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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold** all your shares in Egana Jewellery & Pearls Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**PROPOSED CONSOLIDATION OF SHARE CAPITAL  
AND  
CHANGE IN BOARD LOT SIZE**

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A notice convening an extraordinary general meeting of Egana Jewellery & Pearls Limited to be held at Block C, 11th Floor, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 4 September 2002 at 10:00 a.m. is set out on page 7 of this circular. Whether or not you are able to attend the extraordinary general meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at Block C6, 12th Floor, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or at any adjourned meeting (as the case may be) should you so wish.

16 August 2002

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## EXPECTED TIMETABLE

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2002

Latest time for lodging proxy forms for the EGM	10:00 a.m. on Monday, 2 September
Date of the EGM	10:00 a.m. on Wednesday, 4 September
Effective date of the Share Consolidation	On Thursday, 5 September
Existing counter for trading in Shares in board lots of 40,000 Shares temporarily closes	9:30 a.m. on Thursday, 5 September
Temporary counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates) opens	9:30 a.m. on Thursday, 5 September
Existing counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of new share certificates) re-opens	9:30 a.m. on Thursday, 19 September
Parallel trading of Consolidated Shares (in the forms of existing and new share certificates) commences	9:30 a.m. on Thursday, 19 September
First day of odd lot facility	On Thursday, 19 September
Parallel trading of Consolidated Shares (in the forms of existing and new share certificates) ends	4:00 p.m. on Friday, 11 October
Last day of odd lot facility	On Friday, 11 October
Temporary counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. on Friday, 11 October
Free exchange of new share certificates for Consolidated Shares	From Thursday, 5 September to Wednesday, 23 October

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## DEFINITIONS

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

“Business Day/business day”	a day on which the Stock Exchange is open for the trading of securities
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“Company”	Egana Jewellery & Pearls Limited, a company duly incorporated with limited liability in the Cayman Islands and whose Shares are listed and traded on the Stock Exchange
“Consolidated Share(s)”	new share(s) with nominal value of HK\$0.50 each in the capital of the Company after the Share Consolidation becomes effective
“Directors”	the directors of the Company for the time being
“EGM”	the extraordinary general meeting of the Company to be held on 4 September 2002 at 10:00 a.m. notice of which is set out on page 7 of this circular
“HK\$”	Hong Kong dollars
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	14 August 2002, being the latest practicable date prior to the printing of this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Share Consolidation”	the proposed share consolidation whereby every 10 Shares will be consolidated into 1 Consolidated Share
“Share Option Scheme”	the executive share option scheme of the Company which was adopted on 26 June 1998 and became unconditional on 23 July 1998, and shall expire on 23 July 2008
“Share Options”	share options granted pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) for the time being of the Share(s) or, where the context so requires, holder(s) of the Consolidated Shares upon completion of the Share Consolidation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

**EGANA**  
**JEWELLERY & PEARLS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

*Directors:*

Hans-Joerg SEEBERGER  
*(Chairman and Chief Executive)*  
Peter Ka Yue LEE  
Michael Richard POIX  
Shunji SAEKI  
Hartmut VAN DER STRAETEN  
Michael BOMMERS  
David Wai Kwong WONG\*  
Charles Cho Chiu SIN\*  
Eduardo Tang Lung LAU\*  
Professor Zhengfu WANG\*

*\* Non-executive Directors*

*Registered office:*

P.O. Box 1787  
2nd Floor, One Capital Place  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

*Principal place of business:*

Block C6, 12th Floor  
Hong Kong Industrial Centre  
489-491 Castle Peak Road  
Cheung Sha Wan  
Kowloon  
Hong Kong

16 August 2002

*To the shareholders of the Company*

Dear Sir or Madam,

**PROPOSED CONSOLIDATION OF SHARE CAPITAL  
AND  
CHANGE IN BOARD LOT SIZE**

**INTRODUCTION**

The Directors announced on 26 July and 9 August 2002 that the Directors intend to put forward proposal at the EGM for the Shareholders to approve the Share Consolidation.

The purpose of this circular is to (a) give you further information on the Share Consolidation and (b) give you the notice of EGM at which the necessary resolution will be proposed to consider and, if thought fit, approve the Share Consolidation.

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# LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE

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## THE SHARE CONSOLIDATION

The Directors proposes to consolidate the issued and unissued share capital of the Company by consolidating 10 Shares into 1 Consolidated Share.

## CONDITIONS OF THE SHARE CONSOLIDATION

The Share Consolidation is conditional on the fulfillment of the following conditions:

- (1) the passing by the Shareholders of an ordinary resolution to be proposed at the EGM approving the Share Consolidation;
- (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares; and
- (3) the approval of the relevant government authority, if required.

Assuming the above conditions are fulfilled, it is expected that the Share Consolidation will become effective on 5 September 2002, the business day immediately after the passing of the relevant resolution approving the Share Consolidation at the EGM.

## EFFECTS OF THE SHARE CONSOLIDATION

As at the Latest Practicable Date, the existing authorised share capital of the Company were HK\$250,000,000 divided into 5,000,000,000 Shares, of which 3,102,058,695 Shares were issued and credited as fully paid. Upon the Share Consolidation becomes effective and assuming no further Shares will be issued prior to the EGM, the authorised share capital will be HK\$250,000,000 divided into 500,000,000 Consolidated Shares of HK\$0.50 each, comprising 310,205,869 Consolidated Shares in issue and credited as fully paid. The Consolidated Shares will rank *pari passu* in all respects with each other and there will be no change in the relative rights of the Shareholders. Fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company.

As at the Latest Practicable Date, the Company has 131,250,000 Share Options outstanding. Subject to the Share Consolidation becoming unconditional, the subscription price payable upon exercise of the rights under the Share Options outstanding will be adjusted in accordance with the Share Option Scheme. Any adjustment required under the Share Option Scheme will be confirmed by an independent financial adviser or the Company's auditors in writing to the Directors that it shall give the holders of the Share Options the same proportion of the equity capital as that to which that person was previously entitled, but no such adjustments may be made to the extent that a Consolidated Share would be issued at less than its nominal value. Holders of the Share Options outstanding will be individually notified by the Company accordingly.

The Share Consolidation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of related expenses.

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# LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE

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## REASONS FOR THE SHARE CONSOLIDATION

As announced on 23 July 2002, in line with the proposed share consolidation of the Company's holding company, EganaGoldpfeil (Holdings) Limited, the Company considers that the Share Consolidation will increase the nominal value of the Shares and the trading price of the Shares on the Stock Exchange, and should attract more international institutional investors, thereby extending the Shareholders base. As such, it is in the best interests of the Company and the Shareholders as a whole.

## ADMISSION TO CCASS

Arrangements will be made to enable the Consolidated Shares to be admitted to CCASS. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date for dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any business day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## CHANGE IN BOARD LOT SIZE AND TRADING ARRANGEMENT

Subject to the Share Consolidation becoming effective, dealings in the Consolidated Shares are expected to commence on 5 September 2002.

The number of Consolidated Shares constituting a board lot will be changed from 40,000 Shares to 4,000 Consolidated Shares upon the Share Consolidation becoming effective, which is expected to take place on 5 September 2002.

The proposed change in board lot size will not change the value of each board lot of the Consolidated Shares.

In order to facilitate the trading of odd lots (if any), the Company has appointed Upbest Securities Company Limited as an agent to arrange for the sale and purchase of odd lots on behalf of the Shareholders and potential investors. During the period from 19 September 2002 to 11 October 2002 (both dates inclusive), holders of the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots or to top them up to a full board lot may contact Upbest Securities Company Limited during the aforesaid period as follows:

Contact person	Address	Telephone number
Mr. Ben Luk	2nd Floor, Wah Kit Commercial Centre 302 Des Voeux Road Central Hong Kong	(852) 2545 3298

Holders of the Consolidated Shares in odd lots should note that the matching of odd lots is not guaranteed.

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## LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE

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From 9:30 a.m. on Thursday, 5 September 2002, the original counter for trading in the Shares in board lots of 40,000 Shares will be temporarily closed. A temporary counter will be established for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares. Every 10 Shares will be deemed to represent 1 Consolidated Share. Existing share certificates in burgundy for the Shares may only be traded at this temporary counter.

With effect from 9:30 a.m. on Thursday, 19 September 2002, the original counter for trading in the Shares will be reopened for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares. New share certificates in orange for the Consolidated Shares may only be traded at this counter.

From Thursday, 19 September 2002 to Friday, 11 October 2002 (both dates inclusive), there will be parallel trading at the above two counters.

The temporary counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares will be removed after the close of trading at 4:00 p.m. on Friday, 11 October 2002. With effect from 9:30 a.m. on Tuesday, 15 October 2002, trading will be in the Consolidated Shares in board lots of 4,000 Consolidated Shares in the existing counter only and the existing share certificates for the Shares will cease to be marketable and will not be acceptable for dealing purpose. However, such share certificates will remain effective as documents of title.

### **FREE EXCHANGE OF NEW SHARE CERTIFICATES FOR THE CONSOLIDATED SHARES**

Subject to the passing of the resolution approving the Share Consolidation, Shareholders may, on or after Thursday, 5 September 2002 until Wednesday, 23 October 2002, submit share certificates for the Shares to the Company's Hong Kong branch share registrars, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for exchange, at the expense of the Company, for share certificates for the Consolidated Shares. Thereafter, share certificates for the Shares will be accepted for exchange for share certificates for the Consolidated Shares only on payment of a fee of HK\$2.50 (or such higher amount as may be stipulated in the Listing Rules from time to time) for each new share certificate to be issued or each old share certificate submitted, whichever number of share certificates is higher.

In order to distinguish between the existing and the new share certificates, share certificates for the Consolidated Shares will be orange in colour, which is different from the share certificates for the Shares, which is burgundy in colour.

It is expected that new share certificates for the Consolidated Shares will be available for collection on or after the 10th business day from the date of submission of the existing share certificates for the Shares to the Company's Hong Kong branch share registrars at the above address. Unless otherwise instructed, new share certificates for the Consolidated Shares will be issued in the board lot size of 4,000 Consolidated Shares.

### **APPLICATION FOR LISTING**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares.



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# LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE

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## GENERAL

- (a) The Consolidated Shares that will be in issue upon the Share Consolidation becoming effective will rank pari passu in all respects with each other, having the rights attached thereto as set out in the Memorandum and Articles of Association of the Company.
- (b) The English text of this circular shall prevail over the Chinese text.

## EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Block C, 11th Floor, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 4 September 2002 at 10:00 a.m. or any adjourned meeting for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Share Consolidation is set out on page 7 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed in accordance the instructions printed thereon to the Company's principal place of business in Hong Kong at Block C6, 12th Floor, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

## RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 herein misleading.

## RECOMMENDATION

The Directors believe that the resolution proposed in this circular are in the best interests of the Company as well as its shareholders. Accordingly, the Directors recommend that all shareholders vote in favour of the resolution to be proposed at the EGM.

Your attention is also drawn to the EGM notice set out in this circular.

Yours faithfully,  
**Hans-Joerg SEEBERGER**  
*Chairman and Chief Executive*

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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## **EGANA**

### **JEWELLERY & PEARLS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of Egana Jewellery & Pearls Limited (the “Company”) will be held at Block C, 11th Floor, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 4 September 2002 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT**, with effect from 5 September 2002, being the day following the date on which this Resolution is passed and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of HK\$0.50 each in the capital of the Company arising from the Share Consolidation (as defined below) and (ii) the approval of the relevant government authority, if required, every 10 shares of HK\$0.05 each in the share capital of the Company be consolidated into one share of HK\$0.50 each in the share capital of the Company (the “Share Consolidation”) and the directors of the Company be authorised to do such things and acts as they consider necessary or appropriate to give effect to the same.”

By Order of the Board  
**Lillian WONG**  
*Company Secretary*

Hong Kong, 16 August 2002

#### **Notes:**

1. Any member entitled to attend and vote may appoint one or more proxies to attend the meeting instead of him and to vote on a poll. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority shall be deposited at the principal place of business of the Company at Block C6, 12th Floor, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or adjourned meeting, as the case may be).