THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee .

CHINA ELEGANCE (HOLDINGS) LIMITED
(瑞源國際有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (II) CONTINUING CONNECTED TRANSACTION; (III) PROPOSED CHANGE OF NAME OF THE COMPANY; (IV) PROPOSED REFRESHMENT OF GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES; (V) PROPOSED REFRESHMENT OF THE 10 PER CENT LIMIT ON THE GRANT OF OPTION UNDER THE SHARE OPTION SCHEME; AND (VI) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to China Elegance (Holdings) Limited

OPTIMA CAPITAL

Optima Capital Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Hercules

Hercules Capital Limited

Letters from the Independent Board Committee are set out on pages 31 to 32 of this circular and a letter from Hercules to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 55 of this circular.

A notice convening the special general meeting of China Elegance (Holdings) Limited to be held at Rooms 1910-1913, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 27 December 2007 at 11:00 a.m. is set out on pages 178 to 183 of this circular. Whether or not you intend to attend such meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the 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 holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

3 December 2007

* *For identification purpose only*

CONTENTS

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

"Adoption Date"	5 January 2004, being the date on which the Share Option Scheme was adopted by the Company
"AGM"	the annual general meeting of the Company held on 28 June 2007
"AGM 2004"	the annual general meeting of the Company held on 3 September 2004
"Announcement"	the announcement of the Company dated 29 October 2007 in relation to the JV Agreement and the Master Agreement
"Annual Caps"	the proposed 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"	the British Virgin Islands
"Bye-law(s)"	the bye-law(s) of the Company in force from time to time
"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
"Chilean Pesos"	Chilean pesos, the lawful currency 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 ascribed to it under the Listing Rules
"Credit Suisse"	Credit Suisse (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is beneficially owned by Credit Suisse Group
"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
"Enlarged Group"	the Group immediately after the completion of the JV Agreement
"First Convertible Notes"	a series of zero coupon convertible notes due in the year 2009 in an aggregate principal amount of HK$70,000,000 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
"Hercules"	Hercules Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the JV Agreement, the Master Agreement and the Annual Caps, and the Refreshment of Issue Mandate
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Independent Board Committee"	an independent committee of the Board comprising, the independent non-executive Directors, (i) Mr. Hu Guang and Mr. Chan Chak Paul, formed for the purpose of advising the Independent Shareholders in relation to the JV Agreement, and the Master Agreement and the Annual Caps; or (ii) Mr. Chan Francis Ping Kuen, Mr. Hu Guang and Mr. Chan Chak Paul, formed for the purpose of advising the Independent Shareholders in relation to the Refreshment of Issue Mandate (as the case may be)

"Independent Shareholders"	(i) Shareholders other than Mr. Cheung, Mr. Chan and their respective associates in relation to the JV Agreement, and the Master Agreement and the Annual Caps; or (ii) Shareholders other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates in relation to the Refreshment of Issue Mandate (as the case may be)
"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
"Latest Practicable Date"	29 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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
"New Issue Mandate"	the proposed general mandate to be granted to the Directors to exercise all the powers of the Company to allot, issue and otherwise deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution approving the said mandate
"New Repurchase Mandate"	the proposed general mandate to be granted to the Directors to exercise all the powers of the Company to repurchase Shares not exceeding 10% of the issued share capital of the Company as at the date of passing the resolution approving the said mandate

"Optima Capital"	Optima Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, and the financial adviser to the Company
"Option(s)"	the right granted under the Share Option Scheme to subscribe for Shares in accordance with the Share Option Scheme
"PRC"	the People's Republic of China
"Previous Issue Mandate"	the general mandate granted to the Directors at the AGM to exercise the power of the Company to issue new Shares
"Previous Repurchase Mandate"	the general mandate granted to the Directors at the AGM to exercise the power of the Company to repurchase Shares
"Proposed Scheme Refreshment"	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme
"QMASTOR"	QMASTOR Limited, a company incorporated in Australia, the shares of which are listed on the Australian Stock Exchange Limited
"Refreshment of Issue Mandate"	the proposed refreshment of the Previous Issue Mandate to the New Issue Mandate
"Refreshment of Repurchase Mandate"	the proposed refreshment of the Previous Repurchase Mandate to the New Repurchase Mandate
"Scheme Mandate Limit"	the maximum number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and such other schemes of the Company which initially shall not in aggregate exceed 10% of the Shares in issue as at the Adoption Date and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
"Second Convertible Notes"	a series of zero coupon convertible notes due in the year 2009 in an aggregate principal amount of HK$160,000,000 issued by the Company, details of which were set out in the announcement of the Company dated 27 July 2007

"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 at Rooms 1910-1913, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 27 December 2007 at 11:00 a.m. to approve, among other things, (i) the JV Agreement; (ii) the Master Agreement and the Annual Caps; (iii) the change of name of the Company; (iv) Refreshment of Issue Mandate; (v) Refreshment of Repurchase Mandate; and (vi) the Proposed Scheme Refreshment
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 5 January 2004
"Shareholder(s)"	holders of Share(s)
"SLP Horwath"	Shu Lun Pan Horwath Hong Kong CPA Limited, Certified Public Accountants and the reporting accountants of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreements"	the two agreements dated 26 July 2007 and entered into between the Company as issuer, and each of Credit Suisse and Deutsche Bank as subscriber in respect of the subscription of the Second Convertible Notes
"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
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"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 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$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States of American dollars, the lawful currency of the United States of America
"%"	per cent

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

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)*

Non-Executive Director:
Mr. Li Shaofeng

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

3 December 2007

To the Shareholders

Dear Sir or Madam,

**(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(II) CONTINUING CONNECTED TRANSACTION;
(III) PROPOSED CHANGE OF NAME OF THE COMPANY;
(IV) PROPOSED REFRESHMENT OF GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES;
(V) PROPOSED REFRESHMENT OF THE 10 PER CENT LIMIT ON THE GRANT OF OPTION UNDER THE SHARE OPTION SCHEME;
AND
(VI) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 29 October 2007, the Directors announced that on 16 October 2007, the Subsidiary, Tong Guan (a wholly-owned subsidiary of Tongling, the market leader in copper cathode 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.

* *For identification purpose only*

On 16 October 2007, Verde (to be injected to the Joint Venture) entered into the Master Agreement with the Supplier pursuant to which, 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 in Chile to Verde at the sale price from the Commencement Date, subject to the terms and conditions contained therein.

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 of 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 JS Resources Holding Limited, 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 financial 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.

On 30 October 2007, the Board announced that the Company proposed to change the name of the Company from "China Elegance (Holdings) Limited" to "Sinocop Resources (Holdings) Limited 中銅資源（控股）有限公司" and the existing Chinese name of the Company being "瑞源國際有限公司" (which was adopted for identification purpose) will no longer be adopted. The change of Company's name is proposed in order to reflect the focus of business of the Group on the mining business.

At the forthcoming SGM to be held on 27 December 2007, the following resolutions will be proposed, among other things,

(a) to approve the JV Agreement;

(b) to approve the Master Agreement and the Annual Caps;

(c) to approve the change of name of the Company;

(d) to grant to the Directors a general mandate to allot, issue and deal with additional Shares and to make or grant offers, agreements, options and warrants not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing such resolution;

(e) to grant to the Directors a general mandate to repurchase Shares not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing such resolution;

(f) subject to the passing of both proposed resolutions (d) and (e) above, to extend the general mandate referred to in (d) above so that the Directors shall be given a general mandate to issue further Shares equal to the Shares repurchased under the repurchase mandate referred to in (e) above; and

(g) to refresh the 10% limit on the grant of options under the Share Option Scheme.

The purpose of this circular is to provide you with information relating to: (i) the details of the JV Agreement, the Master Agreement and the Annual Caps; (ii) the proposed change of name of the Company; (iii) the Refreshment of Issue Mandate; (iv) the Refreshment of Repurchase Mandate; (v) the recommendation from the Independent Board Committee and the recommendation from Hercules to the Independent Board Committee and the Independent Shareholders as regards the JV Agreement, Master Agreement, the Annual Caps and the Refreshment of Issue Mandate; and (vi) the Proposed Scheme Refreshment and to give you notice of the SGM.

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 involved 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 copper cathode hit 544,800 tons, representing the market leader in PRC and the 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. 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 in 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 the registered capital of the Joint Venture by the Subsidiary will be financed from the internal resources of the Group. The Company conducted two fund raising exercises in July 2007 and August 2007 by the issuance of First Convertible Notes and Second Convertible Notes. Based on the existing internal resources of the Group and cash balances of approximately HK$230,000,000, the Group would be able to satisfy the aforesaid capital contribution.
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. As at the Latest Practicable Date, the number of board members of the Joint Venture had not been decided by the shareholders of the Joint Venture. With the 60% interest in the Joint Venture, the Subsidiary will have over half of the board seats of the Joint Venture.

Conditions of the JV Agreement

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

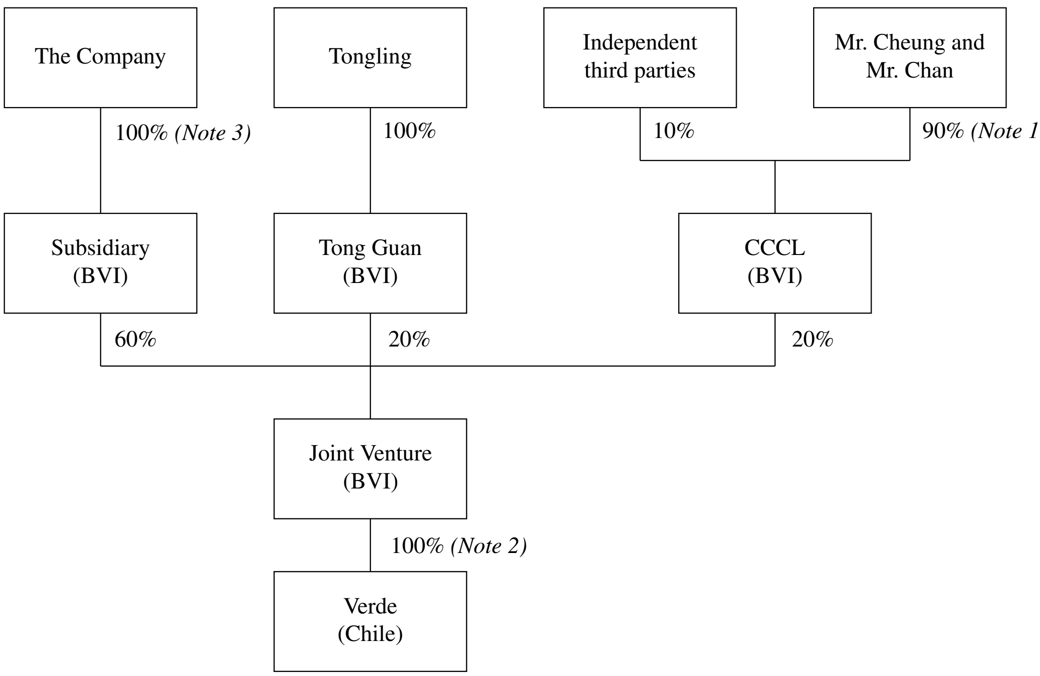
b) the approval of the JV Agreement by the Independent Shareholders at a duly convened special general meeting of the Company in accordance with the Listing Rules.

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 to 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. As at the Latest Practicable Date, 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 in 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 the floatation plant are different. The copper ores to be processed by this 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 Verde to Tong Guan will constitute continuing connected transactions of 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.

INFORMATION ON VERDE

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 and office and ancillary facilities in the La Plata area in Chile. The locations of water usage right and development site are close to the mining area and the Directors consider that 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 the Joint Venture. The stable and reliable supply of copper ores from the Supplier provides a strong foundation for the business growth of the Joint Venture. In view of the global demand for 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 September 2007 were approximately US$3,613,000 (equivalent to approximately HK$28,181,400). Taking into account the intangible value arisen from the proximity of the locations of the development site and water usage right held by Verde to the mining area, the supply secured under the Master Agreement and the business potential of Verde, the Directors consider that 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. According to the valuation report of Verde as set out in Appendix IV to this circular, the market value of Verde as at 30 September 2007 is HK$378,000,000.

Set out below is a summary of the financial information of Verde prepared in accordance with the Hong Kong Financial Reporting Standards for the period from 27 January 2006 (date of incorporation) to 31 March 2006, the year ended 31 March 2007 and the six months ended 30 September 2006 and 2007 extracted from the accountants' report on Verde set out in Appendix II to this circular:

Income statements

	Period from 27 January 2006 (date of incorporation) to 31 March	Year ended 31 March	Six months ended 30 September	
	2006	**2007**	**2006**	**2007**
	USD'000	*USD'000*	*USD'000*	*USD'000*
			(Unaudited)	
Loss before income tax	(1)	(247)	(95)	(182)
Income tax expenses	–	–	–	–
Loss for the period/year	(1)	(247)	(95)	(182)

Balance sheets

	As at 31 March		As at 30 September
	2006	**2007**	**2007**
	USD'000	*USD'000*	*USD'000*
Net assets/(liabilities)	99	(149)	(343)

Management discussion and analysis

Set out in Appendix II to this circular is the accountants' report on Verde for the period from 27 January 2006 (date of incorporation) to 31 March 2006, the year ended 31 March 2007 and the six months ended 30 September 2006 and 2007. Based on the information provided by the management of Verde, the management discussion and analysis in relation to Verde for each of the aforesaid periods is set out below.

Business review

As Verde has not carried out any principal business during the period from 27 January 2006 (the date of incorporation) to 30 September 2007, no turnover was recorded for each of the periods as disclosed. The principal assets of Verde are equipments and machineries, construction in progress, water usage right and office and ancillary facilities in the La Plata area in Chile. Set out below are the business review for the period from 27 January 2006 (date of incorporation) to 31 March 2006, the year ended 31 March 2007 and the six months ended 30 September 2007.

For the period from 27 January 2006 (date of incorporation) to 31 March 2006

Verde's administrative and operating expenses (including incorporation costs) and net loss were approximately US$1,000 (equivalent to approximately HK$7,800). As at 31 March 2006, the net asset value of Verde was approximately US$99,000 (equivalent to approximately HK$772,200) and included in the balance sheet were the other receivables of approximately US$100,000 (equivalent to approximately HK$780,000) and amount due to the holding company of Verde of approximately US$1,000 (equivalent to approximately HK$7,800). The amount due to the holding company of Verde is unsecured, interest free and repayable on demand.

For the year ended 31 March 2007

Apart from Verde's administrative and operating expenses (including legal fees, professional fees and salaries) of approximately US$248,000 (equivalent to approximately HK$1,934,400), Verde recorded minimal other revenues of approximately US$1,000 (equivalent to approximately HK$7,800). As at 31 March 2007, the net liabilities of Verde were approximately US$149,000 (equivalent to approximately HK$1,162,200) and included in the balance sheet were property, plant and equipment at a net book value of approximately US$1,231,000 (equivalent to approximately HK$9,601,800), construction in progress (including the depreciation of the machineries, the interest charges on the finance leases, the machinery rental fees and the labour cost) at a carrying value of approximately US$661,000 (equivalent to approximately HK$5,155,800) and amount due to the holding company of Verde of approximately US$1,219,000 (equivalent to approximately HK$9,508,200). The amount due to the holding company of Verde is unsecured, interest free and repayable on demand.

For the six months ended 30 September 2007

Similar to the year ended 31 March 2007, Verde only recorded minimal other revenues of approximately US$5,000 (equivalent to approximately HK$39,000) and administrative and operating expenses (including legal fees, professional fee and salaries) of approximately US$187,000 (equivalent to approximately HK$1,458,600) respectively. As at 30 September 2007, the net liabilities of Verde were approximately US$343,000 (equivalent to approximately HK$2,675,400) and included in the balance sheet were property, plant and equipments at a net book value of approximately US$1,504,000 (equivalent to approximately HK$11,731,200), construction in progress at a carrying value of approximately US$1,765,000 (equivalent to approximately HK$13,767,000) and amount due to the holding company of Verde of approximately US$3,513,000 (equivalent to approximately HK$27,401,400). The amount due to the holding company of Verde is unsecured, interest free and repayable on demand.

Financial position

Current fund and financial resources

As at 31 March 2006, Verde had no cash balances, and as at 31 March 2007 and 30 September 2007, the cash positions of Verde were approximately US$135,000 (equivalent to approximately HK$1,053,000) and approximately US$85,000 (equivalent to approximately HK$663,000), respectively. The current ratios as at 31 March 2006, 31 March 2007 and 30 September 2007 (calculated on the basis of current assets over current liabilities) were approximately 100, 0.11 and 0.17, respectively.

As at 31 March 2006, Verde did not have any bank loans and interest bearing borrowings. No gearing ratio was applicable as there was no borrowings. As at 31 March 2007 and 30 September 2007, Verde had obligations under finance leases amounting to approximately US$1,380,000 (equivalent to approximately HK$10,764,000) and approximately US$1,573,000 (equivalent to approximately HK$12,269,400), respectively. Accordingly, the gearing ratios as at 31 March 2007 and 30 September 2007 (calculated on the basis of interest-bearing borrowings over total assets) were approximately 0.45 and 0.32 respectively.

As at 31 March 2006 and 2007 and 30 September 2007, no assets of Verde were charged.

Foreign currency risk

The monetary assets and transactions of Verde are principally denominated in Chilean Pesos, exposing Verde to foreign currency risk. However, the foreign currency risk is minimal because Chilean Pesos is relatively stable.

Capital commitments and contingent liabilities

As at 30 September 2007, Verde had a capital commitment of approximately US$266,000 (equivalent to approximately HK$2,074,800) in relation to the acquisition of property, plant and equipment. Save as the aforesaid capital commitment, Verde had no significant capital commitments and contingent liabilities as at 31 March 2006 and 2007 and 30 September 2007.

Employees and remuneration policies

As at 31 March 2006, Verde did not employ any staff. As at 31 March 2007 and 30 September 2007, Verde had 32 and 31 employees respectively.

Material acquisitions and disposals of subsidiaries and associated companies

During the financial years as discussed above, there were no material acquisitions and disposals of subsidiaries and associated companies of Verde.

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 and 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 on the metals and minerals trading sector, the Group discontinued its consumer products business by disposal of its entire 60% interests in Unicon Group in August 2006 and 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 that 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 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 the future.

The Directors consider that the JV Agreement was entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the JV Agreement are 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.

FINANCIAL IMPACT OF THE FORMATION OF JOINT VENTURE

Upon Completion, the Joint Venture will become a non wholly-owned subsidiary of the Company and the financial results of the Joint Venture will be consolidated with those of the Group.

Set out in Appendix III to this circular is certain unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the formation of the Joint Venture on the results and cash flows of the Group assuming the formation had taken place on 1 April 2006 and on the assets and liabilities of the Group assuming the formation had taken place on 31 March 2007. Based on the unaudited pro forma consolidated balance sheet in Appendix III to this circular, the total assets of the Group would be increased by approximately 468.5% from approximately HK$35.5 million to approximately HK$201.8 million; and its total liabilities would be increased by approximately 306.5% from HK$13.9 million to HK$56.5 million, as a result of the formation of the Joint Venture. The Directors consider that the formation of the Joint Venture will contribute to the earnings base of the Enlarged Group but the extent of such impact will depend on the future performance of the Joint Venture.

THE CONTINUING CONNECTED TRANSACTIONS

On 29 October 2007, the Directors announced that, on 16 October 2007, Verde (to be injected to the Joint Venture) entered into the Master Agreement with the Supplier.

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 JS Resources Holding Limited, a company incorporated in BVI 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. for 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 manner. Taking into account 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.
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 in 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 that 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 accounts 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; and

(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, governmental 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 financial 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. The annual cap for the year ending 31 March 2008 is projected on the basis that the hydrometallurgical processing plant will have to stock up with copper ores for a trial run before full operation. On this basis, the proposed 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 in 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 the purchase of sulphide ores. The Company will comply with the relevant provisions of the Listing Rules where appropriate.

REASONS FOR ENTERING INTO 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 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 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 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 ON THE JV AGREEMENT AND THE MASTER AGREEMENT

The transactions contemplated under the JV Agreement constitute a very substantial acquisition under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Mr. Cheung was interested in approximately 24.73% 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 of the Company under the Listing Rules. Accordingly, Mr. Cheung, Mr. Chan and their respective associates (who are in aggregate interested in 311,232,469 Shares, representing approximately 24.73% of the existing issued Shares) will abstain from voting on the resolution to be proposed at the SGM regarding the JV Agreement. Save as aforesaid, no Shareholder has a material interest in the transactions contemplated under the JV Agreement different from other Shareholders. 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 JS Resources Holding Limited, 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 financial 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 (who are in aggregate interested in 311,232,469 Shares, representing approximately 24.73% of the existing issued Shares) will abstain from voting on the resolution to be proposed at the SGM regarding the Master Agreement and the Annual Caps. Save as aforesaid, no Shareholder has a material interest in the transactions contemplated under the Master Agreement different from other Shareholders. At such meeting, the votes of the Independent Shareholders in relation to the Master Agreement and the Annual Caps will be taken by poll.

PROPOSED CHANGE OF THE NAME OF THE COMPANY

On 30 October 2007, the Board announced that the Company proposed to change the name of the Company from "China Elegance (Holdings) Limited" to "Sinocop Resources (Holdings) Limited 中銅資源(控股)有限公司" and the existing Chinese name of the Company being "瑞源國際有限公司" (which was adopted for identification purpose) will no longer be adopted. The change of Company's name is proposed in order to reflect the focus of business of the Group on the mining business.

The proposed change of name of the Company is subject to:

(a) the passing of a special resolution to approve the change of name at the SGM of the Company; and

(b) approval for such change of name being granted by the Registrar of Companies in Bermuda.

Subject to satisfaction of the conditions set out above, the proposed change of the Company's name will take effect from the date on which the Registrar of Companies in Bermuda enters the new name on the register in place of the existing name. Thereafter, the Company will carry out the necessary filing procedures with the Companies Registry in Hong Kong. Further announcement will be made by the Company once the change of name of the Company becomes effective.

The proposed change of name of the Company will not affect any of the rights of the existing Shareholders. All existing share certificates in issue bearing the existing name of the Company will, after the change of name, continue to be evidence of title to the Shares and will be valid for trading, settlement and delivery for the same number of Shares in the new name of the Company. As soon as the change of name becomes effective, any new issue of share certificates will be issued in the new name of the Company. There will be no special arrangement for free exchange of the existing share certificates of the Company for new share certificates printed in the new name of the Company.

REFRESHMENT OF ISSUE MANDATE

At the AGM held on 28 June 2007, the Directors were granted the Previous Issue Mandate to allot, issue and deal with new Shares up to 20% of the aggregate issued share capital of the Company as at the date of such meeting. As at the date of the AGM, 1,033,296,800 Shares were in issue and accordingly, a maximum of 206,659,360 new Shares could be issued under the Previous Issue Mandate.

During the period from the date of the AGM to the Latest Practicable Date, certain of the Previous Issue Mandate has been utilized. On 9 July 2007, the Company announced that it proposed to issue the First Convertible Notes, 175,000,000 new Shares will be issued under the Previous Issue Mandate upon conversion of the First Convertible Notes. As at the Latest Practicable Date, the First Convertible Notes have been fully converted into new Shares. As set out in the announcement of the Company dated 9 July 2007, the Company intends to use the net proceeds of approximately HK$67.8 million from the issue of the First Convertible Notes for the Group's general working capital and for future investments. As at the Latest Practicable Date, the net proceeds of approximately HK$67.8 million have been fully utilized as the Group's general working capital. Under the Previous Issue Mandate and after the the issue of the First Convertible Notes, only 31,659,360 new Shares can be issued, representing approximately 2.52% of the issued share capital of the Company as at the Latest Practicable Date.

In order to provide flexibility and discretion to the Directors to issue new Shares in the future, the Directors propose to the Shareholders a resolution to grant the New Issue Mandate such that the Directors can exercise the power of the Company to issue new Shares up to 20% of the issued share capital of the Company as at the date of the SGM. The Company at present does not have any concrete plan regarding the utilization of the New Issue Mandate.

Subject to the approval of the Independent Shareholders for the Refreshment of Issue Mandate, and assuming that no other Share will be issued or repurchased by the Company and no further conversion rights attached to the Second Convertible Notes and the Options are exercised on or prior to the date of the SGM, the Shares in issue as at the date of the SGM would be 1,258,296,800 Shares, which means that under the New Issue Mandate (as refreshed) the Directors would be authorized to allot and issue a maximum of 251,659,360 Shares if the New Issue Mandate is refreshed.

According to the Listing Rules, any refreshment of the general mandate made before the next annual general meeting requires any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates to abstain from voting in favour of the ordinary resolution for the refreshment of the general mandate. As at the Latest Practicable Date, the Company had no controlling Shareholders (as defined in the Listing Rules) and therefore, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associate(s) will abstain from voting at the SGM in relation to the resolution to approve the Refreshment of Issue Mandate. As at the Latest Practicable Date, Mr. Cheung (the chairman and executive director of the Company) and his associates were interested in 311,232,469 Shares, representing 24.73% of the issued share capital of the Company. Accordingly, Mr. Cheung and his associate(s) will abstain from voting at the SGM in relation to the resolutions to approve the Refreshment of Issue Mandate. The approval of such resolutions will be taken by poll.

REFRESHMENT OF REPURCHASE MANDATE

Due to the increase in the issued share capital of the Company as a result of the First Convertible Notes being fully converted and the Second Convertible Notes being partially converted into new Shares, an ordinary resolution will be proposed for the Refreshment of Repurchase Mandate. Under the New Repurchase Mandate, the maximum number of Shares that the Company may repurchase shall not exceed 10% of the issued and fully paid up share capital of the Company as at the date of passing the ordinary resolution approving such mandate. The Company's authority is restricted to repurchase Shares on the market in accordance with the Listing Rules. The mandate allows the Company to make purchase only during the period ending on the earliest of the date of the next annual general meeting of the Company, the date by which the next annual general meeting of the Company is required to be held by the Bye-laws or any applicable law of Bermuda or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company.

In accordance with the Listing Rules, an explanatory statement is set out in the Appendix V to this circular to provide you with the requisite information to enable you to make an informed decision on whether to vote for or against the proposed ordinary resolution for the Refreshment of Repurchase Mandate at the SGM.

EXTENSION OF ISSUE MANDATE TO ISSUE SHARES

Subject to the passing of the proposed resolutions regarding the New Issue Mandate and the New Repurchase Mandate at the SGM, an ordinary resolution will be proposed at the SGM to approve the extension of the 20% New Issue Mandate so that the Directors shall be given a general mandate to issue further Shares equal to the Shares repurchased under the New Repurchase Mandate.

REFRESHMENT OF THE SHARE OPTION SCHEME

Proposed Scheme Refreshment

Immediately after the Adoption Date, 88,329,680 Shares were in issue and the maximum number of Shares which may be issued upon exercise of all Options under the Share Option Scheme and other schemes of the Company was therefore 8,832,968 Shares, being 10% of the Shares in issue at that time. At the AGM 2004, the Company refreshed the then Scheme Mandate Limit such that the Company would be allowed to grant further options under the Share Option Scheme and other share option schemes carrying rights to subscribe for a maximum of 88,329,680 Shares, being 10% of the Shares in issue at that time.

During the period from the date of the AGM 2004 to the Latest Practicable Date, Options to subscribe for 59,700,000 Shares were granted. Therefore, the Company will be allowed to grant further Options carrying rights to subscribe for a maximum of 28,629,680 Shares, representing approximately 2.28% of the issued share capital of the Company as at the Latest Practicable Date.

If the Scheme Mandate Limit is refreshed, on the basis of 1,258,296,800 Shares in issue and assuming no Shares are issued or repurchased by the Company and no further conversion rights attached to the Second Convertible Notes and the Options are exercised prior to the SGM, the Scheme Mandate Limit will be re-set to 125,829,680 Shares and the Company will be allowed to grant further options under the Share Option Scheme and other share option schemes carrying rights to subscribe for a maximum of 125,829,680 Shares.

The Directors consider that it is in the interests of the Company to refresh the Scheme Mandate Limit to permit the grant of further Options under the Share Option Scheme so as to provide incentives to, and recognise the contributions of, the Group's employees and other selected eligible participants under the Share Option Scheme.

It is proposed that subject to the approval of the Shareholders at the SGM and such other requirements prescribed under the Listing Rules, the Scheme Mandate Limit will be refreshed so that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and all other share option schemes of the Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the Proposed Scheme Refreshment by the Shareholders at the SGM, and options previously granted under the Share Option Scheme and/or any other share option scheme(s) of the Company (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or such other scheme(s) of the Company) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time will not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

Conditions of Proposed Scheme Refreshment

As required by the Share Option Scheme and the Listing Rules, an ordinary resolution will be proposed at the SGM to approve the Proposed Scheme Refreshment.

The adoption of the refreshed Scheme Mandate Limit is conditional upon:

(a) the Shareholders passing an ordinary resolution to approve the Proposed Scheme Refreshment at the SGM; and

(b) the Stock Exchange granting the approval of the listing of, and permission to deal in, the new Shares to be issued pursuant to the exercise of any Options that may be granted under the Share Option Scheme under the refreshed Scheme Mandate Limit not exceeding 10% of the number of Shares in issue as at the date of approval by the Shareholders.

Application for Listing

An application will be made to the Stock Exchange in respect of the approval referred to in (b) under the paragraph headed "Conditions of Proposed Scheme Refreshment" above.

SGM

A notice convening the SGM with the resolutions, among other matters, is set out on pages 178 to 183 of this circular. Whether or not you are able to attend the meeting or any adjourned meeting, you are requested to complete the accompanying form of proxy and return it 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 later than 48 hours before the time of the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you wish to do so.

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 authorized 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 authorized 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 authorized 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 authorized representative shall be deemed to be the same as a demand by a Shareholder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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, the Master Agreement and the Annual Caps. 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 whether (i) the JV Agreement and the Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company; and (ii) the JV Agreement, the Master Agreement and the Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

An Independent Board Committee comprising all the three independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the Refreshment of Issue Mandate.

Hercules has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement, the Master Agreement, the Annual Caps and the Refreshment of Issue Mandate. Hercules considers that (i) the JV Agreement; (ii) the Master Agreement and the Annual Caps; and (iii) the Refreshment of Issue Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Hercules containing its recommendations in respect of (i) the JV Agreement; (ii) the Master Agreement and the Annual Caps; and (iii) the Refreshment of Issue Mandate is set out on pages 33 to 55 of this circular.

RECOMMENDATION

The Directors are of the opinion that (i) the JV Agreement; (ii) the Master Agreement and the Annual Caps; (iii) the proposed change of name of the Company; (iv) the Refreshment of Issue Mandate; (v) the Refreshment of Repurchase Mandate; (vi) the extension of the New Issue Mandate to include the Shares repurchased under the New Repurchase Mandate; and (vii) the Proposed Scheme Refreshment are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders and the Independent Shareholders (as the case may be) to vote in favour of the relevant resolutions to be proposed at the SGM.

The Independent Board Committee, having taken into account the advice of Hercules, considers that (i) the JV Agreement; (ii) the Master Agreement and the Annual Caps; and (iii) the Refreshment of Issue Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve (i) the JV Agreement; (ii) the Master Agreement and the Annual Caps; and (iii) the Refreshment of Issue Mandate. The full text of the letters from the Independent Board Committee are set out on pages 31 and 32 of this circular.

GENERAL

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

Yours faithfully
For and on behalf of the Board
Cheung Ngan
Chairman

(I) REGARDING THE JV AGREEMENT, THE MASTER AGREEMENT AND THE ANNUAL CAPS

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the JV Agreement, the Master Agreement and the Annual Caps:

CHINA ELEGANCE (HOLDINGS) LIMITED
(瑞源國際有限公司*)
(Incorporated in Bermuda with limited liability)
(Stock Code: 476)

3 December 2007

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise you in connection with the JV Agreement, the Master Agreement and the Annual Caps, details of which are set out in the letter from the Board contained in the circular (the "Circular") of the Company dated 3 December 2007. Terms defined in the Circular shall have the same meanings herein, unless the context otherwise requires.

Having taken into account the advice and recommendation of Hercules as set out on pages 33 to 55 of the Circular, we are of the opinion that (i) the JV Agreement and the Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company; and (ii) the JV Agreement, the Master Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the JV Agreement, the Master Agreement and the Annual Caps.

Yours faithfully,
Hu Guang **Chan Chak Paul**
Independent Board Committee

* *For identification purpose only*

(II) REGARDING THE REFRESHMENT OF ISSUE MANDATE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Refreshment of Issue Mandate:

CHINA ELEGANCE (HOLDINGS) LIMITED
(瑞源國際有限公司*)
(Incorporated in Bermuda with limited liability)
(Stock Code: 476)

3 December 2007

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF ISSUE MANDATE

We have been appointed as members of the Independent Board Committee to advise you in connection with the proposed Refreshment of Issue Mandate, details of which are set out in the letter from the Board contained in the circular (the "Circular") of the Company dated 3 December 2007. Terms defined in the Circular shall have the same meanings herein, unless the context otherwise requires.

Having taken into account the advice and recommendation of Hercules as set out on pages 33 to 55 of the Circular, we are of the opinion that the proposed Refreshment of Issue Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the proposed Refreshment of Issue Mandate.

Yours faithfully,
Chan Francis Ping Kuen **Hu Guang** **Chan Chak Paul**
Independent Board Committee

* *For identification purpose only*

The following is the text of the letter of advice prepared by Hercules to the Independent Board Committee and the Independent Shareholders for incorporation in this circular:

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

3 December 2007

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION CONTINUING CONNECTED TRANSACTION AND PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated by the JV Agreement and the Master Agreement (including the Annual Caps), and the Refreshment of Issue Mandate, details of which are set out in the letter from the Board contained in the circular dated 3 December 2007 to the Shareholders (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined elsewhere in the Circular.

On 29 October 2007, the Board announced that the Subsidiary had entered into the JV Agreement with Tong Guan and CCCL with respect to the establishment of the Joint Venture which will carry on the business of processing copper ores in Chile. Such transaction constitutes a very substantial acquisition under Chapter 14 of the Listing Rules. As CCCL is indirectly and jointly controlled as to 90% by Mr. Cheung and Mr. Chan, both being the connected persons of the Company under Rule 14A.11(1) of the Listing Rules, the transactions contemplated under the JV Agreement constitute a connected transaction for the Company under the Listing Rules. The Board also announced on the same date that Verde, a wholly-owned subsidiary of CCCL to be injected into the Joint Venture as CCCL's contribution to the registered capital of the Joint Venture, had entered into the Master Agreement with the Supplier pursuant to which Verde had agreed to purchase and the Supplier had agreed to exclusively supply and sell the copper ores extracted from the mining concessions in La Plata area in Chile to Verde at the sale price from the Commencement Date, subject to the terms and conditions contained therein. The Supplier is held as to 55% by a company which is indirectly owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. By virtue of the interests of Mr. Cheung and Mr. Chan in the Supplier and Verde, the transactions contemplated under the Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Accordingly, both the JV Agreement and the Master Agreement (including the Annual Caps) are subject to approval by the Independent Shareholders, by way of poll, at the SGM.

As at the Latest Practicable Date, only a further 31,659,360 Shares, representing approximately 2.52% of the issued share capital of the Company, can be issued under the Previous Issue Mandate. The Board therefore proposes to seek approval from the Independent Shareholders to grant the New Issue Mandate such that the Directors can exercise the power of the Company to issue new Shares up to 20% of the issued share capital of the Company as at the date of the SGM. Pursuant to Rule 13.39(4)(b) and Rule 13.36(4) of the Listing Rules, the Refreshment of Issue Mandate is subject to approval by the Independent Shareholders, by way of poll, at the SGM.

Mr. Cheung, Mr. Chan and their respective associates will abstain from voting on the ordinary resolutions to approve the JV Agreement, the Master Agreement (including the Annual Caps) and the Refreshment of Issue Mandate at the SGM.

As 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, he has been excluded in the composition of the Independent Board Committee to advise the Independent Shareholders on the terms of the JV Agreement and the Master Agreement. The Independent Board Committee comprising two independent non-executive Directors, namely Mr. Hu Guang and Mr. Chan Chak Paul, has been formed to advise the Independent Shareholders as to whether the transactions contemplated by the JV Agreement and the Master Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An Independent Board Committee comprising all the three independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the Refreshment of Issue Mandate. Hercules is engaged to advise the Independent Board Committee and the Independent Shareholders in these regards.

In formulating our recommendations, we have reviewed, *inter alia*, (i) the JV Agreement; (ii) the Master Agreement; (iii) the accountants' reports on Verde as set out in Appendix II to the Circular; (iv) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular; and (v) the valuation report prepared by Castores as set out in Appendix IV to the Circular. We have also conducted verbal discussions with Castores regarding the methodology, bases and assumptions employed in the valuation. We have assumed that such information and statements, and any representations made to us, are true, accurate and complete in all material aspects as of the date hereof and we have relied upon them in formulating our opinion.

We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular, and will continue as such at the date of the SGM, and that they may be relied upon in formulating our opinion. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any material information has been withheld by the Directors or management of the Group, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group.

PRINCIPAL FACTORS CONSIDERED

The principal factors that we have taken into consideration in arriving at our opinion are set out below:

A. THE JV AGREEMENT

1. Background to and reasons for the formation of the Joint Venture

(i) Background of the Group

The principal activity of the Company is investment holding and the principal activities of its subsidiaries consist of investment holding and 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 on the metals and minerals sector, the Group discontinued its consumer products business by disposing of its entire 60% interest in Unicon Group in August 2006 and its interest 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 a 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.

(ii) Background of Tong Guan

Tong Guan is a wholly-owned subsidiary of Tongling. 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 involved in trade, scientific research and design, machine building, construction and installation and shaft and drift construction. Tongling is one of the top 500 enterprises in the PRC. In 2006, the sales revenue of Tongling reached RMB33.67 billion and the output of copper cathode hit 544,800 tons, representing the market leader in the PRC and is ranked the eighth place among the large copper refineries of the world. One of Tongling's subsidiaries, namely Tongling Nonferrous Metals Group Co., Ltd. (stock code: 000630), is listed on the Shenzhen Stock Exchange. Tong Guan is principally engaged in mineral resources management and investment, and minerals trading.

(iii) Background of CCCL

CCCL is an associate of Mr. Cheung and Mr. Chan and therefore is a connected person of the Company. CCCL is principally engaged in investment holding activities.

(iv) Rationale

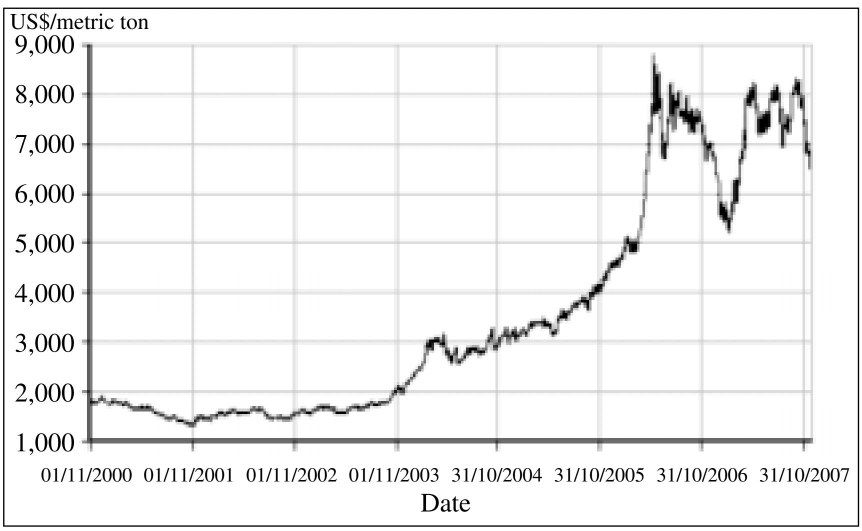
The Directors consider that the formation of the Joint Venture will enable the Group to further expand its mining business. The Joint Venture will be principally engaged in the processing of copper ores in Chile. In view of the increase in demand for natural resources in the world and the increase in 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 undertaking to assist in seconding and recruiting part of management team and technical expertise for the Joint Venture, the Joint Venture is well equipped with the necessary technical knowledge of processing copper ores as well as business potential. As stated in the letter from the Board, 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 the future.

2. The copper ores industry

Copper is an excellent conductor of electricity, as such one of its main industrial usage is for the production of cable, wire and electrical products for both the electrical and building industries. Since the metal is used in construction and manufacturing, demand for copper is closely linked to global growth prospects.

Copper prices are driven by industrial demand but they are also affected by a variety of supply factors. These can range from issues relating to mining output, extraction costs and smelter operations to shipment problems and inventory levels. Set out below is a grade A copper cash buyer contract price graph for the period from 1 November 2000 to 31 October 2007:

Grade A Copper price graph



Source: London Metal Exchange

According to the research report titled "Analyzing the US Copper Industry" issued by Aruvian Research in August 2007, the price of copper rose rapidly, increasing 500% from a 60-year low in 1999, largely due to increased demand. Copper has come into the limelight on account of high volatility in prices. The research report also quoted from New Scientist that the earth has an estimated 61 years supply of copper left.

In 2006, copper prices rose to a record US$8,800 per metric ton from US$4,392 per metric ton at the beginning of the year due primarily to supply shortfalls and intense fund buying. Bloomberg reported on 26 October 2007 that copper, traded in dollars, had gained 24% for the period from 1 January 2007 to 26 October 2007. Such growth was driven by the economic growth in the PRC, the world's largest copper user and the second largest copper producer with a share of 14%. Prices have also been supported by disruptions to mine production. The PRC's copper market experienced strong demand as a result of establishment of new power generation facilities in 2005 and 2006. According to the Beijing-based customs offices, the PRC's imports of copper and its alloys jumped 93% to 1.2 million metric tons from a year earlier in the nine months ended 30 September 2007. However, the PRC's refined copper imports may decline 43% next year to 800,000 tons, according to the chief copper analyst at Beijing Antaike Information Development Co., who estimated domestic production will rise 15% in 2008, which will lead to fewer imports.

According to data from the US Geological Survey, the global mined production of copper has up over 70% since 1990. Based on the information from the International Copper Study Group, world mined copper production is expected to rise by 6.3% this year over last year. Nevertheless, copper stock of the London Metal Exchange ("**LME**"), the world's largest non-ferrous metals exchange, had dwindled to less than 100,000 metric tons in 2006 from its recent 2002 high near 1 million metric tons and currently resides under 200,000. On 26 October 2007, stockpiles of copper monitored by the LME was 154,175 tons. There is no doubt that such drop in stockpiles would have a sizeable impact on copper's price.

On 27 January 2006, the Science Daily quoted a study published in the Proceedings of the National Academy of Sciences titled "Metal Stocks and Sustainability" that all of the copper in ore, plus all of the copper currently in use, would be required to bring the world to the level of the developed nations for power transmission, construction and other services and products that depend on copper. For the entire globe, the researches estimated that 26% of extractable copper in the Earth's crust is now lost in non-recycled wastes. Current prices do not reflect those losses because supplies are still large enough to meet demand, and new methods have helped mines produce materials more efficiently. The researches studying supplies of copper, zinc and other metals have determined that even the full extraction of metals from the Earth's crust and extensive recycling programs may not meet future demand if all nations begin to use the same services enjoyed in developed nations.

Having considered (i) the Group has taken its first step to diversify its business into the mining industry in Chile by acquiring a 60% interest in Bellavista Holding Group Limited; (ii) the formation of the Joint Venture is in line with the Group's strategy to expand in metals and minerals sector and will broaden the Group's metals and minerals business in terms of business scale and operation capabilities in Chile thereby enhancing the Group's future earnings potential; and (iii) the increase in demand for and limited supply of copper in the world and the increase in copper price over the past years, we are of the view that the JV Agreement is entered into in the ordinary and usual course of business of the Group and the formation of the Joint Venture is in the interests of the Company and the Shareholders as a whole.

3. Risk factors

We have discussed with management of the Company and understand that the Directors are of the view that there is no specific country risk, currency risk or political risk relating to the operations of the Joint Venture based on their experience and observations in dealing with similar business in Chile.

Having considered the publications below, we concur with the view of the Directors that there are no specific country risk, currency risk or political risk relating to the processing of copper ores in Chile and the risks relating to the business of the Joint Venture, if any, are general business risks associated with almost all of the commercial transactions conducted in Chile:

(i) In July 2006, Moody's raised its rating of Chile's long-term foreign-currency sovereign debt to A2, up by two levels from its previous Baa1 rating. The increase, being the first in the Moody's rating since 1995, put Chile on a par with countries that include Poland and Slovakia. The foreign currency country ceiling for bonds and notes was upgraded to Aa3 from A2. The governments' local currency government bond rating remains at A1. Chile's local currency deposit ceiling and local currency guideline the highest possible rating that could be assigned to obligors and obligations denominated in local currency within the country is Aaa.

(ii) In Transparency International's *2006 Corruption Perceptions Index* published in November 2006, Chile stands out as Latin America's most transparent country. Internationally, Chile took 20th position out of a total of 163 economies, tied with United States and Spain.

(iii) Chile has the freest economy in Latin America and the Caribbean according to the 2006 Index of Economic Freedom published jointly by the US-based Heritage Foundation and The Wall Street Journal. Chile ranked 14th among 161 countries, just behind Finland and Canada (12th); and Australia, United States and New Zealand (9th). According to the Index, "Chile, the region's most dynamic economy, remains its only member of "free" economic club". The Index of Economic Freedom has traced the relationship between economic freedom and a country's prosperity. The countries with the best scores in the Index's ten categories – trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and informal (or black) market activity – tend to have higher living standards and per capita income.

(iv) According to the 2006 Economic Freedom of the World Rating, an index measuring variables related to market openness, free trade, and deregulation, published by Canada's Fraser Institute, Chile took 20th place out of 130 nations, just behind Japan and ahead of Hungary, France and South Korea, among others.

(v) In the 2006 World Competitiveness Yearbook, published by the Institute for Management Development ("**IMD**"), Chile took 24th place out of 61 economies, ranking just behind United Kingdom, New Zealand and Malaysia and ahead of Israel, Germany and Belgium. The Yearbook analyses over 300 criteria that determine a country's ability to provide an environment that sustains the competitiveness of enterprises.

According to the IMD, Chile's strengths include its non-discriminatory treatment of local and foreign investors, its reasonable level of business costs, its lack of restrictions on the employment of foreign labor, and the country's high level of international integration. Accordingly, the IMD identified Chile as one of the most competitive countries in terms of its image abroad as a pro-business country and of the positive impact this has on business development.

Chile also performed well on a number of the specific indicators used to construct the IMD's overall ranking. On business legislation, it reached 11th place while, on legal and regulatory framework, it was classified in 12th place. However, some of its highest scores related to central bank policies (1st), price controls (1st), financial institutions' transparency (2nd), credibility of managers (4th), attitudes towards globalisation (4th), and availability of competent senior managers (3rd).

4. Principal terms of the Joint Ventures

(i) Purpose

The Joint Venture will be incorporated in the BVI and will be principally engaged in the processing of 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.

(ii) Registered capital

The total registered capital of the Joint Venture will be US$50 million (equivalent to approximately HK$390 million).

The Subsidiary will contribute US$30 million (equivalent to approximately HK$234 million) as the registered capital of the Joint Venture, representing 60% of the equity interest of the Joint Venture. Such contribution will be financed from the internal resources of the Group. The Company conducted two fundraising exercises in July 2007 and August 2007 to raise in total HK$222.5 million by the issuance of the First Convertible Notes and the Second Convertible Notes. Based on the existing internal resources of the Group and cash balances of approximately HK$230 million as of 31 October 2007, the Group would be able to satisfy the aforesaid capital contribution.

Tong Guan will contribute US$10 million (equivalent to approximately HK$78 million) as the registered capital of the Joint Venture, representing 20% of the equity interest of the Joint Venture.

The total capital contributed by the Subsidiary and Tong Guan of US$40 million (equivalent to approximately HK$312 million) will be the source of funding for the future development of the Joint Venture.

CCCL will inject the entire issued share capital of Verde to the Joint Venture as registered capital, in consideration of which, CCCL will be interested in 20% of the issued share capital of the Joint Venture. On this basis, the entire issued share capital of Verde represents a value of US$10 million (equivalent to approximately HK$78 million).

Information on Verde

Verde is principally engaged in the processing of copper ores in Chile. The principal assets of Verde include equipments and machineries, water usage right and office and ancillary facilities in the La Plata area in Chile. The locations of water usage right and development site are close to the mining area. 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 the Joint Venture. The stable and reliable supply of copper ores from the Supplier provides a strong foundation for the business growth of the Joint Venture.

The total investments of CCCL in Verde as at 30 September 2007 were approximately US$3.61 million (equivalent to approximately HK$28.18 million).

Set out below are the historical results of Verde for the period from 27 January 2006 (the date of incorporation) to 30 September 2007, based on its audited financial information as set out in Appendix II to the Circular:

Total assets and net liabilities

	As at 30 September 2007 *USD'000*
Total assets	4,965
Net liabilities	(343)

	Audited results		
	Six months ended 30 September 2007	**Year ended 31 March 2007**	**From 27 January 2006 to 31 March 2006**
	USD'000	*USD'000*	*USD'000*
Turnover	–	–	–
Loss before taxation	(182)	(247)	(1)
Loss after taxation	(182)	(247)	(1)

Verde has not commenced operation as at 30 September 2007.

Independent professional valuation of Verde

The entire issued share capital of Verde was valued by Castores, an independent valuer, as of 30 September 2007 at approximately HK$378 million. A copy of the valuation is in Appendix IV of the Circular.

To assess the fairness and reasonableness of the valuation, we have discussed with Castores and reviewed the methodology, bases and key assumptions employed in the valuation. We understand that Castores has applied the income approach technique known as the discounted cash flow method in the valuation to estimate the market value of the equity of Verde by discounting the future cash flows to its present value. In using the discounted cash flow method, Castores has adopted the free cash flows to equity technique which requires that Verde's interest expenses, if any, be excluded from the free cash flows and the resulting cash flow to be discounted at the relevant rate of return required by equity. Based on our discussions with Castores, we understand that they have considered, *inter alia*, the history of Verde, the economic and industry outlooks affecting Verde's business, the past and projected future results of Verde, the market-derived investment returns of entities in similar line of business and the risks facing by Verde. Accordingly, Castores has, *inter alia*, (i) tested the financial projection of Verde for ten years ending 31 March 2017 against relevant data pertaining to the various economies and the replication industry and found it fair and reasonable; (ii) derived the discount rate of Verde by using the Capital Asset Pricing Model ("**CAPM**") which derives the required rate of return of an asset by adding the risk-free rate to the risk premium of the asset; (iii) used the Standard Industrial Classification ("**SIC**") small composite compound annual equity return of ten years (SIC Code 10) from Morningstar Inc. as the broad market portfolio return in the CAPM computations; (iv) added the country risk for Chile and the business risk to reflect no business diversification to derive the required cost of equity; (v) determined an unlevered Ordinary Least Squares beta by deriving a representative industry beta based on Southern Copper Corporation (Ticker: PCU), a company under SIC Code 10, in order to remove financial decision from the beta calculation and reflect Verde's business risks; and (vi) applied a lack of marketability discount in the valuation.

In the course of our discussions with Castores, nothing material has come to our attention that would lead us to believe that the valuation was not prepared on a reasonable basis nor reflect estimates and assumptions which have been arrived at after due and careful consideration. In view of the foregoing and having considered that (i) SLP Horwath has confirmed that the calculations of the cash flow projection of Verde upon which the valuation is based had been properly complied in accordance with the bases and assumptions made by the Directors and adopted by Castores; and (ii) Optima Capital has confirmed that they are satisfied that the bases and assumptions of the cash flow projection of Verde had been prepared by the Directors after due and careful enquiry, we consider that the abovementioned assumptions adopted by Castores in the valuation are fair and reasonable and therefore the valuation of Verde is fair and reasonable insofar as the Independent Shareholders are concerned.

Given that the market value of Verde represents a significant premium of 384.6% over the assumed value of Verde of US$10 million (equivalent to approximately HK$78 million) under the capital injection arrangement of the JV Agreement, we are of the view that the injection of Verde by CCCL for a 20% equity interest of the Joint Venture is in the interests of the Company and the Shareholders as a whole.

(iii) 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.

(iv) 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, *inter alia*, 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 14.6 million metric tons of copper ores. The techniques adopted for the floatation plant are different. The copper ores to be processed by this floatation plant are sulphide ores and the production process includes, *inter alia*, 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 materialises, 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. By virtue of Tong Guan's interest 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 materialise, the Company will comply with the relevant provisions of the Listing Rules governing continuing connected transactions.

In view of the undertaking and commitment provided by Tong Guan as discussed above, we concur with the view of the Directors that the Joint Venture is well equipped with the necessary technical knowledge of processing copper ores and with business potential.

Given that the rights and obligations in the Joint Venture of each of the Subsidiary, Tong Guan and CCCL are proportional to their respective shareholdings in the Joint Venture, we are of the opinion that the terms of the JV Agreement are on normal commercial terms and are fair and reasonable insofar as the Independent Shareholders are concerned.

5. Financial impact on the Group

(i) Net assets

Based on the latest published annual report of the Company, the audited consolidated net assets of the Group as at 31 March 2007 was approximately HK$21.5 million. The formation of the Joint Venture will have no material effect on the net assets of the Group.

(ii) Earnings

For the year ended 31 March 2007, the Group reported audited consolidated net loss attributable to Shareholders of HK$14.4 million. 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.

B. CONTINUING CONNECTED TRANSACTION

1. Background to and reasons for the Master Agreement

On 16 October 2007, Verde, a wholly-owned subsidiary of CCCL to be injected into the Joint Venture as CCCL's contribution to the registered capital of the Joint Venture, had entered into the Master Agreement with the Supplier pursuant to which Verde had agreed to purchase and the Supplier had agreed to exclusively supply and sell the copper ores extracted from the mining concessions in La Plata area in Chile to Verde at the sale price from the Commencement Date, subject to the terms and conditions contained therein.

As the Joint Venture will be newly established and operate a new copper processing business in Chile, it is crucial for it to maintain stability in supply and quality of copper ores for its business needs. 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.

On the basis that (i) the Joint Venture will be principally engaged in the processing of copper ores in Chile; and (ii) the Supplier is principally engaged in the extraction of copper ores, we consider the transactions contemplated by the Master Agreement to be normal commercial transactions for the Group and the Master Agreement was entered into in the ordinary and usual course of business of the Group.

2. Terms

(i) Term

The Master Agreement will commence on the Commencement Date and subject to the provisions of the Master Agreement, shall subsist until terminated by Verde at its sole discretion by giving to the Supplier not less than 6 months' written notice of termination any time after the third anniversary of the Master Agreement. Accordingly, the Master Agreement is a perpetual agreement. Under Rule 14A.35(1) of the Listing Rules, continuing connected transactions which are not fully exempted must be governed by an agreement for a fixed period not exceeding three years unless there are special circumstances requiring a longer duration. Having considered the following factors:

- the purpose of entering into of 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; the development of a new business in any market requires long-term commitment of both parties, and accordingly, the commercial arrangements between Verde and the Supplier need to be of a reasonable long duration to be commercially viable;

- 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;

- the Master Agreement is part and parcel of the JV Agreement, through which, the Joint Venture secures stable supply and maintain the quality of copper ores for its undisrupted operations; it is therefore justifiable for the Master Agreement to be coterminous with the JV Agreement;

- the Master Agreement is a vital contract to the business of the Joint Venture and represents a critical commercial arrangement between Verde and the Supplier in their ordinary course of business; it would not be in the interests of the Independent Shareholders for the Master Agreement to be of a stipulated duration or negotiated every three years; and

- the continuing cooperation with the Supplier contemplated under the Master Agreement is consistent with the business and commercial objective of the Group for continual engagement and expansion of its mining business;

we consider the term of the Master Agreement justifiable. In addition, taking into account the business plan of the Joint Venture and the capital investment of the Joint Venture, we concur with the view of the Directors that it is beneficial to the Group to secure a long-term supply contract with the Supplier.

(ii) Pricing

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 in 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. We have reviewed the calculation of the estimated extracted cost prepared by the Company and note that such computation is based on the weighted average cash operating costs of three independent Chilean copper mines in 2006. We have reviewed and compared the sale price under the Master Agreement with the quotation for copper ores obtained from an independent third party in August 2007. Based on our review, we are satisfied that 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 accounts of the Supplier to be provided to Verde within 4 months after the Supplier's financial year ends.

(iii) 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.

We consider the exclusivity arrangement will ensure stable and reliable supply of copper ores from the Supplier which in turn provides a strong foundation for the business growth of the Joint Venture and offers a degree of flexibility for the operations of the Joint Venture.

Based on the foregoing, we consider the terms contemplated under the Master Agreement fair and reasonable insofar as the Independent Shareholders are concerned.

3. Bases of the annual caps

As stated in the letter from the Board, 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)

Based on the existing construction plan, the annual processing capacity the hydrometallurgical processing plant to be constructed by the Joint Venture in Chile will be approximately 1,800,000 metric tons. As stated in the letter from the Board, it is expected that the hydrometallurgical processing plant will commence operation in the fourth quarter of 2008. Accordingly, 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 in cooperation 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 materialises, 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 the purchase of sulphide ores. The Company will comply with the relevant provisions of the Listing Rules where appropriate.

To assess whether the bases of the Annual Caps are fair and reasonable, we have considered the following factors:

(i) the Annual Caps have been formulated with reference to the daily processing rate of the hydrometallurgical processing plant based on its operating schedule and the estimated sale price as discussed in the subsection headed “B.2.(ii) Pricing” above;

(ii) the increase in the Annual Caps for the two financial years ending 31 March 2009 and 2010 is in accordance with the operating schedule of the hydrometallurgical processing plant under the existing construction plan; and

(iii) the Annual Cap for the financial year ending 31 March 2008 is projected on the basis that the hydrometallurgical processing plant will have to stock up with copper ores for a trial run before full operations; and

(iv) the Annual Caps are in line with the business plan of the Joint Venture in requiring the Supplier to exclusively supply and sell the copper ores extracted by the Supplier to Verde.

In view of the above, we consider that the Annual Caps justifiable and thus are fair and reasonable insofar as the Independent Shareholders are concerned.

4. Conditions of the continuing connected transaction

The Company will comply with the requirements under Rules 14A.37 to 14A.40 of the Listing Rules in relation to the Master Agreement for the duration for which the Master Agreement is carried out. Details of the Master Agreement will be included in the Company's published annual reports and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules. The Company will also comply with the requirements under Rule 14A.36 of the Listing Rules if the Annual Caps exceed the applicable annual caps described above, or where there are material changes to the terms of the Master Agreement. On this basis, we are of the view that the interests of the Company and the Shareholders will be properly safeguarded.

C. PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

1. Background and rationale

At the AGM, the Shareholders granted the Previous Issue Mandate to the Directors to allot, issue and deal with up to 206,659,360 Shares, representing 20% of the then issued shared capital of the Company. The Company has not refreshed the general mandate to issue Shares since the AGM.

On 9 July 2007, the Board announced, *inter alia*, that the Company proposed to raise approximately HK$67.8 million, net of expenses, with a placing of the First Convertible Notes to Plus All Holdings Limited and six other subscribers. The First Convertible Notes bear no interest and can be converted into Shares at the initial conversion price of HK$0.40 per Share during the conversion period. According to the management of the Company, the First Convertible Notes were fully converted into 175,000,000 conversion Shares in August and September 2007 and such conversion Shares were allotted and issued pursuant to the Previous Issue Mandate.

The Company also announced on 27 July 2007, *inter alia*, that the Company agreed to issue the Second Convertible Notes to Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Singapore Branch (which is part of Deutsche Bank AG, a company incorporated in Germany) to raise approximately HK$154.7 million, net of expenses. The Second Convertible Notes bear no interest and can be converted into Shares at the initial conversion price of HK$1.00 per Share during the period from 1 November 2007 until a date falling fourteen business days prior to the maturity date. According to the management of the Company, the Second Convertible Notes were partially converted into 50,000,000 conversion Shares which were issued under the special mandate granted to the Directors on 29 August 2007.

Save for the foregoing, no other fundraising activities took place within the twelve-month period up to and including the Latest Practicable Date.

As at the Latest Practicable Date, only a further 31,659,360 Shares, representing approximately 2.52% of the issued share capital of the Company, can be issued under the Previous Issue Mandate. Accordingly, the Board proposes to refresh the general mandate for the Directors to issue and allot Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

2. Flexibility in financing alternatives

As advised by the management of the Company, the Directors are of the view that the granting of the New Issue Mandate will enhance the flexibility of the Company to manage its business as only a further 31,659,360 Shares, representing approximately 2.52% of the issued share capital of the Company, can be issued under the Previous Issue Mandate, should any investment opportunities arise that require the issue of new Shares, a special mandate would have to be sought and there would be no certainty as to whether the requisite Shareholders' approval could be obtained in a timely manner.

In view of the foregoing, and having considered the following factors:

(i) the New Issue Mandate offers the Company an opportunity to raise funds by equity financing, particularly in a favorable equity market environment, which is important given the nature of equity financing is non-interest bearing and requires no collateral or security, and also a broader capital base may enhance the liquidity of the Shares; and

(ii) the New Issue Mandate would provide the Company with flexibility to raise additional capital for any future investment or as working capital of the Group,

we concur with the view of the Directors that the granting of the New Issue Mandate would provide the Company with the flexibility to fulfil any possible funding requirements of the Group's future business development.

3. Other financing alternatives

As advised by the Directors, apart from equity financing, the Group will also consider other financing alternatives such as debt financing or bank borrowings. However, such alternatives depend on the Group's profitability, financial standing, cost of funding and the then prevailing market condition. In addition, these alternatives may subject to lengthy due diligence and negotiations. The Directors also confirmed that they would exercise due and careful consideration when choosing the best method of financing for the Group.

We consider that the granting of the New Issue Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development. As such, we are of the view that the granting of the New Issue Mandate is in the interests of the Company and the Shareholders as a whole.

4. Potential dilution to shareholding of the Independent Shareholders

The table below sets out the shareholdings of the Company as at the Latest Practicable Date and, for illustrative purpose, the potential dilution effect upon full utilisation of the New Issue Mandate.

	As at the Latest Practicable Date		**Upon full utilisation of the New Issue Mandate assuming no conversion of the Second Convertible Notes**	
	Number of Shares	*%*	*Number of Shares*	*%*
Mr. Cheung Ngan [(1)]	311,232,469	24.73	311,232,469	20.61
Plus All Holdings Limited	125,000,000	9.93	125,000,000	8.28
Other public Shareholders	822,064,331	65.34	822,064,331	54.44
Exercise of the New Issue Mandate	–	–	251,659,360	16.67
Total	1,258,296,800	100.00	1,509,956,160	100.00

Notes:

(1) The chairman and an executive Director.

As illustrated in the table above, assuming no other Shares are issued or repurchased by the Company, the aggregate shareholding of the existing Shareholders will be diluted by 16.67% upon full utilisation of the New Issue Mandate.

Taking into account the benefits of the New Issue Mandate as discussed above and the fact that the shareholding of all Shareholders will be diluted to the same extent, we consider such dilution or potential dilution of shareholding to be acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the transactions contemplated by the JV Agreement and the Master Agreement (including the Annual Caps) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. In addition, the granting of the New Issue Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to approve the JV Agreement, the Master Agreement (including the Annual Caps) and the granting of the New Issue Mandate at the upcoming SGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the results, assets and liabilities of the Group as extracted from the relevant annual reports of the Company:

	For the year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Turnover *(Note 1)*	56,469	105,273	182,169
Profit/(loss) for the year attributable to:			
Shareholders of the Company	(14,440)	(11,043)	(823)
Minority interests	504	(4,504)	(4,558)
ASSETS AND LIABILITIES			
Total Assets	35,479	29,389	47,353
Total Liabilities	(13,935)	(3,591)	(4,765)
Net Assets	21,544	25,798	42,588
Equity attributable to equity holders of the Company	21,544	25,428	37,714
Minority interests	–	370	4,874
Total Equity	21,544	25,798	42,588

Note:

1. Turnover includes sales revenue from both continuing and discontinued operations.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the Group, balance sheet of the Company with the notes to the financial statements as extracted from pages 22 to 66 of the annual report of the Company for the year ended 31 March 2007. References to page numbers in this section are to the page numbers of such report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Note	2007 HK$'000	(Restated) 2006 HK$'000
CONTINUING OPERATION			
Turnover	*5*	48,833	90,751
Cost of sales		(47,456)	(82,275)
Gross profit		1,377	8,476
Other revenue	*5*	734	2,061
Selling and distribution costs		(196)	(371)
Administrative expenses		(17,660)	(16,410)
Other operating expenses		(198)	(1,464)
Finance costs	*6*	(232)	(1,214)
Gain on disposal of subsidiaries		368	–
Share of profits of associates		1,810	2,708
Loss before tax		(13,997)	(6,214)
Tax	*9*	–	–
Loss for the year from continuing operation		(13,997)	(6,214)
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation	*10*	61	(9,333)
LOSS FOR THE YEAR	*11*	(13,936)	(15,547)
ATTRIBUTABLE TO:			
Equity holders of the Company		(14,440)	(11,043)
Minority interests		504	(4,504)
		(13,936)	(15,547)
LOSS PER SHARE	*13*		
From continuing and discontinued operations			
– Basic *(HK$)*		(0.0147)	(0.0125)
From continuing operation			
– Basic *(HK$)*		(0.0146)	(0.0070)

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	1,470	719
Interests in associates	*16*	3,781	4,038
Available-for-sale investments	*17*	5,700	3,183
Corporate membership		–	268
		10,951	8,208
Current assets			
Inventories		–	3,524
Bills receivable		–	155
Accounts receivable	*18*	1,034	1,699
Prepayments, deposits and other receivables		16,835	1,913
Pledged bank deposits		676	–
Cash and bank balances		5,983	13,890
		24,528	21,181
Current liabilities			
Accounts payable	*19*	2,338	241
Accrued liabilities and other payables		893	2,786
Due to a director	*20*	10,140	–
Tax payable		564	564
		13,935	3,591
Net current assets		10,593	17,590
Net assets		21,544	25,798
EQUITY			
Share capital	*21*	10,333	8,833
Reserves	*23*	11,211	16,595
Equity attributable to equity holders of the Company		21,544	25,428
Minority interests		–	370
Total equity		21,544	25,798

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Share capital	Share premium	Contributed surplus	Foreign currency translation reserve	Investment revaluation reserve	Accumulated profits/ (losses)	Attributable to equity holders of the Company	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	8,833	–	20,566	1	(1,337)	8,314	36,377	4,874	41,251
Change in fair value of available-for-sale investments	–	–	–	–	94	–	94	–	94
Income recognised directly in equity	–	–	–	–	94	–	94	–	94
Loss for the year	–	–	–	–	–	(11,043)	(11,043)	(4,504)	(15,547)
Total recognised income and expenses for the year	–	–	–	–	94	(11,043)	(10,949)	(4,504)	(15,453)
At 31 March 2006	8,833	–	20,566	1	(1,243)	(2,729)	25,428	370	25,798
Change in fair value of available-for-sale investments	–	–	–	–	2,517	–	2,517	–	2,517
Income recognised directly in equity	–	–	–	–	2,517	–	2,517	–	2,517
Transfer to profit or loss on disposal of subsidiaries	–	–	–	(1)	–	–	(1)	–	(1)
Loss for the year	–	–	–	–	–	(14,440)	(14,440)	504	(13,936)
Total recognised income and expenses for the year	–	–	–	(1)	2,517	(14,440)	(11,924)	504	(11,420)
Disposal of subsidiaries	–	–	–	–	–	–	–	(874)	(874)
Issue of shares in placing arrangement	1,500	6,750	–	–	–	–	8,250	–	8,250
Share issue expenses	–	(210)	–	–	–	–	(210)	–	(210)
At 31 March 2007	10,333	6,540	20,566	–	1,274	(17,169)	21,544	–	21,544

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss for the year	(13,936)	(15,547)
Adjustments for:		
Interest income	(244)	(1,191)
Finance costs	232	1,214
Depreciation	602	949
Impairment loss of goodwill	–	1,449
Goodwill written off	12	–
Inventories written off	–	3,462
Impairment loss of debts, net	425	2,976
Property, plant and equipment written off	34	15
Gain on disposal of discontinued operation	(74)	–
Gain on disposal of subsidiaries	(368)	–
Share of profits of associates	(1,810)	(2,708)
Operating cash flows before movements in working capital	(15,127)	(9,381)
Increase in inventories	(2,456)	(50)
Increase in accounts receivable	(1,592)	(99)
(Increase)/decrease in prepayments, deposits and other receivables	(15,953)	4,152
Increase/(decrease) in accounts payable	2,822	(16)
Increase in accrued liabilities and other payables	4,357	1,277
NET CASH USED IN OPERATING ACTIVITIES – PAGE 26	(27,949)	(4,117)

	Note	2007 HK$'000	2006 HK$'000
NET CASH USED IN OPERATING ACTIVITIES – PAGE 25		(27,949)	(4,117)
INVESTING ACTIVITIES			
Disposal of subsidiaries	24	2,216	–
Acquisition of a subsidiary	25	209	–
(Increase)/decrease in pledged bank deposits		(676)	1,042
Dividend received from associates		2,067	1,620
Proceeds from disposal of property, plant and equipment		–	1,039
Payments to acquire property, plant and equipment		(2,121)	(131)
Interest received		244	1,191
NET CASH GENERATED FROM INVESTING ACTIVITIES		1,939	4,761
FINANCING ACTIVITIES			
L/C charges and interest paid		(232)	(1,214)
Net proceeds from issue of shares		8,040	–
Advance from a director		10,140	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		17,948	(1,214)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,062)	(570)
Cash and cash equivalents at beginning of year		14,045	14,615
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,983	14,045
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		5,983	13,890
Bills receivable		–	155
		5,983	14,045

BALANCE SHEET

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	–	–
Interests in subsidiaries	15	18,787	22,237
		18,787	22,237
Current assets			
Prepayments, deposits and other receivables		436	623
Cash and bank balances		2,775	2,990
		3,211	3,613
Current liabilities			
Accrued liabilities and other payables		442	410
Tax payable		12	12
		454	422
Net current assets		2,757	3,191
Net assets		21,544	25,428
EQUITY			
Share capital	21	10,333	8,833
Reserves	23	11,211	16,595
Total equity		21,544	25,428

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

China Elegance (Holdings) Limited (the "Company") is incorporated in Bermuda with limited liabilities. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business is 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (the "Group") are principally engaged in investment holding, metals and minerals trading and the manufacture, trading and distribution of consumer products. During the year, the Group discontinued its consumer products operation *(See note 10).*

2. Adoption of new and revised Hong Kong Financial Reporting Standards

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

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

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

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

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

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

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

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

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

3. Basis of preparation and principal accounting policies

(a) Statement of compliance

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of certain available-for-sale investments.

The financial statements have been prepared in accordance with all applicable HKFRSs, which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong with the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interests until the minority's share of losses previously absorbed by the Group has been recovered.

(c) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in profit and loss account.

The interests of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

(d) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisition of associates, if any, is included in interests in associates.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(e) Subsidiary

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Associates

An associate is an entity, not being a subsidiary nor an interest in a jointly controlled entity, over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investment. When the Group's share of losses of an associate equals or exceeds its interests in that associate, the Group discontinues recognising its share of further losses.

Where a group entity transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interests in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the assets transferred, in which case, the full amount of losses is recognised.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost thereof.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method. The expected useful lives of property, plant and equipment are as follows:

Leasehold improvements	3 to 10 years
Plant and machinery	5 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(h) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in the revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

i) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provisions for estimated irrecoverable amounts are recognised in profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

iv) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Foreign currencies

The financial statements of each individual group entity are prepared in the currency of the primary economic environment in which the entity operates (the "functional currency"). In preparing these financial statements, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items are recognised in profit and loss account in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates prevailing on the balance sheet date.

(o) Employees' benefits

i) Short term benefits

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

ii) Employee retirement scheme

On 1 December 2000, the Group joined a Mandatory Provident Fund ("MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees. The assets of MPF are held separately from those of the Group in an independently administered fund.

(p) Borrowing costs

All borrowing costs, which represents interest and other charges incurred by the Group in connection with the borrowing of operating funds, are recognised as an expense in the period in which they are incurred.

(q) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i) sales of goods when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

ii) rental income and administration fee income are recognised on a straight line basis; and

iii) interest income is recognised as it accrues using the effective interest method.

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to the external parties.

In respect of geographical segment reporting, revenue is based on the market segments in which the customers are located. Total assets and capital expenditure are where the assets are located.

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of debts

Impairment of debts is based on an assessment of the recoverability of trade and other receivables. Impairments are applied to trade and other receivables where events or change in circumstances indicate that the balances cannot be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the future discounted cash flow of trade and other receivables is different from the carrying amount, such difference represents impairment of debts is recognised as expense in the profit and loss account.

5. Turnover, other revenue and segment information

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised during the year is as follows:

	Continuing operation		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
Sales of metals and minerals	48,833	90,751	–	–	48,833	90,751
Sales of consumer products	–	–	7,636	14,522	7,636	14,522
	48,833	90,751	7,636	14,522	56,469	105,273
Other revenue						
Sundry income	481	805	172	317	653	1,122
Administration fee income, net	–	–	348	1,648	348	1,648
Interest income	241	1,177	3	14	244	1,191
Exchange gain, net	12	79	29	128	41	207
Rental income	–	–	–	8	–	8
	734	2,061	552	2,115	1,286	4,176
	49,567	92,812	8,188	16,637	57,755	109,449

Primary reporting format – business segments

For the year ended 31 March 2007

	Continuing operation	Discontinued operation		
	Metals and minerals	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	48,833	7,636	–	56,469
Segment results	(3,144)	(13)	–	(3,157)
Unallocated operating income and expenses				(12,799)
Gain on disposal of subsidiaries	–	74	368	442
Finance costs	(232)	–	–	(232)
Share of profits of associates	1,810	–	–	1,810
Loss for the year				(13,936)
Depreciation	–	107	495	602
Impairment loss of debts, net	–	200	225	425
Segment assets	19,484	–	–	19,484
Interests in associates	3,781	–	–	3,781
Unallocated assets				12,214
Total assets				35,479
Segment liabilities	12,569	–	–	12,569
Unallocated liabilities				1,366
Total liabilities				13,935
Capital expenditure incurred during the year	–	320	1,801	2,121

For the year ended 31 March 2006

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

Secondary reporting format – geographical segments

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

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

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

6. Finance costs

	2007	**2006**
	HK$'000	*HK$'000*
From continuing operation		
L/C charges and interest	232	1,214

7. Directors' remuneration

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Fee		Basic salaries, housing benefits, other allowances and benefits in kind		Pension contributions		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors								
Mr. Cheung Ngan	–	–	793	807	12	12	805	819
Mr. Chan Chung Chun, Arnold	–	–	351	351	12	12	363	363
Sub-total	–	–	1,144	1,158	24	24	1,168	1,182
Independent non-executive directors								
Mr. Chan Francis Ping Kuen	10	10	–	–	–	–	10	10
Mr. Hu Guang	10	10	–	–	–	–	10	10
Mr. Chan Chak Paul	10	10	–	–	–	–	10	10
Sub-total	30	30	–	–	–	–	30	30
Total	30	30	1,144	1,158	24	24	1,198	1,212

The remuneration of each of the directors for both current and prior years were below HK$1,000,000.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the directors.

8. Five highest paid individuals

The five highest paid individuals during the year included two (2006: two) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining three (2006: three) non-director, highest paid individuals are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	1,435	1,557
Pension contributions	34	24
	1,469	1,581

The remuneration of the non-director, highest paid individuals for both current and prior years were below HK$1,000,000.

9. Tax

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

Overseas taxes on assessable profits of the Company or its subsidiaries, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

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

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

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

10. Discontinued operation

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

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

	2007	2006
	HK$'000	*HK$'000*
Turnover	7,636	14,522
Cost of sales	(5,179)	(12,023)
Gross profit	2,457	2,499
Other revenue	552	2,115
Selling and distribution costs	(832)	(1,782)
Administrative expenses	(2,190)	(6,268)
Other operating expenses	–	(5,897)
Loss before tax	(13)	(9,333)
Tax	–	–
Loss after tax of discontinued operation	(13)	(9,333)
Gain on disposal of discontinued operation	74	–
Profit/(loss) for the year from discontinued operation	61	(9,333)
Attributable to:		
Equity holders of the Company	(8)	(4,885)
Minority interests	69	(4,448)
	61	(9,333)

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

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

11. Loss for the year

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

	Continuing operation		Discontinued operation		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Auditor's remuneration	350	350	–	–	350	350
Depreciation	495	386	107	563	602	949
Property, plant and equipment written off	9	15	25	–	34	15
Inventories written off	–	–	–	3,462	–	3,462
Impairment loss of goodwill	–	–	–	1,449	–	1,449
Goodwill written off	12	–	–	–	12	–
Impairment loss of debts, net	225	–	200	2,976	425	2,976
Operating lease rentals on						
– leasehold land and buildings	2,050	1,287	144	611	2,194	1,898
– equipment	–	–	–	97	–	97
Staff costs (including directors' remuneration – note 7)						
– Salaries and wages	4,359	4,481	678	2,106	5,037	6,587
– Other benefits	843	921	–	17	843	938
– Pension contributions	146	138	34	88	180	226
	5,348	5,540	712	2,211	6,060	7,751

12. Net loss attributable to equity holders of the Company

The net loss attributable to equity holders of the Company includes a loss of HK$11,924,000 (2006: HK$12,286,000) which has been dealt with in the financial statements of the Company.

13. Loss per share

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

Loss

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

Number of shares

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

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

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

14. Property, plant and equipment

Group

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 April 2005	1,700	1,044	305	4,704	7,753
Additions	–	27	4	100	131
Disposals	(1,700)	(15)	–	(7)	(1,722)
At 31 March 2006	–	1,056	309	4,797	6,162
Additions	–	1,572	–	549	2,121
Disposals	–	(750)	–	(801)	(1,551)
Disposal of subsidiaries	–	(266)	(309)	(1,700)	(2,275)
At 31 March 2007	–	1,612	–	2,845	4,457
Accumulated depreciation:					
At 1 April 2005	661	733	292	3,476	5,162
Provided for the year	–	285	3	661	949
Written back on disposal	(661)	(7)	–	–	(668)
At 31 March 2006	–	1,011	295	4,137	5,443
Provided for the year	–	266	–	336	602
Written back on disposal	–	(725)	–	(792)	(1,517)
Disposal of subsidiaries	–	–	(295)	(1,246)	(1,541)
At 31 March 2007	–	552	–	2,435	2,987
Net book value:					
At 31 March 2007	–	1,060	–	410	1,470
At 31 March 2006	–	45	14	660	719

Company

	Equipment
	HK$'000
Cost:	
At 1 April 2005, 31 March 2006 and 31 March 2007	131
Accumulated depreciation:	
At 1 April 2005, 31 March 2006 and 31 March 2007	131
Net book value:	
At 31 March 2007	–
At 31 March 2006	–

15. Interests in subsidiaries

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	66,743	66,743
Due from subsidiaries	580,445	568,859
Due to subsidiaries	(19,616)	(15,397)
	627,572	620,205
Less: Provision for impairment	(608,785)	(597,968)
	18,787	22,237

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment, and approximate to their fair value.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Directly held					
China Elegance Holdings Limited	British Virgin Islands	US$1,000	100%	100%	Investment holding
Indirectly held					
Apex Winner Limited	Hong Kong	HK$1	100%	100%	Provision of management services
Brilliant Challenge (Hong Kong) Limited*	Hong Kong	HK$1,000	–	60%	Trading of leather and leather products
C & R International (Holdings) Limited*	Hong Kong	HK$2	–	60%	Trading of leather and leather products
C & R International (Management) Limited*	Samoa/PRC	US$1	–	60%	Brand management
CE Investment Limited	Samoa	US$1	100%	100%	Investment holding
CE Logistics Limited*	British Virgin Islands	US$1	–	100%	Dormant
Charmful Challenge (Asia) Limited*	Hong Kong	HK$1,000	–	60%	Sourcing and trading of leather products
Cheuk Yiu Investment Limited	Samoa	US$397,436	100%	100%	Investment holding
China Elegance Marine Shipping Limited*	British Virgin Islands	US$100	–	60%	Dormant
China Elegance Mining Company Limited	British Virgin Islands/PRC	US$1	100%	100%	Trading of metals and minerals
China Elegance Resources Limited	British Virgin Islands	US$1	100%	100%	Dormant
China Petroleum Limited#	British Virgin Islands	US$100	51%	–	Dormant
Gold Billion Limited*	Samoa	US$1	–	60%	Provision of management services

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2007	2006	
Grand Capital Enterprises Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Hero Gain Limited	Hong Kong	HK$100	100%	100%	Provision of management services
Hong Kong Cable Services Co. Limited	Hong Kong/ PRC	HK$100	100%	89%	Trading of computer hardware and software, provision of computer maintenance services and software development
Hugefaith Development Limited*	Hong Kong	HK$2	–	60%	Provision of management services
Jointech International Limited*	British Virgin Islands	US$2,000	–	89%	Investment holding
Kind Success Holdings Limited	British Virgin Islands	US$100	100%	100%	Investment holding
Legend World Group Limited	British Virgin Islands	US$100	100%	100%	Investment holding
Shenzhen Shiqin Leather Products Company Limited+*	PRC	RMB1,000,000	–	45%	Manufacture of leather products
Shui Yuen (Manganese) Group Limited	British Virgin Islands	US$1	100%	100%	Trading of metals and minerals
Timesway Limited	British Virgin Islands	US$1	100%	100%	Dormant
Unicon Spirit Development Ltd.*	British Virgin Islands	US$10	–	60%	Investment holding

Acquired during the year

* *Disposed of during the year*

\+ *The Group held 75% of the voting power of the subsidiary before disposal*

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. Interests in associates

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Share of net assets	3,783	4,040
Due to associates	(2)	(2)
	3,781	4,038

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2007	2006	Principal activities
China Anshan Corporation Sdn. Bhd.	Corporate	Malaysia	49%	49%	Investment holding
Terengganu Anshan Mining Sdn. Bhd.	Corporate	Malaysia	35%	35%	Ceased business
Terengganu Anshan Iron & Steel Sdn. Bhd.	Corporate	Malaysia	24%	24%	Exploration and extraction of iron ores
TAM Mining Sdn. Bhd.	Corporate	Malaysia	25%	25%	Mining and refining of iron ores

For the year ended 31 March 2007, the financial information of a significant associate, TAM Mining Sdn. Bhd., is as follows:

	2007	2006
	HK$'000	*HK$'000*
Total assets	13,966	13,561
Total liabilities	(1,975)	(3,059)
Turnover	24,414	26,709
Net profit for the year	7,537	9,098

17. Available-for-sale investments

	Group	
	2007	2006
	HK$'000	*HK$'000*
Listed equity securities, outside Hong Kong, at fair value	5,700	3,183

The listed equity securities above is the Group's investment in 10.18% of the ordinary shares of QMASTOR Limited, a company incorporated in Australia. The investment is denominated in Australian dollars.

18. Accounts receivable

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

	2007		2006	
	HK$'000	*Percentage*	*HK$'000*	*Percentage*
Current to three months	1,034	100	1,349	79
Four to six months	–	–	53	3
Over six months	–	–	297	18
	1,034	100	1,699	100

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

Included in the above accounts receivable is an amount of HK$1,012,000 denominated in United States Dollar (2006: HK$105,000 denominated in Japanese Yen).

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

19. Accounts payable

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

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

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

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

20. Due to a director

The amount represents advance from the Company's director, which is unsecured, interest-free and has been settled after the balance sheet date.

21. Share capital

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

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

22. Share based payment transactions

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

The Scheme, which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004 (the "Adoption Date"), constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date.

Pursuant to the Scheme, the board of directors is empowered, at its discretion, to invite any full-time employees of the Company or any of its subsidiaries or associates, including any executive directors and non-executive directors of the Company or of any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted.

Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK$1. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 3 September 2004, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There were no share options granted during the year and there were no outstanding share options granted at the balance sheet date.

23. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

The nature and purposes of reserves are set out below:

Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiary acquired over the nominal value of the Company's shares issued in exchange therefore, at the time of the Group reorganisation in preparation for the listing of the Company's shares.

Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus under certain circumstances prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

Foreign currency translation reserve

Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policy set out in note 3(n).

Investment revaluation reserve

Investment revaluation reserve represents the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 3(j)(ii).

Company

	Share premium	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	–	87,109	(58,228)	28,881
Net loss for the year	–	–	(12,286)	(12,286)
At 31 March 2006	–	87,109	(70,514)	16,595
Net loss for the year	–	–	(11,924)	(11,924)
Issue of shares in placing arrangement *(See note 21)*	6,750	–	–	6,750
Share issue expenses	(210)	–	–	(210)
At 31 March 2007	6,540	87,109	(82,438)	11,211

24. Disposal of subsidiaries

During the year, the Group disposed of its entire equity interests in Union Spirit Development Ltd., CE Logistics Limited and Jointech International Limited for a total consideration of HK$3,401,000.

The net assets of the disposed subsidiaries at the date of disposal are summarised as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	734
Corporate membership	268
Inventories	5,980
Accounts receivable	1,832
Prepayments, deposits and other receivables	1,031
Cash and bank balances	1,185
Accounts payable	(725)
Accrued liabilities and other payables	(6,471)
	3,834
Minority interests	(874)
	2,960
Foreign currency translation reserve released	(1)
	2,959
Gain on disposal of subsidiaries	442
Total consideration, satisfied by cash	3,401
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	3,401
Cash and bank balances disposed of	(1,185)
	2,216

The disposed subsidiaries contributed HK$7,638,000 (2006: HK$14,522,000) of revenue and HK$375,000 (2006: HK$5,113,000) of net loss to the Group's results for the current year.

During the year, the disposed subsidiaries contributed HK$1,594,000 (2006: utilized HK$3,174,000) to the Group's net operating cash flows and utilized HK$451,000 (2006: contributed HK$2,046,000) on investing activities.

25. Acquisition of a subsidiary

On 1 September 2006, the Group acquired 51% equity interests in China Petroleum Limited by subscription of new shares. This transaction has been accounted for by the purchase method of accounting.

The net liabilities acquired at the date of acquisition are summarised as follows:

	HK$'000
Net liabilities acquired:	
Cash and bank balances	209
Accrued liabilities and other payables	(221)
	(12)
Net cash inflow arising on acquisition of a subsidiary:	
Cash and bank balances acquired	209

The loss of HK$12,000 arising from acquisition is accounted for as goodwill written off and is charged to profit and loss account.

26. Operation lease commitments

At the balance sheet date, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007		2006	
	Properties	**Equipment**	**Properties**	**Equipment**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,604	–	182	78
Later than one year and not later than five years	378	–	–	264
	1,982	–	182	342

27. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

The remuneration of key management included directors' remuneration only which is disclosed in note 7.

28. Financial risk management

The Group's major financial instruments include available-for-sale investments, bank balances, trade receivables and trade payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Interest bearing financial assets are mainly bank balances which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Foreign currency risk

The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable of the Group are denominated in US dollars and Renminbi. Therefore the Group is exposed to US dollars, Australian dollars and Renminbi currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Market price risk

The Group is exposed to equity security price risk of the investment held which are classified in the balance sheet as available-for-sale investments. The Group will continue to monitor the market price and will consider necessary action should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's bank deposits and balances are deposits with banks in Hong Kong. The credit risk on these liquid funds is limited because the counterparties are banks with good credit-rating.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debts and other receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

29. Contingent liabilities

As at 31 March 2007, the Company had provided corporate guarantee of US$12,000,000 (2006: Nil) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilized by the Group at the balance sheet date.

30. Pledge of assets

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

31. Comparative figures

Due to the Disposal during the year, as disclosed in note 10, which constituted a discontinued operation under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, certain comparative figures were restated so as to reflect the results for the continuing operation.

32. Approval of the financial statements

The financial statements were approved and authorized for issue by the board of directors on 31 May 2007.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the operating results and business review extracted from the respective annual reports of the Company for the three years ended 31 March 2005, 2006 and 2007:

(i) For the year ended 31 March 2005

Results

During the year ended 31 March 2005, the Group’s turnover increased by 11.7% to HK$182.2 million (2004: HK$163.1 million) as compared to that of last year. The increase in turnover was due to the increase in turnover of the metals and minerals trading business which more than compensate the decrease in consumer products business during the year.

Gross profit for the year ended 31 March 2005 decreased by 33.0% to HK$12.4 million (2004: HK$18.5 million) as compared to that of last year. Despite the increase in turnover, the decrease in gross profit was mainly due to lower gross profit margin of the metals and minerals trading business as a result of competitive market condition. Decrease in turnover of consumer products business, which used to command higher gross profit margin as compared to the metals and minerals trading business, also contributed to the decrease in overall gross profit.

In view of decreasing turnover from the consumer products business, the Group increased its emphasis on sub-licensing of brands and thus increased other revenue from administration fee income. Despite the above, total other revenue decreased because the gain on disposal of subsidiaries generated in current year was much less than that in last year. Selling and distribution cost continued to drop for current year as a result of decrease in turnover of consumer products business. There was a significant decrease in other operating expenses for current year. It was due to a non-recurring impairment loss of HK$53.4 million for the goodwill arised on the acquisition of certain subsidiaries in prior years had been provided for in last year.

As a result, the net loss attributable to shareholders decreased by 98.8% to HK$0.8 million (2004: HK$67.5 million). Basic loss per share for the year decreased by 99.3% to HK0.09 cent per share (2004: HK12.16 cents per share).

Dividends

The directors do not recommend the payment of any dividend for the year ended 31 March 2005.

Business review

Consumer products business

The Group's consumer products business comprises mainly manufacture, wholesaling and distribution of garments and leatherware products, for branded and non-branded items.

As disclosed in last year's annual report, the Group signed up a trademark licence for a new brand with a local brand owner for various regions including the PRC market. It is anticipated that the rapid economic growth in PRC still provides opportunities for the Group's consumer products business.

However, to limit our investment while expanding quickly with our brand, the Group will put more emphasis in soliciting appropriate sub-licencees to help expand our business in this area.

Properties trading

The remaining units of the properties located in Tianjin, PRC were sold in last year and there is no other property project under development at present.

Metals and minerals trading

The macro-economic tightening measures imposed by the Central Government of China last year had slowed down the over-heated market for commodity products. Hence, the growth in demand for iron ores and other minerals as well as scrap metals for re-processing in China decreased.

As a result, the gross profit margin for metals and minerals trading business decreased and the Group decided to dispose its non wholly-owned subsidiary Chang Yuang Resources Limited ("Chang Yuang") which incurred a loss during the year. However, the Group has retained and increased interests in several Malaysian associates (which was held by Chang Yuang's wholly-owned subsidiary Kind Success Holdings Limited after reorganisation immediately before disposal of Chang Yuang) by the acquisition of Kind Success Holdings Limited from Chang Yuang (Details are set out in note 21 to the financial statements). The principal activities of these Malaysian associates primarily include extraction and sales of iron ores in Malaysia. The Group will continue its metals and minerals trading business through its wholly-owned subsidiaries China Elegance Mining Company Limited and Shui Yuen (Manganese) Group Limited and it is expected that the Malaysian associates can supplement the Group's operations in this business.

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflows during the year under review. However, the Group's metals and minerals division has sometimes discounted its bills receivable to finance its business.

The Group's gearing ratio as at 31 March 2005 was nil (2004: nil) as there was no bank borrowings at the balance sheet date. Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 31 March 2005, the Group had bank balances and cash of approximately HK$15.4 million (2004: HK$18.4 million) of which a bank deposit of approximately HK$1.0 million (2004: HK$3.7 million) was pledged to secure general banking facilities granted to the Group.

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. Foreign exchange exposure of the Group is considered to be minimal as long as the policies of the Central Government of PRC and the Government of the Hong Kong Special Administrative Region to link Renminbi and HK dollars to US dollars remain unchanged. However, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Contingent liabilities

At 31 March 2005, the Group had no significant contingent liabilities (2004: approximately HK$3.0 million in respect of bills discounted).

Prospects

The directors believe that the consumer products market in PRC still provides opportunities for the Group with the growth of PRC economy and the rising trend of personal disposable income in PRC. Despite a maturing middle class who exhibits a much more sensible consumption behavior in recent years, the management remains cautiously optimistic that our new brand signed up last year can establish a foothold in the PRC market. As mentioned above, the Group will put more emphasis in soliciting appropriate sub-licencees to help expand our business in this area.

With the tightening of bank financing for properties and the recent imposition of business tax on total sales value of residential properties held by individuals for less than two years, the PRC property market remains unstable in the near future and the directors therefore temporarily suspended the properties trading business. With completion of the sale of the Tianjin property project last year, the Group has no other property project on hand.

With macro-economic tightening measures still in force and change in government's policy such as withdrawal of export VAT refund for ferro-alloy, demand for metals and minerals will remain volatile in PRC for the forthcoming year and the Group will remain cautious and careful in dealing with the metals and minerals trading business.

Employees and remuneration policies

As at 31 March 2005, the Group employed approximately 53 full time managerial, and skilled staff, principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and personal performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, it provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options may be granted to eligible employees in accordance to the terms of the Company's share option scheme.

(ii) For the year ended 31 March 2006

Results

During the year ended 31 March 2006, the Group's turnover decreased by 42.2% to HK$105.3 million (2005: HK$182.2 million) as compared to that of last year. The decrease in turnover was mainly due to the decrease in turnover of the metals and minerals trading business as a result of disposal of the subsidiary Chang Yuang Resources Limited ("Chang Yuang") in the second half of last financial year.

Gross profit for the year ended 31 March 2006 decreased by 11.3% to HK$11.0 million (2005: HK$12.4 million) as compared to that of last year. Although the gross profit margin of the metals and minerals trading business had improved in current year after disposal of Chang Yuang, yet the total gross profit for the year had decreased due to the drop in turnover for metals and minerals trading business as well as the drop in gross profit margin for consumer products business.

There was a decrease in administration fee income as a result of non-performance of several sub-licencees in the consumer products business and there was no gain on disposal of subsidiaries recorded in current year, therefore other income had decreased as compared to that of last year. Selling and distribution costs continued to drop for current year as a result of decrease in turnover. The significant increase in other operating expenses for current year was mainly due to the write-offs of slow moving inventories and impairment on doubtful debts for consumer products business.

As a result, the net loss attributable to shareholders increased to approximately HK$11.0 million (2005: HK$0.8 million). Basic loss per share for the year increased to HK$0.0125 per share (2005: HK$0.0009 per share)

Dividends

The directors do not recommend the payment of any dividend for the year ended 31 March 2006.

Business review

Consumer products business

The Group's consumer products business comprises mainly manufacture, wholesaling and distribution of garments and leatherware products, for branded and non-branded items.

During the year, the gross profit margin dropped because of rises in raw materials and manufacturing costs, and due to intense market competition, all those increases in costs cannot be fully transferred to customers. Also, due to keen competition on global consumer products market, product life cycle has become shorter and therefore some finished products and raw materials were written off in current year as a result of obsolescence.

The sub-licensing of brand as mentioned in last year's annual report has become more difficult as more and more international brands entered PRC market as well as the rise of various local brands. As a result, administration fee income decreased in current year. Moreover, due to financial difficulties of debtors, certain trade and other receivables became doubtful and therefore impairment for such was made in the current year.

Properties trading

At present, the Group has no property project under development and management will take a prudent approach in evaluating any new prospective projects.

Metals and minerals trading

After disposal of Chang Yuang Resources Limited ("Chang Yuang") in last year, the Group continues its metals and minerals trading business through China Elegance Mining Company Limited and Shui Yuen (Manganese) Group Limited. Without the burden of the loss contributing Chang Yuang, overall gross profit margin for this business improves during the current year.

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflows during the year under review. However, the Group's metals and minerals trading division has sometimes discounted its bills receivable to finance its business.

The Group's gearing ratio as at 31 March 2006 was nil (2005: nil) as there was no bank borrowings at the balance sheet date. Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 31 March 2006, the Group had bank balances and cash of approximately HK$13.9 million (2005: HK$15.4 million).

The operating cash flows of the Group are mainly denominated in HK dollars, Japanese Yen, Renminbi and US dollars. The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable are denominated in US dollars, Japanese Yen and Renminbi. Foreign exchange exposure in respect of US dollars and Renminbi are considered to be minimal as HK dollars have been pledged with US dollars, and despite the recent gradual rise in Renminbi, the exchange rate of Renminbi against HK dollars is still considered relatively stable. For other currencies, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Contingent liabilities

At 31 March 2006, the Group had no significant contingent liabilities (2005: nil).

Prospects

With the rise in consumer awareness and intensified competition, the consumer products market in PRC has become diversified and fragmented. In view of this, the Group will continue to monitor the operation cautiously, and meanwhile continue to solicit appropriate sub-licencees for the consumer products business.

The overheated PRC property market during recent years has resulted in further tightening measures imposed by the Central Government, the directors believe that the market will become uncertain in the near future. However those measures are believed to facilitate a healthy development of the PRC property market in the long run. Currently the Group has no property project on hand and has temporarily suspended the property trading business until the market is more stable.

With increased volatility of global metals and minerals market, demand for metals and minerals will continue to remain volatile in PRC for the forthcoming year and the Group will be cautious and careful in dealing with the metals and minerals trading business.

Employees and remuneration policies

As at 31 March 2006, the Group employed approximately 34 full time managerial, and skilled staff, principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and personal performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, it provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options may be granted to eligible employees in accordance with the terms of the Company's share option scheme.

(iii) For the year ended 31 March 2007

Results

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

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

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

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

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

Dividends

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

Business review

Consumer products business

As mentioned in the 2006 annual report of the Company, there was a rise in raw materials and manufacturing costs of consumer products and an intense market competition on global consumer products market. As a result, the gross profit margin of the Group's consumer products business dropped from approximately 30% to approximately 17% during the past financial year.

In view of the above, the Directors decided to reformulate the Group's business strategy by disposing its consumer products business by the disposal of its entire 60% interests in Unicon Group (the "Disposal"). The Directors considered that the Disposal will allow the Group to focus on its other core business, metals and minerals trading. The Disposal was completed on 17 August 2006 and it constituted the discontinued operation of the Group in the current year.

Metals and minerals trading

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

Liquidity and financial resources

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

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

Besides the capital raised and the amount advanced by a director, the Group generally finances its operations with internally generated cashflows during the year under review. However, the Group's metals and minerals trading division sometimes discounts its bills receivable to finance its business.

The Group's gearing ratio as at 31 March 2007 was 47.1% (2006: nil), based on the amount advanced by a director of HK$10.14 million (2006: nil) and the equity attributable to the equity holders of the Company of HK$21.54 million (2006: HK$25.43 million). No interest was charged on the amount advanced by the director.

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

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable are denominated in US dollars and Renminbi. Foreign exchange exposure in respect of US dollars and Renminbi are considered to be minimal as HK dollars have been pledged with US dollars, and despite the recent gradual rise in Renminbi, the exchange rate of Renminbi against HK dollars is still considered relatively stable. For other currencies, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Contingent liabilities

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

Prospects

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

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

Employees and remuneration policies

As at 31 March 2007, the Group employed approximately 21 full time managerial and skilled staff, principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and personal performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, it provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options may be granted to eligible employees in accordance with the terms of the Company's share option scheme.

4. INDEBTEDNESS

As at the close of business on 31 October 2007, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Enlarged Group had no bank overdraft and bank borrowings in respect of discounted bills with recourse.

As at 31 October 2007, the Enlarged Group had issued Second Convertible Notes with an aggregate principal amount of HK$160,000,000. Details of the Second Convertible Notes are set out in the announcement of the Company dated 27 July 2007. The Second Convertible Notes can be converted into ordinary Shares of the Company at an initial convertible price of HK$1 per Share during its conversion period. The maturity date of the Second Convertible Notes is the second anniversary of the date of issue thereof. The Second Convertible Notes bear no coupon rate. As at 31 October 2007, the outstanding principal amount of Second Convertible Notes was HK$160,000,000.

As at 31 October 2007, the Enlarged Group had obligations under finance leases amounting to approximately HK$13,000,000.

Save as aforesaid and as otherwise mentioned herein and apart from intra-group liabilities, none of the companies comprising the Enlarged Group had outstanding at the close of business on 31 October 2007 any mortgages, term loans, charges or debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2007.

5. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the available internal resources and the existing banking facilities available of the Enlarged Group and in the absence of unforeseeable circumstances, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

Set out below is the text of the accountants' report on Verde received from Shu Lun Pan Horwath Hong Kong CPA Limited for incorporation in this circular:

Shu Lun Pan Horwath Hong Kong CPA Limited
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3 December 2007

The Directors
CHINA ELEGANCE (HOLDINGS) LIMITED

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Minera Catania Verde S.A. ("Verde") for the period from 27 January 2006 (date of incorporation) to 31 March 2006, the year ended 31 March 2007 and the six months ended 30 September 2007 (the "Relevant Periods") for inclusion in the circular of China Elegance (Holdings) Limited (the "Company") dated 3 December 2007 (the "Circular") issued in connection with the proposed formation of a joint venture company which will carry on business of processing copper ores in Chile (the "Transaction").

Verde was established in Chile on 27 January 2006 as a non-public company with a share capital of US$100,000 divided into 100,000,000 shares at no par value. At present Verde is a wholly-owned subsidiary of Catania Copper (Chile) Limited.

No audited financial statements have been prepared for Verde since its date of incorporation as there is no requirement to prepare audited financial statements under the regulation of its jurisdiction of incorporation.

For the purpose of this report, the directors of Verde have prepared the financial statements of Verde in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Periods (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of Verde for the Relevant Periods has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular.

The Financial Information is the responsibility of the directors of Verde. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Verde as at 31 March 2006 and 2007 and 30 September 2007 and of the results and cash flows of Verde for the period from 27 January 2006 (date of incorporation) to 31 March 2006, the year ended 31 March 2007 and the six months ended 30 September 2007.

The comparative income statement, cash flow statement and statement of changes in equity of Verde for the six months ended 30 September 2006 together with the notes thereto (the "30 September 2006 Financial Information"), were prepared by the directors of Verde solely for the purpose of this report. We have reviewed the 30 September 2006 Financial Information in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. Our review consisted principally of making enquiries of Verde's management and applying analytical procedures to the 30 September 2006 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 September 2006 Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 September 2006 Financial Information.

I. FINANCIAL INFORMATION

(A) INCOME STATEMENTS

	Note	Period from 27 January 2006 (date of incorporation) to 31 March 2006 USD'000	Year ended 31 March 2007 USD'000	Six months ended 30 September 2006 USD'000 (Unaudited)	Six months ended 30 September 2007 USD'000
Turnover	6	–	–	–	–
Other revenues	7	–	1	3	5
Administrative and operating expenses		(1)	(248)	(98)	(187)
Loss before income tax	8	(1)	(247)	(95)	(182)
Income tax expenses	10	–	–	–	–
Loss for the period/year		(1)	(247)	(95)	(182)
Loss per share (US cent)	12	–	(0.25)	(0.10)	(0.18)

(B) BALANCE SHEETS

		As at 31 March		As at 30 September
		2006	2007	2007
	Note	*USD'000*	*USD'000*	*USD'000*
Non-current assets				
Property, plant and equipment	*13*	–	1,231	1,504
Construction in progress	*14*	–	661	1,765
Intangible assets	*15*	–	901	951
		–	2,793	4,220
Current assets				
Other receivables, deposits and prepayments	*16*	100	42	306
Tax refundable		–	82	354
Cash at banks and in hand		–	135	85
		100	259	745
Current liabilities				
Other payables and accruals		–	599	109
Receipts in advance		–	3	113
Obligations under finance leases	*17*	–	467	627
Amount due to holding company	*21(b)*	1	1,219	3,513
		1	2,288	4,362
Net current assets/(liabilities)		99	(2,029)	(3,617)
Total assets less current liabilities		99	764	603
Non-current liabilities				
Obligations under finance leases	*17*	–	913	946
Net assets/(liabilities)		99	(149)	(343)
Equity				
Share capital	*18*	100	100	100
Reserves	*19*	(1)	(249)	(443)
Total equity		99	(149)	(343)

(C) STATEMENTS OF CHANGES IN EQUITY

	Share capital	Exchange reserve	Accumulated losses	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*
Issue of share at date of incorporation	100	–	–	100
Loss for the period	–	–	(1)	(1)
At 31 March 2006	100	–	(1)	99
Loss for the year	–	–	(247)	(247)
Exchange difference on translation	–	(1)	–	(1)
At 31 March 2007	100	(1)	(248)	(149)
Loss for the period	–	–	(182)	(182)
Exchange difference on translation	–	(12)	–	(12)
At 30 September 2007	100	(13)	(430)	(343)
For the six months ended 30 September 2006 (Unaudited)				
At 1 April 2006	100	–	(1)	99
Loss for the period	–	–	(95)	(95)
Exchange difference on translation	–	(2)	–	(2)
At 30 September 2006	100	(2)	(96)	2

(D) CASH FLOW STATEMENTS

	Period from 27 January 2006 (date of incorporation) to 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	Six months ended 30 September 2007
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Operating activities				
Loss for the period/year	(1)	(247)	(95)	(182)
Depreciation	–	2	–	1
Operating cash flows before movements in working capital	(1)	(245)	(95)	(181)
(Increase)/decrease in other receivable, deposits and prepayments	(100)	58	100	(264)
Increase in tax refundable	–	(82)	(36)	(272)
Increase/(decrease) in other payables and accruals	–	599	7	(490)
Increase in receipts in advance	–	3	14	110
Effect of foreign exchange rate changes	–	10	–	(122)
Net cash (used in)/generated from operating activities	(101)	343	(10)	(1,219)
Investing activities				
Purchase of property, plant and equipment	–	(68)	(44)	(34)
Expenditures for construction in progress	–	(313)	(100)	(759)
Acquisition of intangible assets	–	(908)	(2)	–
Net cash used in investing activities	–	(1,289)	(146)	(793)

	Period from 27 January 2006 (date of incorporation) to 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	2007
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Financing activities				
Issue of share	100	–	–	–
Repayment of finance lease obligations	–	(92)	(27)	(250)
Increase in amount due to holding company	1	1,218	217	2,294
Finance lease interest paid	–	(44)	(7)	(88)
Net cash generated from financing activities	101	1,082	183	1,956
Increase/(decrease) in cash and cash equivalents	–	136	27	(56)
Cash and cash equivalents at beginning of period/year	–	–	–	135
Effect of foreign exchange rate changes	–	(1)	–	6
Cash and cash equivalents at end of period/year	–	135	27	85
Analysis of the balances of cash and cash equivalents				
Cash at banks and in hand	–	135	27	85

II. NOTES TO FINANCIAL INFORMATION

1. General information

Verde was established as a non-public company in Chile on 27 January 2006. Its principal place of business is at Encomenderos 260, of. 21, Las Condes, Santiago, Chile.

Verde is principally engaged in business of processing copper ores in Chile.

2. Basis of presentation

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the HKICPA and have been consistently applied throughout the Relevant Periods.

The Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing Securities of The Stock Exchange of Hong Kong Limited.

The Financial Information is presented in thousands of units of United States dollar (USD'000), unless otherwise stated.

3. Adoption of new and revised HKFRSs

Verde has not early applied the following HKFRSs that have been issued but are not yet effective. The directors of Verde anticipate that the application of these HKFRSs will have no material impact on the Financial Information of Verde.

		Effective for accounting periods beginning on or after
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

4. Principal accounting policies

(a) Basis of preparation

The Financial Information have been prepared on the historical cost basis.

The significant accounting policies that have been applied in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit and loss in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation of property, plant and equipment is calculated to write off their costs less accumulated impairment losses to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives are as follows:

Machinery and tools	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(c) Intangible assets

The intangible assets of Verde representing water use right in Chile have indefinite useful lives.

Intangible assets with indefinite useful lives are measured initially at purchase cost and are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised.

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Verde estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Financial instruments

Financial assets and financial liabilities are recognised in Verde's balance sheet when Verde becomes a party to the contractual provisions of the instrument.

(i) Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of Verde's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(iii) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(iv) Equity instruments

Equity instruments issued by Verde are recorded at the proceeds received, net of direct issue costs.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of Verde at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Verde's policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(g) Provisions

Provisions are recognised when Verde has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where Verde expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Verde. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(i) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Verde's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Verde intends to settle its current tax assets and liabilities on a net basis.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and exclude business tax or other sales related taxes.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(k) Retirement benefit costs

Retirement benefits to employees are provided through a defined contribution plan.

Verde is required to participate in a central pension scheme operated by the local municipal government. Verde is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to income statement as they become payable in accordance with the rules of the central pension scheme. Verde has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

(m) Translation of foreign currencies

In preparing the Financial Information, foreign currency transactions are translated into Chile Pesos, being the functional currency (i.e. the currency of the primary economic environment in which Verde operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the Financial Information, the assets and liabilities of Verde are translated into United State dollar, being the presentation currency, at the rates of exchange prevailing at the balance sheet date, and its income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve).

(n) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of Verde where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Verde or of any entity that is a related party of Verde.

5. Significant accounting judgements and estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Verde makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of useful lives and residual value of property, plant and equipment

Verde's management determines the estimated useful lives and residual value of its property, plant and equipment. For property, plant and equipment, the estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

6. Turnover

During the Relevant Periods, Verde did not derive income.

7. Other revenues

	Period from 27 January 2006 (date of incorporation) to 31 March	Year ended 31 March	Six months ended 30 September	
	2006	2007	2006	2007
	USD'000	*USD'000*	*USD'000*	*USD'000*
			(Unaudited)	
Exchange gain	–	1	3	–
Sundry income	–	–	–	5
	–	1	3	5

8. Loss before income tax

	Period from 27 January 2006 (date of incorporation) to 31 March	Year ended 31 March	Six months ended 30 September	
	2006	2007	2006	2007
	USD'000	*USD'000*	*USD'000*	*USD'000*
			(Unaudited)	
Loss before income tax is stated after charging:				
Depreciation	–	311	–	199
Less: capitalisation in construction in progress	–	(309)	–	(198)
	–	2	–	1
Finance lease interest	–	44	7	88
Less: capitalisation in construction in progress	–	(44)	(7)	(88)
	–	–	–	–

9. Staff costs

The amount of staff costs charged to the income statements represents:

	Period from 27 January 2006 (date of incorporation) to 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	Six months ended 30 September 2007
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Salaries and other allowances	–	203	54	181
Less: capitalisation in construction in progress	–	(87)	(14)	(116)
	–	116	40	65

10. Income tax expenses

(a) No income tax expenses have been provided for in Verde's financial statements as Verde sustained a loss during the Relevant Periods.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	Period from 27 January 2006 (date of incorporation) to 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	Six months ended 30 September 2007
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Loss before income tax	(1)	(247)	(95)	(182)
Calculated at the statutory tax rate of 17%	–	(42)	(16)	(31)
Tax loss not recognised	–	42	16	31
Income tax expense	–	–	–	–

11. Directors' and senior management's emoluments

(a) During the Relevant Periods, there were no emoluments paid or payable to the directors of Verde.

(b) Five highest paid individuals

The emoluments paid or payable to five highest paid individuals during the Relevant Periods are as follows:

	Period from 27 January 2006 (date of incorporation) to 31 March 2006	**Year ended 31 March 2007**	**Six months ended 30 September 2006**	**2007**
	USD'000	*USD'000*	*USD'000*	*USD'000*
			(Unaudited)	
Salaries and other benefits	–	71	28	56

The emoluments fell within the following band:

	Period from 27 January 2006 (date of incorporation) to 31 March 2006	**Year ended 31 March 2007**	**Six months ended 30 September 2006**	**2007**
			(Unaudited)	
Emolument bands				
HK$				
0 – 1,000,000	–	5	5	5

12. Loss per share

The calculation of basis loss per share for the Relevant Periods is based on the loss for the period/year of USD1,000, USD247,000, USD95,000 and USD182,000 and the 100,000,000 shares in issue during the Relevant Periods.

No dilutive earnings per share amount for the Relevant Periods had been calculated as no diluting events existed for the Relevant Periods.

13. Property, plant and equipment

	Machinery and tools	Furniture fixtures and office equipment	Motor vehicles	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cost:				
Additions during the year ended 31 March 2007	1,489	9	54	1,552
Exchange adjustment	(13)	–	–	(13)
At 31 March 2007	1,476	9	54	1,539
Additions	365	2	31	398
Exchange adjustment	90	1	4	95
At 30 September 2007	1,931	12	89	2,032
Accumulated depreciation:				
Charge for the year ended 31 March 2007	298	2	11	311
Exchange adjustment	(3)	–	–	(3)
At 31 March 2007	295	2	11	308
Charge for the period	189	1	9	199
Exchange adjustment	21	–	–	21
At 30 September 2007	505	3	20	528
Net book value:				
At 30 September 2007	1,426	9	69	1,504
At 31 March 2007	1,181	7	43	1,231
At 31 March 2006	–	–	–	–

14. Construction in progress

	As at 31 March		As at 30 September
	2006	2007	2007
	USD'000	*USD'000*	*USD'000*
At beginning of period/year	–	–	661
Expenditures recognised in the course of construction	–	627	965
Other additions	–	39	80
Exchange adjustment	–	(5)	59
At end of period/year	–	661	1,765

15. Intangible assets

	Water use right	Other	Total
	USD'000	*USD'000*	*USD'000*
Cost:			
Additions during the year ended 31 March 2007	906	2	908
Exchange adjustment	(7)	–	(7)
At 31 March 2007	899	2	901
Exchange adjustment	50	–	50
At 30 September 2007	949	2	951

16. Other receivables, deposits and prepayments

	As at 31 March		As at 30 September
	2006	**2007**	**2007**
	USD'000	*USD'000*	*USD'000*
Other receivables	100	34	36
Deposits and prepayments	–	8	270
	100	42	306

17. Obligation under finance leases

At the balance sheet date, Verde's obligations under finance leases are repayable as follows:

	As at 31 March		As at 30 September
	2006	**2007**	**2007**
	USD'000	*USD'000*	*USD'000*
Within one year	–	609	774
In the second to fifth years	–	1,024	1,030
	–	1,633	1,804
Future finance interest on finance lease	–	(253)	(231)
Present value of finance lease obligations	–	1,380	1,573
The present value of finance lease obligations is as follows:			
Within one year	–	467	627
In the second to fifth years	–	913	946
	–	1,380	1,573

It is Verde's policy to lease certain of its machinery and tools under finance leases. The average lease term is 3 years. For the year ended 31 March 2007 and the six months ended 30 September 2007, the average effective borrowing rate was approximately 12.31 per cent and approximately 11.53 per cent respectively. Interest rates are fixed at the contract date, and thus expose Verde to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Verde's obligations under finance leases are secured by the lessors' title to the leased assets.

18. Share capital

	As at 31 March		**As at 30 September**
	2006	**2007**	**2007**
	USD'000	*USD'000*	*USD'000*
Share capital	100	100	100

19. Reserves

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements from functional currency into presentation currency.

20. Commitments

(a) Operating lease commitments

At the balance sheet dates, Verde had future aggregate minimum lease payments payable under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31 March		As at 30 September
	2006	2007	2007
	USD'000	*USD'000*	*USD'000*
Not later than one year	–	6	3

(b) Capital commitment

	As at 31 March		As at 30 September
	2006	2007	2007
	USD'000	*USD'000*	*USD'000*
Capital expenditure outstanding at the balance sheet dates but not yet incurred is as follows:			
Contracted but not provided for:			
– acquisition of property, plant and equipment	–	–	266

21. Related party transactions

The holding company of Verde is Catania Copper (Chile) Limited which was incorporated in the British Virgin Islands.

As at 30 September 2007, the amount due to holding company is unsecured, interest free and repayable on demand.

22. Financial risk management

(a) Financial risk factors

The main risks arising from Verde's financial instruments in the normal course of Verde's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by Verde's financial management policies and practices described below. Generally, Verde introduces conservative strategies on its risk management. Verde has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(i) Credit risk

Verde's principal financial assets are cash and bank balances and other receivables.

Verde's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(ii) Liquidity risk

Verde will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(iii) Interest rate risk

As Verde has no significant interest-bearing assets, Verde's income and operating cash flows are substantially independent of changes in market interest rates. Verde's exposure to changes in interest rates is mainly attributable to its obligations under finance leases. Details of Verde's obligations under finance leases have been disclosed in note 17.

(iv) Currency risk

Verde's main operation is in Chile and has no significant exposure to any specific foreign currency other than Chile Pesos.

(b) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at the balance sheet dates.

Fair value estimates are made at a specific point of time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Verde in respect of any period subsequent to 30 September 2007 and no dividend or other distribution has been declared, made or paid by Verde.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Shiu Hong Ng
Practising Certificate number P03752

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction to the unaudited pro forma financial information of the Enlarged Group

The following is the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 31 March 2007 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 March 2007 for the pro forma consolidated income statement and pro forma consolidated cash flow statement. The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the formation of a joint venture company ("Joint Venture") which will carry on business of processing copper ores in Chile (the "Transaction").

The accompanying unaudited pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position or results of the Enlarged Group's operations that would have been attained had the Transaction actually occurred on the dates indicated herein. Further, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or results of operations.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the Accountants' Report on Verde as set out in Appendix II, the historical financial information on the Group as set out in Appendix I and other financial information included elsewhere in this circular.

(I) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The unaudited pro forma consolidated balance sheet is based on the audited consolidated balance sheet of the Group as at 31 March 2007 which has been extracted from the annual report of the Group as set out in Appendix I and the audited balance sheet of Verde as at 30 September 2007 as set out in Appendix II to this circular, and adjusted to reflect the effect of the Transaction.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited consolidated balance sheet of the Group as at 31 March 2007	Audited balance sheet of Verde as at 30 September 2007	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets					
Property, plant and equipment	1,470	11,731			13,201
Construction in progress	–	13,767			13,767
Intangible assets	–	7,418			7,418
Goodwill	–	–	49,606	*2(ii)*	49,606
Interests in associates	3,781	–			3,781
Available-for-sale investments	5,700	–			5,700
	10,951	32,916			93,473
Current assets					
Accounts receivable	1,034	–			1,034
Prepayments, deposits and other receivables	16,835	2,387			19,222
Tax refundable	–	2,761			2,761
Pledged bank deposits	676	–			676
Cash and bank balances	5,983	663	78,000	*2(i)(b)*	84,646
	24,528	5,811			108,339

	Audited consolidated balance sheet of the Group as at 31 March 2007	Audited balance sheet of Verde as at 30 September 2007	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current liabilities					
Accounts payables	2,338	–			2,338
Accrued liabilities and other payables	893	851	1,200	*3*	2,944
Receipts in advance	–	881			881
Obligations under finance leases	–	4,891			4,891
Amount due to a related company	–	27,401			27,401
Due to a director	10,140	–			10,140
Tax payables	564	–			564
	13,935	34,024			49,159
Net current assets/(liabilities)	10,593	(28,213)			59,180
Total assets less current liabilities	21,544	4,703			152,653
Non-current liabilities					
Obligations under finance leases	–	7,379			7,379
Net assets/(liabilities)	21,544	(2,676)			145,274
Equity					
Share capital	10,333	780	(780)	*2(iii)*	10,333
Reserves	11,211	(3,456)	3,456	*2(iii)*	11,211
Equity attributable to equity holders of the Company	21,544	(2,676)			21,544
Minority interests	–	–	123,730	*2(ii)*	123,730
Total equity	21,544	(2,676)			145,274

(II) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma consolidated income statement is based on the audited consolidated income statement of the Group for the year ended 31 March 2007 which has been extracted from the annual report of the Group as set out in Appendix I and the audited income statement of Verde for the year ended 31 March 2007 as set out in Appendix II to this circular, and adjusted to reflect the effect of the Transaction.

As the unaudited pro forma consolidated income statement of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial results of the Enlarged Group for the year ended to which it is made up to or for any future periods.

	Audited consolidated income statement of the Group for the year ended 31 March 2007	Audited income statement of Verde for the year ended 31 March 2007	Pro forma adjustments		Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
CONTINUING OPERATION					
Turnover	48,833	–			48,833
Costs of sales	(47,456)	–			(47,456)
Gross profit	1,377	–			1,377
Other revenue	734	8			742
Selling and distribution costs	(196)	–			(196)
Administrative expenses	(17,660)	(1,934)			(19,594)
Other operating expenses	(198)	–			(198)
Finance costs	(232)	–			(232)
Gain on disposal of subsidiaries	368	–			368
Share of profits of associates	1,810	–			1,810
(Loss)/profit before tax	(13,997)	(1,926)			(15,923)
Tax	–	–			–
(Loss)/profit for the year from continuing operation	(13,997)	(1,926)			(15,923)
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	61	–			61
(Loss)/profit for the year	(13,936)	(1,926)			(15,862)
ATTRIBUTABLE TO:					
Equity holders of the Company	(14,440)	(1,926)	770	*4*	(15,596)
Minority interests	504	–	(770)	*4*	(266)
	(13,936)	(1,926)			(15,862)

(III) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma consolidated cash flow statement is based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2007 which has been extracted from the annual report of the Group as set out in Appendix I and the audited cash flow statement of Verde for the year ended 31 March 2007 as set out in Appendix II to this circular, and adjusted to reflect the effect of the Transaction.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future periods.

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2007	**Audited cash flow statement of Verde for the year ended 31 March 2007**	**Pro forma adjustments**		**Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2007**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
OPERATING ACTIVITIES					
Loss for the year	(13,936)	(1,926)			(15,862)
Adjustments for:					
Interest income	(244)	–			(244)
Finance costs	232	–			232
Depreciation	602	16			618
Goodwill written off	12	–			12
Impairment loss of debts, net	425	–			425
Property, plant and equipment written off	34	–			34
Gain on disposal of discontinued operation	(74)	–			(74)
Gain on disposal of subsidiaries	(368)	–			(368)
Share of profits of associates	(1,810)	–			(1,810)
Operating cash flows before movements in working capital	(15,127)	(1,910)			(17,037)
Increase in inventories	(2,456)	–			(2,456)
Increase in accounts receivable	(1,592)	–			(1,592)
(Increase)/decrease in prepayments, deposits and other receivables	(15,953)	452			(15,501)
Increase in tax refundable	–	(640)			(640)
Increase in accounts payable	2,822	–			2,822
Increase in accrued liabilities and other payables	4,357	4,672			9,029
Increase in receipts in advance	–	23			23
Effect of foreign exchange rate changes	–	78			78
NET CASH (USED IN)/ GENERATED FROM OPERATION ACTIVITIES	(27,949)	2,675			(25,274)

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2007 *HK$'000*	Audited cash flow statement of Verde for the year ended 31 March 2007 *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2007 *HK$'000*
INVESTING ACTIVITIES					
Disposal of subsidiaries	2,216	–			2,216
Acquisition of a subsidiary	209	–			209
Increase in pledged bank deposits	(676)	–			(676)
Dividend received from associates	2,067	–			2,067
Payments to acquire property, plant and equipment	(2,121)	(530)			(2,651)
Expenditures for construction in progress	–	(2,441)			(2,441)
Acquisition of intangible assets	–	(7,082)			(7,082)
Interest received	244	–			244
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	1,939	(10,053)			(8,114)
FINANCING ACTIVITIES					
L/C charges and interest paid	(232)	–			(232)
Finance lease interest paid	–	(343)			(343)
Repayment of finance lease obligations	–	(717)			(717)
Net proceeds from issue of shares	8,040	–			8,040
Increase in amount due to a related company	–	9,500			9,500
Advance from a director	10,140	–			10,140
NET CASH GENERATED FROM FINANCING ACTIVITIES	17,948	8,440			26,388
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,062)	1,062			(7,000)
Cash and cash equivalents at beginning of year	14,045	–	78,000	*2(i)(b)*	92,045
Effect of foreign exchange rate changes	–	(8)			(8)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,983	1,054			85,037
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	5,983	1,054	78,000	*2(1)(b)*	85,037

Notes:

1. The assets and liabilities of Verde as at 30 September 2007 and its income and expenses for the year ended 31 March 2007 are derived from the Accountants' Report in Appendix II to this circular and translated at the exchange rate of USD1 to HK$7.80 of United State dollar into Hong Kong dollar.

2. Upon the completion of the Transaction, Verde will be accounted for as a 60% owned subsidiary of the Company. Under HKFRS 3, Business Combinations, the Group will apply the purchase method to account for the Transaction in substance as acquisition of Verde. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Verde will be recorded on the consolidated balance sheet of the Group at its fair value at the date of acquisition. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the consideration to be incurred by the Group over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Verde at the date of completion. Excess of Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Verde over consideration should be recognised immediately in the consolidated income statement.

   The adjustments reflect the following:

   (i) The Joint Venture shall be established in the following manner:

      (a) USD30,000,000 (equivalent to approximately HK$234,000,000) contributed by the Group, representing 60% of the equity interests in the Joint Venture;

      (b) USD10,000,000 (equivalent to approximately HK$78,000,000) contributed by Tong Guan Resources Holdings Ltd. ("Tong Guan"), representing 20% of the equity interests in the Joint Venture; and

      (c) The entire share capital of Verde injected by Catania Copper (Chile) Limited ("CCCL"), representing 20% of the equity interests in the Joint Venture.

   (ii) Goodwill of approximately HK$49,606,000 arising from the Transaction, which is derived from the calculation as follows:

	HK$'000
Contributions from the Group and Tong Guan	312,000
Fair value of net assets of Verde injected by CCCL	(2,676)
	309,324
Less: Minority interests	(123,730)
	185,594
Goodwill	49,606
Total consideration plus acquisition cost *(note 3)*	235,200

   All identifiable assets, liabilities and considerations are assumed to be at their fair values.

(iii) The adjustment represents (1) the elimination of the share capital of Verde of approximately HK$780,000 and (2) the elimination of pre-acquisition reserve of Verde of approximately HK$3,456,000.

3. The adjustment represents professional and legal fees and other expenses to be incurred by the Group in relation to the Transaction.

4. The adjustment represents the loss for the year of Verde attributable to minority shareholders.

5. No adjustment has been made to reflect any trading result or other transaction of the Enlarged Group entered into subsequent to 31 March 2007.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from Shu Lun Pan Horwath Hong Kong CPA Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone: (852) 2526 2191
Facsimile: (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

3 December 2007

The Directors
CHINA ELEGANCE (HOLDINGS) LIMITED

Dear Sirs,

We report on the unaudited pro forma financial information ("Unaudited Pro Forma Financial Information") of China Elegance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Minera Catania Verde S.A. ("Verde") (together with the Group hereinafter referred to as the "Enlarged Group") as set out on pages 140 and 147 under the heading of "Unaudited Pro Forma Financial information of the Enlarged Group" in Appendix III to the Company's circular (the "Circular") dated 3 December 2007, which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed formation of a joint venture company which will carry on business of processing copper ores in Chile (the "Transaction"), might have affected the financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 140 and 147 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information as set out in Appendix III to the Circular with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative:

- the financial position of the Enlarged Group as at 31 March 2007 or any future date; or

- the financial results and cash flows of the Enlarged Group for the year ended 31 March 2007 or for any future periods.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Shiu Hong Ng
Practising Certificate number P03752

The following is the text of a business valuation report from Castores Magi Asia Limited, an independent business valuer, in connection with their opinion of value of the equity interest of Minera Catania Verde S.A. as at 30 September 2007.

嘉漫亞洲有限公司
CASTORES MAGI ASIA LIMITED
BUSINESS AND INTANGIBLE ASSET APPRAISAL
INVESTMENT PROJECT ADVISORY SERVICES

CASTORES MAGI

Unit B on 23rd Floor
China Insurance Company Building
141 Des Voeux Road Central
Hong Kong

3 December 2007

The Directors
China Elegance (Holdings) Limited
37th Floor,
China Online Centre,
333 Lockhart Road,
Wanchai,
Hong Kong.

Dear Sirs,

In accordance with your instructions, we have made an appraisal of the Market Value of a 100% equity interest of Minera Catania Verde S.A. (hereinafter known as the "Company") as at 30 September 2007 (hereinafter known as "the Relevant Date").

The purpose of this appraisal is to formulate and express an independent opinion on the Market Value of a 100% equity interest of the Company as at the Relevant Date on the premise of going concern. The term "Market Value" as used herein is defined as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion". We understand that the use of our work product will not supplant other due diligence, which you should conduct in reaching business decisions for the Company. Our work is designed solely for acquisition purposes. There are no other purposes are intended or should be inferred.

INTRODUCTION

The Company was incorporated in Chile on 27 January 2006 and is a wholly-owned subsidiary of Catania Copper (Chile) Limited. The Company is principally engaged in processing of the copper ores in Copiapó, Chile and it possesses a variety of assets including an office unit in Santiago, a parcel of freehold land in Copiapó for the erection of the future headquarters, various machinery and equipments and the water utilization rights in Copiapó.

BUSINESS PLAN

In accordance with the business plan of the Company, a copper ore processing plant (hereinafter known as the "Plant") will be established at Long Pampa (Pampa Larga), Commune of Yellow Earth (Communa de Tierra Amarilla), Province of Copiapó (Provincia de Copiapó), Republic of Chile (Republica de Chile). This Plant will cover a site area of approximately 405 hectares (or 4,050,000 sq.m.) and will comprise the ore-stockpile, various crushing, milling, leaching and filtering workshops and the gangue dumping ground. In accordance with a certificate dated 6th June, 2007 issued by Ministry of National Goods (Ministerio de Bienes Nacionales), Government of Chile (Gobierno de Chile), the Secretary of Regional Ministry of National Goods (Ministerio de Bienes Nacionales) certifies that the Company has made the application for a land lease under Dossier No.032AR370073. As advised by the Company, it is estimated that the Plant will commence its operation in late 2008. Initially, the Plant will have a daily copper ore rate of 5,000 tons. With the subsequent addition and improvement of production facilities, its maximum daily processing capacity could reach 20,000 tons.

At present, there are two relatively sizable copper ore processing plants located at Copiapó. One of them is owned by a state-owned enterprise known as Empresa Nacional de Minería (hereinafter known as "ENAMI"). ENAMI currently owns and operates five mineral-processing plants and two smelters in Chile and its role is to buy and process copper and gold minerals, concentrates, and precipitates from small- and medium-scale mining companies. Nevertheless, as ENAMI's maximum production capacity has been reached, only ores of relatively high copper content (i.e. Cu >2%) will be processed. Apart from ENAMI, Planta Cerrillos de Coemin is another sizable copper ore processing plants in Copiapó. However, this plant does not process any copper minerals except those extracted from its own mines, which are located approximately 20 kilometres away.

The proposed Plant is situated to the north-west of the mining hinterland of copper deposits. The physical distance of the nearest copper mine is approximately 300 metres away from the Plant. Upon the completion of the Plant in late 2008, it would become the major base for ore processing by virtue of its close proximity to the copper mines and the other sizable copper ore processing plants are now fundamentally operating in full production capacity.

The electricity supplies of the Plant will be originated from the nearby electricity distribution station whilst the water utilization rights possessed by the Company guarantees the future stable and continuous water supplies to the Plant. Pursuant to the Acquisition Contract dated 25th April, 2007 made between Sociedad Agrícola el Fuerte Y Compañía Limitada and the Company, the latter party agreed to acquire the exclusive, permanent and continuous groundwater utilization rights having a water flow rate of 39.4 litres per second from the former party at a consideration of US$906,200.

LEGAL OPINION

In reviewing the legal status of the Company and the legal title of its assets, we have relied on the legal opinion dated 12 November 2007 provided by your company's legal advisers known as Messrs Jorquiera & Cia in Chile. It is stated in the legal opinion, inter alia, that:

Legal Status of the Company

The Company; (a) is a close stock corporation incorporated and validly existing under the laws of Chile, (b) has all requisite power and authority to conduct its business and own assets, (c) its bylaws are in full force as of this date and (d) has the corporate power and authority, and the legal right under Chilean Law to owning property, water rights and real estate, file for administrative concession and enter into, deliver and perform its obligations under the contracts and documents analyzed herein, and (e) there has not been declaration of bankruptcy or receivership in respect of the Company.

Water Rights

Water resources are of public domain but the right of use is subject to private ownership and is treated as a right of perpetual duration. Ownership is obtained through an administrative proceeding of concession. Once the concession is granted, it is deemed irrevocable and the right to use the water is of private nature and may be sold or assigned freely. Ownership is evidenced by registration in a special Registry. Use of water is not subject to any tariff but in a licence is payable in case water is not being use for the purpose they were obtained.

The Company is the owner and has full and valid title to own the water rights required to exploit the mining property. Water rights are constituted by 39.4 litres/second, which serves to carry out mining project of the sizes projected that the Company will transfer to a location nearby the Plant. Price of the water rights was US$906,200 and has been fully paid. Registrations made under the Company's name have been properly made before the relevant registries.

Real Estate

Real estate may be legally owned by public and foreign companies and individuals. Ownership is of perpetual duration, subject only to timely payment of a real estate tax. Real estate ownership is protected by constitutional guarantees provisions. Owners may not be deprived of their rights unless expropriation takes place for public needs purposes and providing market price of the property seized is paid to the owner.

The Company is the owner and has full and valid title to own the office space that includes an office of 131 sq.m. and 4 parking lots of the building located at Encomenderos 260 Comuna de las Condes, Santiago, Chile. Price of the office space was Chilean Pesos $135,927,144 and was duly paid. Registration of office space has been made under its name before the relevant registries.

The Company is the owner and has full and valid title to own the land property that covers an approximate area of 5,000 sq.m. located nearby the city of Copiapó. Price of the land property was Chilean Pesos $15,000,000 and has been duly paid. Registration of the land property was made under its name before the relevant registries.

The Company has validly filed an application for a grant of the government property of an approximate are of 405 hectares located at Pampa Larga, Tierra Amarilla, III Region of Chile. Following are the coordinates of the area applied are:

Vertes	North	East
A	6946450	381500
B	6946450	383700
C	6946000	387000
D	6946000	384400
E	6945650	384400
F	6945650	384900
G	6944600	384900
H	6944600	384400
I	6945150	384400
J	6945150	383700
K	6945300	383700
L	6945300	382500
M1	6945600	382000
M2	6945600	382500
N	6945850	382000
O	6945850	381500
1	6947000	381000
2	6946450	381000
3	6947000	382500
4	6946450	382500

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the equity of the Company on the basis of "Market Value" on the premise of going concern basis. The going concern premise considers a business as an established enterprise/entity that will continue in operation indefinitely. Implicit in this definition is the fact that the willing buyer would not pay more to acquire the enterprise appraised than he could reasonably expect to earn in the future from an investment in the enterprise.

The valuation of the Company requires consideration of all pertinent factors affecting the operations of the business and its ability to generate future investment returns. The factors considered in the appraisal including, but were not limited to, the following factors:

– the history of the Company;

– the economic and industry outlooks affecting the Company's business;

– the past and projected future results of the Company;

– the market-derived investment returns of entities in similar line of business; and

– the risks facing by the Company

In view of the ever-changing business environment in which the Company is operating, we have made a number of reasonable assumptions in the course of our appraisal, which are set out as follows:

– the Company will operate its business on continuous basis;

– the Company will successfully complete the site acquisition procedures of the Plant;

– the Company will have no obstacle to obtain the development permits, certificates and approvals of the Plant from the relevant government bodies;

– the Company will comply with the relevant rules and regulations pertaining to production, ore processing and environmental protection;

– the Company will take adequate measures to prevent soil contamination from happening;

– the financial forecasts of the Company are achievable;

– there will be no material changes from political, legal, economic or financial aspects in the jurisdictions in which the Company currently runs or intends to run its business which will materially affect its operation;

– there will be no substantial market fluctuation in the industry in the jurisdictions or states in which the Company currently runs or intends to run its business, which will materially affect its operations and the revenues attributed to shareholders;

– there will be no substantial fluctuation in current interest rates and foreign currency exchange rates in the jurisdictions or states in which the Company currently runs or intends to run its business, which will materially affect its operations and the revenues attributed to shareholders;

– the management of the Company will not make any decision, which is harmful to the revenue generation ability of the Company's business; and

– The Company will allocate sufficient resources to keep abreast of its future expansion.

In the process of valuing the equity of the Company, we considered the classical appraisal approaches to value, namely the Market Approach, Cost Approach and Income Approach. The Market Approach is basically a comparison method which estimates fair market value from analyzing sales and financial data and ratios of comparable public and, whenever possible, private companies. To the best of our understanding, there are no public sale and purchase of similar business transactions that completed in Chile. Under such circumstances, we have not relied on the Market Approach in our estimate of the Market Value of the Company due to insufficient supporting data.

The Cost Approach seeks to estimate the Market Value of a company by quantifying the amount of money that would be required to replace the manufacturing capabilities of the firm. In other words, this approach assumes that the company's value is indicated by the cost of reproducing or replacing its manufacturing assets less an allowance for physical deterioration and obsolescence. We considered this approach is not an appropriate valuation for valuing the Company as it will underestimate the values of the enterprises having future business growth.

The Income Approach focuses on the income-producing capability of a company. This approach's underlying theory is that the value of the company can be measured by the present worth of the net economic benefit to be received. In our opinion, this approach is the most appropriate in valuing the Company since a rational buyer normally will purchase a company only if the present value of the expected economic benefits is at least equal to the purchase price. Likewise, a rational seller normally will not sell if the present value of the expected economic benefits is more than the selling price. Thus, a sale generally will occur only at an amount equal to the economic benefits of ownership. Based on this valuation principle, we use the Income Approach to estimate the future economic benefits of the Company and discount these benefits to its present value using a discount rate that is appropriate for the expected risks associated with realizing those benefits.

VALUATION METHODOLOGY

In choosing the Income Approach as the most appropriate method, we have used the Discounted Cash Flow (hereinafter known as "DCF") Method, which estimates the Market Value of the equity of the Company by discounting the future cash flows to its present value. This would necessitate the subtraction, from the net income, the capital expenditures and changes in working capital and the addition of depreciation in the computation of cash flow. DCF analysis reflects investment criteria and requires the appraiser to make empirical and subjective assumptions.

In using the DCF Method, we adopted the Free Cash Flows to Equity (hereinafter known as "FCFE") Technique. The FCFE Technique values the enterprise by estimating the Market Value of the ownership interests (equity) of the enterprise. This technique requires that the Company's interest expenses, if any, be excluded from the free cash flows and the resulting cash flow to be discounted at the relevant rate of return required by equity. This technique then equates the value of the ownership interests as the value of the enterprise.

We derived the discount rate of the Company by using the Capital Asset Pricing Model (hereinafter known as "CAPM"). The CAPM derives the required rate of return of an asset by adding the risk-free rate to the risk premium of the asset. The CAPM is built on the premise that the variance in returns is the appropriate measure of risk but only that portion of the variance of the returns of an asset that is not reduced by diversification has to be compensated, therefore the appropriate return required of an asset is determined by the volatility of the asset's returns relative to the returns that can be achieved by a broad market portfolio. This measured non-diversifiable risk is represented by the beta of the asset and the risk premium of the asset is its beta multiplied to the risk premium of a broad market portfolio.

In identifying the guideline companies in the relevant industries, we have referred to Standard Industrial Classification (hereinafter known as "SIC") Code. The SIC is the statistical classification standard underlying all establishment-based Federal economic statistics classified by industry. The SIC is used to promote the comparability of establishment data describing various facets of the U.S. economy. The classification covers the entire field of economic activities and defines industries in accordance with the composition and structure of the economy.

In the course of our valuation, we used the SIC small composite compound annual equity return of 10 years (SIC Code 10) from *Morningstar Inc.* as the broad market portfolio return in our CAPM computations. The category of SIC Code 10 comprises 9 companies which primarily engaged in mining, developing mines, or exploring for metallic minerals. This also includes all ore dressing and beneficiating operations, whether performed at mills operated in conjunction with the mines served, or at mills operated separately.

It is our opinion that the SIC composite compound annual equity return of 10 years represents the most reliable objective market rate of return to be used in valuing the Company's equity, since it captures investors' expectations, prevailing market conditions and the accompanying risks associated with them.

In addition to the compound annual equity return, to derive the required cost of equity in our valuation, we have added the country risk for Chile in which the Company operates and the business risk to reflect no business diversification. Majority of the guideline companies mentioned above are based and listed in the U.S., which has a more developed and liquid capital market than Chile, thus it has the necessity to add the relevant country risk premiums to the compound annual equity return.

This study is fully cognizant of the fact that there are other relevant companies that are privately held, or are not listed in the stock exchange, or are not headquartered in the U.S.

In valuing the equity interest of the Company, we determined an unlevered Ordinary Least Squares (OLS) beta for the Company by deriving a representative industry beta based on a select Company of companies under SIC Code 10. Southern Copper Corporation (Ticker: PCU) has been selected as our guideline company as it is operating the business of similar nature An unlevered beta is the beta a company would have if it had no debt. It removes a company's financial decision from the beta calculation and reflects the Company's business risks. The OLS betas are estimated by the traditional method of running a simple regression in which excess monthly returns on a company or composite is the dependent variable and the excess return on the market is the independent variable.

The equity risk premium of the Company was reached by multiplying the unlevered OLS beta to the difference between the SIC composite compound annual equity return of 10 years and the risk free rate.

The discount rate adopted in this valuation is 25.37%, which is generated by applying the risk-free rate of 4.83%, beta of 1.02, risk premium of 10.33%, country risk of 5% and business risk of 5%. No growth rate is adopted in valuing the equity interest of the Company.

By definition, the ownership interests in closely held companies are typically not readily marketable, and by definition not as liquid and as easily converted to cash compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Numerous studies have been made showing that the Lack of Marketability (hereinafter known as "LOM") discount for a closely held stocks compared with a publicly traded counterpart averages between 10% and 50%, and many different researchers have obtained these averages over a wide span of years. We have opted to apply a LOM discount to the Company.

GENERAL COMMENTS

For the purpose of this appraisal and in arriving at our opinion of value, we have relied to a very considerable extent on the information, statements, opinion and representations provided to us by the Company. We were furnished with certificate of incorporation, the relevant property title documents, water utilization contract and registration documents and financial projection for ten years ending 31 March 2017 and relevant publicly available information. These data have been utilized without further verification as correctly representing the results and future prospects of the operation and the financial condition of the Company.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

We are unable to accept any responsibilities for the operation and financial information that have not been supplied to us by the Company. We have had no reason to doubt the authenticity and accuracy of the information provided or the reasonableness of the opinions expressed by your Company and the directors of the Company, which have been provided to us. We also sought and received confirmation that no material factors have been omitted from the information provided.

In the course of our valuation, we relied on the Company's financial projections during the 10 years' forecast period. We have tested this estimate against relevant data pertaining to the various economies and the replication industry, and find it is fair and reasonable.

In arriving at our opinion, we have assumed that the Company has adopted necessary security measures and has considered several contingency plans to protect and maintain the reliability of its business.

We have assumed that the appraised equity of the Company is freely disposable and transferable for its existing or alternative uses in the open market disregarding any tax payable to the government upon disposal.

We have made no investigation of the legal title or any liabilities attached to the Company. All legal documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the Company. We have not verified the original documents furnished to us, any responsibility for our misinterpretation of the legal documents, therefore, cannot be accepted. Besides, we are not in a position to advise and comment on the title and encumbrances to the Company.

No allowance has been made in our valuation for any charges or amounts owing neither on the Company nor for any expenses or taxation, which may be incurred in effecting a sale. It is assumed that the Company will be rendered free from encumbrances, restrictions and outgoings of any onerous nature, which could affect its value.

Unless otherwise stated, the base currency of this report is Hong Kong Dollars.

OPINION OF VALUE

Based on the analysis, reasoning and data outlined as above, and on the appraisal method employed, it is our opinion that as at the Relevant Date, the Market Value of 100% equity interest of the Company is reasonably stated by the amount of **HK$378,000,000 (HONG KONG DOLLARS THREE HUNDRED AND SEVENTY-EIGHT MILLION ONLY).**

A sensitivity analysis has been made on the assumption that the discount rate has a fluctuation of ± 1%. The result of the sensitivity analysis is set out as follows:

Discount Rate	**Valuation Result** *(HK$)*	**Difference** *(HK$)*
24.37%	399,000,000	21,000,000
25.37%	***378,000,000***	**–**
26.37%	358,000,000	(20,000,000)

The conclusion of value is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the appraisal, you are urged to consider carefully the nature of such assumptions, which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Company nor your company or the value reported.

Yours faithfully,
For and on behalf of
Castores Magi Asia Limited
Deret Au Chi Chung
Member of China Institute of Real Estate Appraisers and Agents
China Registered Real Estate Appraiser
Registered Business Valuer
B.Sc. MRICS MHKIS RPS MCIArb AHKIArb
Director

Note: *Mr. Deret Au Chi Chung is a Registered Business Valuer of Hong Kong Business Valuation Forum and has over 12 years of valuation experience in natural resources and mineral valuations in various countries in Asia and South America.*

COMFORT LETTERS FROM SHU LUN PAN HORWATH HONG KONG CPA LIMITED AND OPTIMA CAPITAL

Set out below are the text of the comfort letters on the cash projection of Verde which forms part of the basis of valuation performed by Castores Magi Asia Limited received from SLP Horwath and the financial adviser of the Company, Optima Capital for inclusion in this circular.

(i) Letter from SLP Horwath

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone: (852) 2526 2191
Facsimile: (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

3 December 2007

The Directors
CHINA ELEGANCE (HOLDINGS) LIMITED

Dear Sirs,

We refer to the valuation dated 3 December 2007 prepared by Castores Magi Asia Limited (the "Valuer") in respect of the 100% equity interest in Verde (the "Valuation") as at 30 September 2007 set out in Appendix IV of the circular of China Elegance (Holdings) Limited (the "Company") dated 3 December 2007 (the "Circular").

The Valuation including the bases and assumptions, as set out in the valuation report on pages 151 to 161 of the Circular, for which the directors of the Company and the Valuer are solely responsible, has been prepared based on the cash flow projection of Verde for ten years ending 31 March 2017 made by the directors of the Company (the "Projection"). The Projection, being a projection of future cash flows, does not involve the adoption of accounting policies and accordingly, there are no accounting policies for us to report on. The Projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur.

Consequently, readers are cautioned that the Projection may not be appropriate for purposes other than for deriving the Valuation of Verde as at 30 September 2007. Even of the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Projection since the other anticipated events frequently may or may not occur as expected and the variation may be material.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance engagements other than audits or reviews of historical financial information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Projection. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Projection, so far as the calculations are concerned, has been properly complied in accordance with the bases and assumptions made by the directors of the Company and adopted by the Valuer. Our work does not constitute any valuation of Verde.

As set out in the paragraph headed "Basis of Valuation and Assumptions" on pages 155 and 156 of the Circular, the Projection has been prepared on the basis that Verde will successfully complete the site acquisition procedures of a copper ore processing plant in Chile and obtain the necessary approval documents and based on a number of assumptions, of which the principal assumptions are set out below:

1. The hypothetical assumption that the operating environment in which Verde operates over a period of ten years up to 31 March 2017 will be the same as stated in the Valuation. Given the inherent uncertainties of the future political, legal, economic or financial aspects in Chile and the potential impact of fluctuation in interest rates and foreign currency exchange rates, we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the bases and assumption made.

2. The hypothetical assumption that the income generated from Verde over a period of ten years up to 31 March 2017 will be the same as stated in the Valuation. Given the limited operational history of Verde and the demand for copper ores in the market, we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the bases and assumption made.

Because of the significance of the matters discussed above, we are unable to evaluate the appropriateness of the above bases and assumptions used in arriving at the Projection.

Based on the work we have performed, in our opinion, the Projection, so far as the calculations are concerned, has been properly complied in accordance with the bases and assumptions made by the directors of the Company and adopted by the Valuer as set out in the valuation report of Verde in Appendix IV to the Circular.

Our work in connection with the Projection has been undertaken solely for the purpose of reporting under paragraphs 14.62(2) and 14A.59(17b) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and for no other purpose. We accept responsibility solely to the directors of the Company. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Shiu Hong Ng
Director
Practising Certificate number P03752

(ii) Letter from Optima Capital

OPTIMA
CAPITAL

Unit 3618, 36th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

3 December 2007

The Board of Directors
China Elegance (Holdings) Limited
37th Floor
China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

We refer to (i) the valuation dated 3 December 2007 prepared by Castores Magi Asia Limited (the "Valuer") in relation to the appraisal of the market value (the "Valuation") of 100% equity interest in Minera Catania Verde S.A. ("Verde") as at 30 September 2007 contained in Appendix IV to this circular dated 3 December 2007 to the Shareholders (the "Circular"), of which this letter forms part; and (ii) the requirements under Rules 14.62(3) and 14A.59(17)(b) of the Listing Rules. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

As stated in the valuation report set out on page 151 to 161 of the Circular, the Valuation has been arrived at based on the income approach, which takes into account the cash flow projection of Verde during the period of ten years up to 31 March 2017 made by the Directors (the "Projection").

We have discussed with you the bases and assumptions upon which the Projection has been made. We have also considered the letter dated 3 December 2007 addressed to yourselves from Shu Lun Pan Horwath Hong Kong CPA Limited ("SLP Horwath") in relation to, among other things, the calculations and bases and assumptions upon which the Projection has been made.

On the bases and assumptions adopted by you in compiling the Projection and the review performed by SLP Horwath, we are of the opinion that the Projection, for which the Directors are solely responsible, has been prepared after due and careful enquiry.

Yours faithfully,
For and on behalf of
OPTIMA CAPITAL LIMITED
Mei H. Leung
Chairman

This is an explanatory statement given to all Shareholders relating to the ordinary resolution to be proposed at the SGM approving the New Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) of the Listing Rules which is set out as follows:

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued and fully paid up share capital of the Company comprised 1,258,296,800 Shares and outstanding Options which are exercisable into 59,700,000 Shares. The exercise price for 54,700,000 Options and 5,000,000 Options are HK$0.86 per Share and HK$2.95 per Share respectively.

Exercised in full of the New Repurchase Mandate, if so approved, on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the approval of the New Repurchase Mandate, the Company would be allowed under the repurchase resolution to repurchase a maximum of 125,829,680 Shares during the period from the date on which such resolution is passed until the date of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held; or (iii) the revocation, variation or removal of the New Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first, representing not more than 10% of the issued share capital of the Company as at the date of passing the relevant resolution.

2. REASONS FOR THE REPURCHASE

Although the Directors have no present intention to repurchase any Shares, they believe that the flexibility afforded by the repurchase proposal would be beneficial to the Company and Shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share of the Company and will only be made when the Directors believe that such a purchase will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASES

Repurchase of Shares will be funded from the Company's available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for such purposes in accordance with the Bye-laws, the Listing Rules and the laws of Bermuda. The Company is empowered by its Bye-laws to purchase its Shares. The laws of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of the capital paid up on the relevant Shares, or from the profits that would otherwise be available for distribution by way of dividend, or from the proceeds of a new issue of Shares made for the purpose. The amount of premium payable on redemption may only be paid out of either the profits that would otherwise be available for distribution by way of dividend or out of the Company's share premium account or contributed surplus account.

On the basis of the current financial position of the Group as disclosed in the 2007 Annual Report of the Company and taking into account the current working capital position of the Group, the Directors consider that, if the New Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in the 2007 Annual Report. However, the Directors do not propose to exercise the New Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing level which in the opinion of the Directors are from time to time appropriate for the Group.

4. SHARE PRICES

The highest and lowest prices at which the Shares had been traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date were as follows:

	Price per Share	
	Highest	**Lowest**
	HK$	*HK$*
2006		
November	0.100	0.035
December	0.080	0.045
2007		
January	0.080	0.050
February	0.145	0.055
March	0.138	0.082
April	0.400	0.125
May	0.540	0.171
June	0.610	0.365
July	2.750	0.460
August	4.500	2.600
September	3.250	2.320
October	3.74	2.64
November (up to the Latest Practicable Date)	2.95	1.75

Source: http://www.hkex.com.hk

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make purchases of the Shares pursuant to the New Repurchase Mandate only in accordance with the Listing Rules, the Bye-laws of the Company and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have any present intention, in the event that the New Repurchase Mandate is approved by the Shareholders, to sell any securities to the Company or its Subsidiaries.

No connected person of the Company has notified the Company that he has a present intention to sell securities to the Company nor has undertaken not to do so, in the event that the Company is authorized to make purchases of Shares upon New Repurchase Mandate having been approved by the Shareholders.

6. TAKEOVERS CODE

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of the increase of the Shareholder's interest, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date and insofar as the Directors are aware, the following Shareholder(s) had interests representing 5% or more of the issued share capital of the Company which are discloseable under Part XV of the SFO:–

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Long Position	Number of Shares Short Position	Approximate % of existing issued share capital in the Company	Approximate % of issued share capital after the exercise in full of the New Repurchase Mandate
Mr. Cheung Ngan	Personal	311,232,469	–	24.73%	27.48%
Plus All Holdings Limited	Beneficial owner	125,000,000	–	9.93%	11.04%
Credit Suisse	Beneficial owner	57,443,000	–	4.57%	5.07%
Deutsche Bank	Beneficial owner	65,340,000	–	5.19%	5.77%

The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase made under the New Repurchase Mandate. As at the Latest Practicable Date, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase Shares pursuant to the New Repurchase Mandate.

7. SHARE PURCHASE MADE BY THE COMPANY

No purchase has been made by the Company of its Shares (whether on the Stock Exchange or otherwise) in the six months prior to the Latest Practicable Date.

8. GENERAL

Assuming that there is no further issue of Shares between the Latest Practicable Date and the date of repurchase, the exercise of the New Repurchase Mandate whether in whole or in part will not result in the number of Shares being reduced to less than 25% of the issued share capital of the Company being held by the public as required by Rule 8.08 of the Listing Rules. The Directors have no intention to exercise the New Repurchase Mandate to an extent as may result in a public shareholding being less than such prescribed percentage.

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 or underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Cheung *(Note 1)*	Beneficial owner/ interest of controlled corporation	1,611,232,469	128.05%
Mr. Chan *(Note 1)*	Interest of controlled corporation	1,300,000,000	103.31%

Notes:

1. Included interests in 1,300,000,000 underlying Shares representing the consideration Shares which were agreed to be issued to Ceasers Development Limited, which was owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan upon completion of acquisition of 60 shares of Bellavista Holding Group Limited. Details of which were set out in the announcement of the Company dated 29 August 2007.

Save as disclosed herein, as at the Latest Practicable Date, none of the 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's and Mr Chan'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 Enlarged Group:

Interests in the Shares or underlying Shares (long position)

(i) The Group

Name of members of the Group	Name of Shareholders	Capacity/ Nature of Interest	Number of Shares or underlying Shares	Approximate shareholding percentage
The Company	Plus All Holdings Limited *(Note 1)*	Beneficial owner	125,000,000	9.93%
The Company	Credit Suisse *(Note 2)*	Beneficial owner	137,443,000	10.92%
The Company	Deutsche Bank *(Note 3)*	Beneficial owner	95,340,000	7.58%
The Company	Ceasers Development Limited *(Note 4)*	Beneficial owner	1,300,000,000	103.31%

(ii) The Joint Venture

Name of members of the Enlarged Group	Name of Shareholders	Capacity/ Nature of Interest	Number of Shares or underlying Shares	Approximate shareholding percentage
The Joint Venture	CCCL	Beneficial owner	not applicable	20%
The Joint Venture	Tong Guan	Beneficial owner	not applicable	20%

Notes:

1. Plus All Holdings Limited is 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 Shares under Part XV of the SFO.

2. Included interests in 80,000,000 underlying Shares representing the conversion rights attached to the Second 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 137,443,000 Shares and underlying Shares under Part XV of the SFO.

3. Included interests in 30,000,000 underlying Shares representing the conversion rights attached to the Second Convertible Notes of a principal amount of HK$30 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 95,340,000 Shares and underlying Shares under Part XV of the SFO.

4. Interests in 1,300,000,000 underlying Shares represent the consideration Shares which were agreed to be issued to Ceasers Development Limited upon completion of acquisition of 60 shares of Bellavista Holding Group Limited. Details of which were set out in the announcement of the Company dated 29 August 2007.

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 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 Enlarged 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 Enlarged 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 Enlarged Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of Directors or their respective associates had any interests in a business which competes or may compete with the business of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Enlarged Group within the two years preceding the date of this circular and which are or may be material:

(a) the sale and purchase agreement dated 17 August 2006 entered into between China Elegance Holdings Limited, a wholly-owned subsidiary of the Company, as vendor and Ms. Leung Shuk Fun as purchaser in relation to the disposal of 60% of the entire issued share capital of Unicon Spirit Development Ltd. at a consideration of HK$3,400,000;

(b) the placing agreement dated 4 July 2007 entered into between the Company and SBI E2-Capital Securities Limited in relation to the placing of the convertible notes up to a principal amount of HK$70,000,000;

(c) the subscription agreement dated 5 July 2007 and six subscription agreements dated 6 July 2007 entered into between the Company as issuer, and each of Plus All Holdings Limited and six other subscribers respectively as subscriber in respect of the subscription of convertible notes in an aggregate principal amount of HK$70,000,000;

(d) the disposal of 4,100,000 ordinary shares of QMASTOR on 17 July 2007 by Grand Capital Enterprises Limited, a wholly-owned subsidiary of the Company, through the broker at a consideration of Australian dollars 1,070,000 (equivalent to approximately HK$7,280,000);

(e) the placing letter dated 23 July 2007 (as supplemented by a supplemental letter dated 26 July 2007) entered into between the Company and CITIC Securities Corporate Finance (HK) Limited in relation to the placing of the convertible notes up to a principal amount of HK$160,000,000;

(f) the Subscription Agreements;

(g) the sale and purchase agreement dated 7 August 2007 entered into between China Elegance Resources Limited, a wholly-owned subsidiary of the Company, as purchaser, Ceasers Development Limited (a company owned as to 51% by Mr. Cheung and 49% by Mr. Chan) as vendor and Bellavista Holding Group Limited in relation to the acquisition (the "Bellavista Acquisition") of 60% of the issued share capital of Bellavista Holding Group Limited (subject to adjustment) at a consideration of HK$4,680,000,000. The Bellavista Acquisition was yet to complete as at the Latest Practicable Date, details of which were set out in the announcement dated 29 August 2007;

(h) the JV Agreement; and

(i) the Master Agreement.

7. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

(a) save for the Bellavista Acquisition, none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2007 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) save for the JV Agreement and the Master Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following are the experts, and their qualifications, who have given opinion contained in this circular:

Name	Qualification
Optima Capital	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
SLP Horwath	certified public accountants
Hercules	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Castores Magi Asia Limited (“Castores”)	independent professional valuer

Each of Optima Capital, SLP Horwath, Hercules and Castores has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports or opinion as set out in this circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Optima Capital, SLP Horwath, Hercules and Castores was beneficially interested in the share capital of any member of the Enlarged Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any direct or indirect interest in any assets which were, since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

9. MISCELLANEOUS

(a) Mr. Chan, 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, Wanchai, Hong Kong.

(e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays up to and including Monday, 17 December 2007:

(i) the memorandum of association of the Company and the Bye-laws;

(ii) the annual reports of the Company for the two years ended 31 March 2006 and 2007;

(iii) the letter of advice from Hercules, the text of which is set out on page 33 to 55 of this circular;

(iv) the accountants' report of Verde, the text of which is set out in Appendix II to this circular;

(v) the unaudited pro forma financial information on the Enlarged Group and the comfort letter thereon from SLP Horwath, the text of each of which is set out in Appendix III to this circular;

(vi) the valuation report of Verde and the comfort letters thereon from SLP Horwath and Optima Capital, the text of which is set out in Appendix IV to this circular;

(vii) the written consents as referred to in the paragraphs headed "Experts and consents" in this appendix;

(viii) the material contracts as referred to in the paragraphs headed "Material contracts" in this appendix; and

(ix) a copy of each circular of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

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 Thursday, 27 December 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

   (i) the joint venture agreement (the "**JV Agreement**") dated 16 October 2007 entered into between Zhong Xing Heng He Holdings Limited, a wholly-owned subsidiary of the Company, Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited (a copy of which has been produced to the meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the establishment of a joint venture company and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

   (ii) the directors of the Company (the "**Directors**") be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the JV Agreement and all transactions contemplated under the JV Agreement."

* *For identification purpose only*

2. “**THAT**

(i) contingent on the passing of resolution 1 above, the master agreement (the “**Master Agreement**”) dated 16 October 2007 entered into between Minera Catania Verde S.A., a wholly-owned subsidiary of Catania Copper (Chile) Limited, and CAH Reserve S.A. (a copy of which has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the supply, sale and purchase of copper ores and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(ii) the proposed annual caps in relation to the transactions under the Master Agreement for the period commencing from the date on which the Master Agreement becoming effective until 31 March 2010 and each of the years ending 31 March 2008, 31 March 2009 and 31 March 2010 will not exceed US$3,000,000, US$16,500,000 and US$33,000,000 respectively be and are hereby approved; and

(iii) the Directors be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Master Agreement and any or all the matters contemplated in the Master Agreement and this resolution.”

SPECIAL RESOLUTION

3. “**THAT** subject to the approval by the Registrar of Companies in Bermuda, the name of the Company be and is hereby changed to “Sinocop Resources (Holdings) Limited 中銅資源(控股)有限公司” and the existing Chinese name of the Company being “瑞源國際有限公司” (which was adopted for identification purpose) will no longer be adopted with effect from the date of entry of the new name on the register of companies maintained by the Registrar of Companies in Bermuda and the Directors be and are hereby authorised generally to do all such acts and things and execute all such documents they consider necessary, desirable or expedient to effect the change of name of the Company.”

ORDINARY RESOLUTIONS

4. "**THAT**

(i) subject to sub-paragraph (iii) of this resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to issue, allot and deal with additional shares in the capital of the Company (the "**Shares**") and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(ii) the approval in (i) above shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval contained in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below); (b) an issue of Shares as scrip dividends pursuant to the bye-laws of the Company from time to time; or (c) an issue of Shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries or associates, shall not exceed twenty per cent. of the nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and

(iv) for the purposes of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required, by the bye-laws of the Company or any applicable laws, to be held; and

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong)."

5. "**THAT**

(i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of the share capital which the Company is authorized to repurchase pursuant to the approval in paragraph (i) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

(iii) for the purposes of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required, by the bye-laws of the Company or any applicable laws, to be held; and

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

6. "**THAT** conditional upon the passing of the Resolutions numbered 4 and 5 as set out in this notice of special general meeting of the Company dated 3 December 2007, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with the Shares pursuant to Resolution numbered 4 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate, of an amount representing the aggregate nominal amount of the share capital of the Company which are repurchased by the Company under the authority granted to the Directors pursuant to Resolution numbered 5 above, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution."

7. "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, any ordinary Shares to be issued pursuant to the exercise of options which may be granted under the Refreshed Scheme Mandate Limit (as defined below), the refreshment of the limit in respect of the granting of share options under the share option scheme adopted by the Company on 5 January 2004 (the "**Scheme**"), up to a new 10 per cent limit (the "**Refreshed Scheme Mandate Limit**") be approved provided that (i) the total number of Shares which may be issued upon exercise of options to be granted under the Scheme on or after the date of the passing of this resolution (the "**Refreshed Date**"), together with all options to be granted under any other share option scheme(s) of the Company on or after the Refreshed Date, must not exceed 10 per cent of the number of Shares in issue as at the Refreshed Date; and (ii) options granted prior to the Refreshed Date under the Scheme or any other share option scheme(s) of the Company (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Scheme or such other scheme(s) of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit and any Director be and is hereby authorized to do such act and execute such document to effect the Refreshed Scheme Mandate Limit."

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

Hong Kong, 3 December 2007

NOTICE OF SPECIAL GENERAL MEETING

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 Friday, 21 December 2007 to Thursday, 27 December 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 Registrars in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 20 December 2007.