores based on the existing construction plan. The copper ores to be processed by the hydrometallurgical processing plant to be constructed by the Joint Venture are oxide ores. It is expected that the hydrometallurgical processing plant will commence operation in the fourth quarter of 2008. On this basis, the annual cap for the financial year ending 31 March 2008 is comparably small. The proposed annual caps for the three financial years ending 31 March 2008, 2009 and 2010 were estimated based on the projected annual purchase quantity of 1,800,000 metric tons and the estimated extraction costs of the copper ores per metric ton. The annual cap for the year ending 31 March 2009 represents half-year operation of the hydrometallurgical processing plant while that for the year ending 31 March 2010 represents full-year operation of the hydrometallurgical processing plant and accordingly, the annual cap for the year ending 31 March 2010 doubles that for the year ending 31 March 2009.

As mentioned above, it was proposed that Tong Guan will construct either by itself or with co-operation with other parties or through Verde another floatation plant with an annual processing capacity up to 14,600,000 metric tons of copper ores. The copper ores to be processed by the floatation plant are sulphide ores. In the event that the construction of the aforesaid floatation plant materializes, Verde will acquire sulphide ores from the Supplier pursuant to the terms of the Master Agreement and supply such ores to this floatation plant. The aforesaid Annual Caps have not taken into account of the purchase of sulphide ores. The Company will comply with the relevant provisions of the Listing Rules where appropriate.

REASONS FOR THE MASTER AGREEMENT

As the Joint Venture will be newly established and operate a new copper processing business in Chile, it is crucial for it to maintain the stability in supply and quality of copper ores for the business needs of the Joint Venture. The Directors believe that the entering into of the Master Agreement will maintain a stable trading relationship with the Supplier and therefore is important to the Joint Venture's business operations and prospects. The Directors believe that the Group will benefit from the transactions under the Master Agreement for the future business prospects of the Joint Venture.

In the light of the aforesaid, the Directors (including the independent non-executive Directors) are of the view that (i) the terms and conditions of the Master Agreement are on normal commercial terms and in the ordinary and usual course of business and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and (ii) the Annual Caps are fair and reasonable.

LISTING RULES IMPLICATIONS

The transactions contemplated under the JV Agreement constitute a very substantial acquisition under Chapter 14 of the Listing Rules. As at the date of this announcement, Mr. Cheung is interested in approximately 25.8% of the issued share capital of the Company and is the chairman and the executive Director of the Company; and Mr. Chan is the deputy chairman and the executive Director of the Company and therefore both Mr. Cheung and Mr. Chan are connected persons of the Company under the Listing Rules. CCCL is indirectly and jointly controlled as to 90% by both Mr. Cheung and Mr. Chan and therefore CCCL is an associate of Mr. Cheung and Mr. Chan. By virtue of Mr. Cheung's and Mr. Chan's interests in the Company and CCCL, the transactions contemplated under the JV Agreement constitute a connected transaction for the Company under the Listing Rules. Accordingly, Mr. Cheung, Mr. Chan and their respective associates will abstain from voting on the resolution to be proposed at the SGM regarding the JV Agreement. At such meeting, the votes of the Independent Shareholders in relation to the JV Agreement will be taken by poll.

The Supplier is held as to 45% by independent third parties and 55% by a company which is owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. By virtue of Mr. Cheung's and Mr. Chan's interests in the Supplier and Verde (which will become a wholly owned subsidiary of the Joint Venture), the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Annual Caps for the three years ending 31 March 2010 are expected to exceed 2.5% and the annual consideration is expected to exceed HK$10,000,000, the continuing connected transactions under the Master Agreement constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and such transactions and the Annual Caps are subject to the disclosure, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Cheung, Mr. Chan and their respective associates will abstain from voting on the resolution to be proposed at the SGM regarding the Master Agreement. At such meeting, the votes of the Independent Shareholders in relation to the Master Agreement will be taken by poll.

GENERAL

Mr. Chan Francis Ping Kuen, an independent non-executive Director, was involved in the negotiations on behalf of the Board with Mr. Cheung and Mr. Chan in respect of the JV Agreement. Accordingly, he has been excluded in the composition of the independent board committee to advise the Independent Shareholders on the terms of the JV Agreement. 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 JV Agreement and the Master Agreement. Hercules has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The circular containing, among others, (i) details of the JV Agreement; (ii) details of the Master Agreement and the Annual Caps; (iii) information of the Group; (iv) a valuation report on Verde; (v) a letter of advice from the independent board committee of the Company to the Independent Shareholders; (vi) a letter of advice from Hercules to the independent board committee of the Company and the Independent Shareholders; and (vii) the notice of the SGM will be dispatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 17 October 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 30 October 2007.

DEFINITIONS

The following terms are used in this announcement:

"Annual Caps"	the annual cap amount of US$3,000,000, US$16,500,000 and US$33,000,000 for the three financial years ending 31 March 2008, 2009 and 2010 in respect of the continuing connected transactions under the Master Agreement
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"BVI"	British Virgin Islands
"CCCL"	Catania Copper (Chile) Limited, a company incorporated in BVI with limited liability and is indirectly and jointly controlled as to 90% by Mr. Cheung and Mr. Chan
"Chile"	the Republic of Chile
"Commencement Date"	the 2nd business day after fulfillment of the conditions set out in the Master Agreement
"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 persons"	has the meaning given to it under the Listing Rules

"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Hercules"	Hercules Capital Limited, the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the JV Agreement and the Master Agreement
"Independent Shareholders"	Shareholders other than Mr. Cheung, Mr. Chan and their respective associates
"Joint Venture"	a limited company to be established in BVI pursuant to the JV Agreement
"JV Agreement"	the joint venture agreement dated 16 October 2007 and entered into between the Subsidiary, Tong Guan and CCCL with respect to the formation of the Joint Venture
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Agreement"	the master agreement dated 16 October 2007 and entered into between Verde and the Supplier with respect to the supply, sale and purchase of copper ores
"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
"PRC"	the People's Republic of China
"QMASTOR"	QMASTOR Limited, a company incorporated in Australia, the shares of which are listed on the Australian Stock Exchange Limited
"SGM"	the special general meeting of the Company to be convened to approve the JV Agreement and the Master Agreement
"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

"Subsidiary"	Zhong Xing Heng He Holdings Limited, a company incorporated in BVI with limited liability and wholly owned by the Company
"Supplier"	CAH Reserve S.A., a company incorporated in Chile and the supplier of copper ores to Verde as described in the Master Agreement
"Tong Guan"	Tong Guan Resources Holdings Ltd. (銅冠資源控股有限公司), a company incorporated in BVI with limited liability and wholly owned by Tongling
"Tongling"	Tongling Nonferrous Metals Group Holding Co., Ltd., a State-owned enterprise established in the PRC
"Unicon Group"	Unicon Spirit Development Ltd., a company incorporated in BVI, and its subsidiaries
"Verde"	Minera Catania Verde S.A., a company established in Chile and is at present a wholly owned subsidiary of CCCL
"HK$"	Hong Kong dollars
"US$"	United States of American 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 October 2007

As at the date of this announcement, the Board comprises two executive Directors, namely Messrs. Cheung Ngan and Chan Chung Chun, Arnold, one non-executive Director, namely Mr. Li Shaofeng and three independent non-executive Directors, namely Messrs. Chan Francis Ping Kuen, Hu Guang and Chan Chak Paul.