
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 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 (the “Company”), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**PROPOSALS RELATING TO GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES OF THE COMPANY
AND
AMENDMENT TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

The notice convening an Annual General Meeting to be held on 20th November, 2003, at which, among others, the above proposals will be considered, is set out on pages 109 to 112 of the Annual Report and Accounts for the year ended 31st May, 2003 sent together with this circular.

Whether or not you propose to attend the Annual General Meeting, you are requested to complete and return the form of proxy enclosed with the Annual Report and Accounts in accordance with the instructions printed thereon as soon as possible.

30th September, 2003

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

30th September, 2003

To the shareholders of the Company

Dear Sir or Madam,

**PROPOSALS RELATING TO GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES OF THE COMPANY
AND
AMENDMENT TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the following proposals and to seek your approval of the same at the annual general meeting of the Company to be held on 20th November, 2003 (the "Annual General Meeting"):

- (a) general mandates to issue and repurchase shares of the Company; and
- (b) amendment to the Articles of Association of the Company.

LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE

GENERAL MANDATE FOR REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

At the annual general meeting held on 30th October, 2002, a general mandate was given to the directors of the Company (the “Directors”) to exercise the powers of the Company to repurchase shares of the Company (the “Shares”) up to a maximum of 10 per cent. of the issued share capital of the Company on that date. Such mandate will lapse at the conclusion of the Annual General Meeting. Your attention is drawn to an ordinary resolution set out in the notice convening the Annual General Meeting dated 29th September, 2003 contained in the 2003 Annual Report of the Company. Such ordinary resolution proposes to give a general mandate to the Directors to exercise the powers of the Company to repurchase at any time until the conclusion of the next annual general meeting of the Company following the passing of the relevant resolution or such earlier period as stated therein up to a maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing that ordinary resolution (the “Repurchase Mandate”).

An explanatory statement, as required under the relevant rules set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) regulating the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange, to provide the requisite information for your consideration of the Repurchase Mandate is set out in the Appendix hereto.

GENERAL MANDATE TO ISSUE NEW SECURITIES OF THE COMPANY

It will be proposed at the Annual General Meeting the ordinary resolutions as set out in the notice convening the Annual General Meeting dated 29th September, 2003 for granting to the Directors a general mandate to allot, issue and deal with new Shares and/or other securities of the Company not exceeding 20 per cent. of the issued share capital of the Company as at the date of passing that ordinary resolution (the “New Issue Mandate”) and extending the New Issue Mandate by adding to it the aggregate nominal amount of the Shares repurchased by the Company under the Repurchase Mandate.

AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

Special resolution will be proposed at the forthcoming Annual General Meeting to amend the Articles of Association of the Company. The special resolution to be proposed in this respect is contained in Resolution 6 set out in the Notice of Annual General Meeting, which is contained in the 2003 Annual Report.

The purpose of Resolution 6 is to amend the Articles of Association of the Company to change the reference to the repealed Securities and Futures (Clearing Houses) Ordinance to the Securities and Futures Ordinance (“SFO”) following the commencement of SFO on 1st April, 2003.

LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE

ANNUAL GENERAL MEETING

A notice dated 29th September, 2003 convening the Annual General Meeting to be held on 20th November, 2003 is contained in the 2003 Annual Report. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the New Issue Mandate, the Repurchase Mandate and the amendment to the Articles of Association of the Company.

A form of proxy for use at the Annual General Meeting accompanies the 2003 Annual Report. Whether or not you are able to attend the 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 holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not prevent you from attending and voting in person at the aforesaid meeting should you so wish.

RECOMMENDATION

The Directors believe that the New Issue Mandate, the Repurchase Mandate and the amendment to the Articles of Association of the Company 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 resolutions to be proposed at the Annual General Meeting.

Yours faithfully

Hans-Joerg SEEBERGER
Chairman and Chief Executive

The Appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to you with regard to the Repurchase Mandate.

1. THE LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange or on another stock exchange on which the securities of the companies may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the constitutive documents of the company and the laws of the jurisdiction in which the company is incorporated.

(c) Maximum number of securities to be repurchased

The shares which are proposed to be repurchased by a company must be fully paid. A maximum of 10 per cent. of the issued share capital as at the date of passing the relevant resolution may be repurchased on the Stock Exchange.

2. SHARE CAPITAL

As at 30th September, 2003 (the latest practicable date prior to the printing of this circular), there were 310,205,869 Shares in issue and subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the Repurchase Mandate could accordingly result in up to 31,020,586 Shares being repurchased by the Company during the course of the period prior to the next annual general meeting to be held in 2004.

3. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or net assets per Share and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

4. FUNDING OF REPURCHASES

Repurchases of the Shares will be funded entirely from the Company's available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for the purchase in accordance with the Memorandum and Articles of Association of the Company and the applicable laws of the Cayman Islands.

There might be a material adverse effect on the working capital requirements or gearing levels of the Company (as compared with the position disclosed in the audited accounts contained in the 2003 Annual Report) in the event that the Repurchase Mandate is exercised in full at any time. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company at the time of the relevant purchases unless the Directors determine that such repurchases are, taking account of all relevant factors, in the best interests of the Company.

5. GENERAL

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchase pursuant to the Repurchase Mandate and in accordance with the Listing Rules and any applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if the same is approved by the shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders.

If a shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase its shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers ("Takeover Code"). Accordingly, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. As at 30th September, 2003 (the latest practicable date prior to the printing of this circular), EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil") and Peninsula International Limited ("Peninsula") were respectively interested in 229,449,144 Shares and 1,044,955 Shares, representing approximately 73.97 per cent. and approximately 0.34 per cent. of the issued share capital of the Company. Peninsula and its nominee hold the Shares as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEGER ("Mr. SEEGER"). By virtue of his interest in EganaGoldpfeil under Part XV of the SFO, Mr. SEEGER was deemed to be also interested in those Shares held by EganaGoldpfeil. In the event that the Repurchase Mandate is exercised in full, EganaGoldpfeil's and Peninsula's interest would be increased to approximately 82.19 per cent. and approximately 0.37 per cent. of the issued share capital of the Company, respectively. Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeover Code as a result of the Repurchase Mandate.

The Directors have no present intention to exercise the Repurchase Mandate to such extent that the public float would fall below the relevant prescribed minimum percentage as required under the Listing Rules.

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

6. THE SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months were as follows:

	The Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
September 2002	1.680	1.320
October 2002	1.510	1.300
November 2002	1.370	1.220
December 2002	1.340	1.160
January 2003	1.330	1.150
February 2003	2.050	1.100
March 2003	2.050	1.750
April 2003	2.025	1.780
May 2003	2.025	1.780
June 2003	2.000	1.750
July 2003	2.025	1.750
August 2003	1.980	1.850