JEWELLERY & PEARLS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MAY, 2004

Highlights	
Revenue Exceeded:	HK$977.6 million (up 36%)
After Tax Earnings Reached:	HK$68.5 million (up 18%)
Shareholder Fund Amounted:	HK$511.6 million (up 12%)
Proposed Final Cash Dividend:	HK4¢ per share

RESULTS

The board of directors (the "Directors") of Egana Jewellery & Pearls Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st May, 2004 together with the comparative figures for the year ended 31st May, 2003 which are summarised as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31st May, 2004 *HK$'000*	**For the year ended 31st May, 2003** *HK$'000*
TURNOVER	977,633	718,382
COST OF SALES	(607,521)	(420,431)
GROSS PROFIT	370,112	297,951
OTHER REVENUES *(note 2)*	22,266	33,362
DISTRIBUTION COSTS	(152,593)	(101,816)
ADMINISTRATIVE EXPENSES	(153,858)	(152,571)
OPERATING PROFIT	85,927	76,926
FINANCE COSTS	(22,448)	(15,745)
PROFIT BEFORE TAXATION	63,479	61,181
TAXATION *(note 3)*	5,017	(3,241)
PROFIT AFTER TAXATION	68,496	57,940
MINORITY INTERESTS	(1)	(1)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	68,495	57,939
DIVIDENDS *(note 4)*	30,572	31,020
EARNINGS PER SHARE *(note 5)*		
Basic	22.00 cents	18.68 cents
Diluted	21.38 cents	N/A

Notes:

1. **Basis of preparation and accounting policies**

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this revised accounting policy has no significant effect on the results for prior accounting periods. Accordingly, no prior year adjustment is required.

2. **Other Revenues**

	For the year ended 31st May, 2004 *HK$'000*	**For the year ended 31st May, 2003** *HK$'000*
Rental income	—	102
Interest income	12,847	14,480
Management fees	5	4
Gain on disposal of unlisted non-trading securities	—	15,500
Redemption premium received on maturity of equity-linked notes	1,834	1,060
Gain on disposal of fixed assets	67	—
Others	7,513	2,216
	22,266	33,362

3. **Taxation**

	For the year ended 31st May, 2004 *HK$'000*	**For the year ended 31st May, 2003** *HK$'000*
The Company and its subsidiaries:		
Current taxation		
Hong Kong profits tax		
- Provision for the year	3,839	2,500
Overseas taxation		
- Provision for the year	1,614	974
- Under/(Over)-provision in prior years	279	(233)
Deferred taxation	(10,749)	—
	(5,017)	3,241
Associated company:		
Current taxation		
Hong Kong profits tax		
- Provision for the year	—	—
Overseas taxation		
- Provision for the year	—	—
	(5,017)	3,241

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profit for the year provided by subsidiaries with overseas operations at the rates of taxation prevailing in the countries in which the subsidiaries operated.

4. **Dividends**

	For the year ended 31st May, 2004 *HK$'000*	**For the year ended 31st May, 2003** *HK$'000*
Interim, paid, HK5.5 cents (2003: HK6 cents) per ordinary share	17,300	18,612
Final, proposed, HK4 cents (2003: HK4 cents) per ordinary share	13,272	12,408
	30,572	31,020

During the year, an interim dividend of approximately HK$17,300,000 (2003: HK$18,612,000) was declared and paid on 25th March, 2004.

At a meeting held on 27th September, 2004, the Directors proposed a final dividend of HK4 cents per ordinary share. This proposed dividend is not reflected as dividend payable in the accounts, but will be reflected as an appropriation of retained profits for the year ending 31st May, 2005.

5. **Earnings per share**

Basic earnings per share

The basic earnings per share was calculated based on the consolidated profit attributable to shareholders for the year ended 31st May, 2004 of approximately HK$68,495,000 (2003: HK$57,939,000) and the weighted average number of ordinary shares of approximately 311,372,000 (2003: 310,206,000) in issue during the year.

Diluted earnings per share

Diluted earnings per share was calculated based on the adjusted consolidated profit attributable to shareholders for the year of approximately HK$68,727,000 and the weighted average number of ordinary shares of approximately 321,390,000 that would be in issue having adjusted for the effects of all dilutive potential ordinary shares issuable during the year.

During the year ended 31st May, 2003, the Company's share options exercise price was above the average fair value of one ordinary share, and thus there were no dilutive potential ordinary shares.

Reconcilation

i) A reconciliation of profit attributable to shareholders used in calculating the basic and diluted earnings per share was as follows:

	For the year ended 31st May, 2004 *HK$'000*	For the year ended 31st May, 2003 *HK$'000*
Profit attributable to shareholders used in calculating basic earnings per share	68,495	57,939
Interest savings in respect of convertible bonds	232	—
Profit attributable to shareholders used in calculating diluted earnings per share	68,727	57,939

ii) A reconciliation of the number of ordinary shares for calculation of basic and diluted earnings per share was as follows:

	For the year ended 31st May, 2004	For the year ended 31st May, 2003
Weighted average number of ordinary shares used in calculating basic earnings per share	311,372,000	310,206,000
Dilutive potential effect in respect of - convertible bonds	10,018,000	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	321,390,000	310,206,000

DIVIDENDS

The Directors recommend the payment of a final dividend of HK4 cents per share to shareholders whose names appear on the register of members of the Company on 16th November, 2004. Together with the interim dividend of HK5.5 cents per share paid on 25th March, 2004, total dividends for the year ended 31st May, 2004 amount to approximately HK$30,572,000.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 15th December, 2004.

BUSINESS REVIEW AND PROSPECTS

The Group recorded a historical high in revenue, exceeding HK$977.6 million, an encouraging increment of 36% over the prior year's.

Thanks to our unique Brand Pyramid strategy (which involves the implementation of various brands in different market segments) our Group remains to be a trend setter in the global jewellery market which is highly fragmented and competitive with a market size of over US$20 billion.

This strategy helps the Group cover the fashion to the luxurious markets (which are most demanded and enjoying relatively faster growth), and diversifies business risks.

Currently the Group has a well-balanced portfolio of 21 brands with 16 self-own and 5 under exclusive license with global catch.

70% of the Group's revenue came from the Group's 10 key focus brands. To name a few, JOOP!, Carrera, Dugena, Kazto take lead in the affordable luxury and modern classics;; whereas Pierre Cardin, Yamato Pearls, Esprit and MEXX as fashion statements. We are positioning to launch Goldpfeil jewel in the luxurious sector to our exquisite consumers in 2005.

We shall continue to practice this "multi-brand" approach to help capture the rising demands for branded jewellery, explore new market potential and raise brand awareness.

Europe Enjoying Continuous Growth & Wider Operating Margin

Europe saw 12% increase in revenue exceeding HK$627.7 million, which represents 64% of Group's total.

The European Technology and Logistic Center (ETLC) in Germany started operation in June 2003. Starting December 2003, we gradually moved to the European Headquarters (EHQ) at Frankfurt - Offenbach, Germany with a full settling-in by April 2004. The combined effect of ETLC and EHQ enhances the Group's logistics (SCM) efficiency and customer relation management (CRM) effectiveness. As a result, we are able to shorten order fulfillment time, increase inventory turnover rate and enrich cost effectiveness, resulting in higher revenue and wider operating profit margins (by 1% which is expected to be recurring in the current 5-year plan).

The EganaGolpfeil Spring Fair (in January) and Summer Main Fair (in June) hosted at the Exhibition Hall (the largest of this nature in Germany) in the EHQ demonstrated promising results with positive remarks from participants, as more collections were presented, faster delivery were facilitated, and, more importantly, better services to customers were made possible (due to the exhibition hall being attached to the office of EHQ enabling responsive services at spot).

In June 2003, we acquired a distribution network in Germany which is complement to the established distribution coverage in Europe. During the year, the Group (in conjunction with the parent, EganaGoldpfeil) acquired 1/3 interests in JOOP! GmbH which effectively enabled us to secure the JOOP! Jewellery worldwide license on an exclusive and perpetual basis. This has strong business potential not only in Europe, but also in Asia which are in need for affordable luxury branded jewellery. Continuous double-digit growth in Europe, our main market is expected.

Asia Doubling Revenue Split from 14% to 29% Surpassing our Target

Asia has shown positive signs of recovery from SARS and after effects of Iraq-war, during the year.

Statistics indicated that jewellery is likely to be the third major product (after housing and cars) that Chinese consumers will seek, with total consumption in excess of RMB100 billion in 2003, targeting for RMB150 billion by 2010. We expect China has the biggest potential market for jewellery in the world.

The Closer Economic Partnership Arrangement (CEPA) between Hong Kong and Mainland enables Hong Kong jewellery operations to enjoy a zero (PRC) import-tariff (which would otherwise be at 35%) for import of jewellery to China.

The Group manages to establish distribution relationship with certain importers to China, through whom we open the jewellery market there.

Echoing our proven success in Europe (that at the initial stage it is, with lesser risk and higher chance of success, to source bought-in-finished-goods (B-I-G) on normal merchandise from local partners which had better local culture comprehension), we have been pursuing the "B-I-G" strategy to penetrate China market through the importers. This approach helps secure our credit exposure and enrich our corporate profile, in addition to revenue contribution.

As regards our branded products which are in-house produced, we pursue strategic alliance/partnership with local partners having strong distributing and retailing capabilities. In the joint venture, we contribute our strength in brand building, marketing, promotion and product development, in addition to the supply of the products.

During the year, we entered into business cooperation agreement with China partner directly - a well established fashion group to launch Pierre Cardin as fashionable and contemporary jewellery nationwide in the Mainland.

Collaboration with PRC based retail network and distributors is actively undertaken by our Asian team, which has among others, enabled Esprit Jewel gaining market share in China.

With the "Individual Visit" scheme under CEPA (under which Chinese visitors are able to travel to Hong Kong on their own, which was not permitted previously), it revealed 5.66 million of visit times to Hong Kong representing more than 2 million visitors consuming HK$12 billion during the 6 month-ended 30 June 2004. 32 cities are now eligible for the "Individual Visit" scheme which has a potential of 150 million visitors. To ride this wave (which also has the cross synergy of introducing our brand profile to Mainland upon the visitors returning to China, thereby enhancing the market potential for our branded jewellery there), we have come to terms to franchise our Dugena chain shop concept in Hong Kong with a view to extending it to China (with Southern China as the first footprint).

Japan, Taiwan and Singapore show growth in jewellery industry, for which we have poised to capture an increase in order.

The above had expedited our growth plan in Asia, having reached a 29% revenue share in FY 03/04, the first year of penetration surpassing our initial target to reach 28% revenue split in the 4th year in our 5-year Program.

During the year, Asia contributed HK$285.1 million revenue (HK$99.7 million in FY 02/03); which adds confidence to the appropriateness of our business strategies for the region.

In February 2004, Merrill Lynch, an international investment bank subscribed to US$10 million 5-year convertible bonds of the Group, the proceeds of which were applied as working capital for the Asian business to cope with its growth momentum. Starting from November 2004 the Group and Merrill Lynch each have an option for the Group to issue further convertible bonds with maturity in February 2009 to the extent of US$30 million the proceeds from which are intended for the expansion of business of Asia and the US.

US Revenue Growing By 16%

Revenue of US amounted to HK$64.8 million (HK$55.8 million in FY 02/03), primarily derived from the high-end markets pursuant to our focus differentiation strategy. Possibilities of strategic alliance and co-branding with US based chain stores and outlets are actively pursued with a view to increasing the US revenue share from the current 7% to 20% as our 5-year plan.

Our Thai production facilities, Keimothai, and diamond supply associate in Israel are well equipped to service the US market and remain as solid supporters of high-end production for the respective marketplaces.

Vertically Integrated Operations - A Distinguished Feature in our Industry

Being a truly vertically integrated operations, from product design and development, manufacturing, marketing to distribution, we established 4 productions plants - 3 in Asia for normal seasonal collections and 1 in Europe for high-end accessories - for continuous product development to set global trend.

In addition, we set in 8 strategic jurisdictions (Germany, Austria, Netherlands, Switzerland, Hong Kong, China, Japan and US) our own operating subsidiaries for brand building, marketing and distribution functions, which together with our appointed distributors and agents established a network of 5,000 points-of-sales in 48 countries.

We will continue to pursue the "vertical integration" model which enables us to have a timely response to the fast-changing consumer behavior; more effective control over product quality and cost; and better response to customer needs, thereby maintaining a more stable profit margin.

Leading Jewellery Stance Enjoying Double Digit Growth in After Tax Earnings and Shareholder Funds

Distributable earnings reached HK$68.5 million, an 18% upsurge. Our shareholder funds continuously reflect double digit growth (12%) to reach HK$511.6 million, 5 times of that at IPO in 1998.

During the year, our shares have been admitted to trading on Berlin Stock Exchange, Germany, in addition to our primary listing on the Hong Kong Stock Exchange. This is believed to widen our shareholder base and enable an international attraction to the Company.

To sustain our leading position, we will optimize our resources as far as practicable for long term growth, to capitalize on our brand building strength, extensive network coverage, quality product and services competence, and innovativeness (in product and communications).

FINANCIAL REVIEW

Group revenue exceeded HK$977.6 million, a remarkable increment of 36% from HK$718.4 million in FY 02/03. This is due to our core market, Europe reflecting a 12% growth; a double of the revenue share from 14% (in FY 02/03) to 29% in Asia, and a modest 16% growth recorded by the US market. Generally, the confirmed orders in hand covering 6 months worth of shipments are at a higher level than last year.

In exploring new markets in Asia, particularly Mainland China, the Group's gross margin for FY 03/04 was slightly diluted to 38% (41% in FY 02/03). However, with the increase in revenue (and market share), the overall gross profit contribution was increased by 24% to reach HK$370 million.

Upon a gradual increase of in-house production in place of Bought-In-Finished goods order fulfillment for Asia market going forward, the gross margin is expected to widen, reflecting better production efficiency for the benefit of the customers, a pattern that has been established in the European market development.

Administration expenses stood at similar level to FY 02/03's, being at HK$153.8 million. With increase in revenue (and better utilization of the capacity), the percentage to revenue moved from 21% to 15.7%. This demonstrated the proactiveness of the Group in establishing its administrative and supportive platform, in preparing for the anticipated business growth which starts to show positive effect this year (and going forward).

Distribution costs to revenue are in line with the prior years, at 15.6%. The SCM and CRM cost savings due to ETLC and EHQ in Europe help absorb the increase in promotion and marketing outlays to open new markets in Asia.

As a result, profit from operations at a margin of 10% reached HK$97.1 million, up 12% from last year. This translates into an operating cash inflow and results in cash and cash equivalents of HK$199.8 million.

Our revenue and assets were denominated in Euro and Swiss Franc 64%, US$ and HK$35% and Others 1%. Payments and liabilities were in Euro and Swiss Franc 40%, US$ and HK$55% and Others 5%.

The Group practices natural hedging to the extent possible and currency hedging as far as is reasonably practicable. Hence, the foreign currency exposure against adverse exchange movements has been adequately contained.

Distributable earnings attributable to shareholders amounted to HK$68.5 million, an 18% upsurge, with a net margin of 7% and return on equity of 13.4% (12.7% in FY 02/03).

The shareholder fund was HK$511.6 million, showing a continuous double digit growth (12%).

With the addition of the 1/3 interests in JOOP! GmbH for securing the JOOP! jewellery brand worldwide, the acquisition of a German distribution business and the additional investment (of HK$13 million) in strategic partnerships to help realize the Asian business plans for furtherance of the

Group's core competence as well as increase in working capital along with the business growth, the Group's total assets reached HK$1,101 million (HK$831 million in FY 02/03). This is however prior to including the fair market value of the brand portfolio (which is estimated to be no less than HK$1,200 million) - a valuable off balance sheet Group asset.

Working capital was HK$463 million with current ratio at 2.2x (comparing to the market average of 1x). This enables the Group to plan its financial resources in a more cost effective manner and with more certainty for funds to cope with the business expansion.

Given the tight credit control policy and ongoing inventory control measures, the debtors turnover was at a comfortable 92 days (well ahead of the industry norm of 120 days), and the inventory turnover was 121 days (25% improvements from FY 02/03's 162 days). The ETLC operations in Germany contributes to the faster inventory turnover rate, in addition to our products being more receptive to our customers in existing and new markets with faster re-orders.

Interest cover was at a healthy level pursuant to a sound financial model in place, viz-a-viz capital investment being financed by medium term borrowings and equity funds, with debts financing as working capital.

The leverage ratio (net borrowings as a proportion to shareholder funds) stood at a strong 0.3. The gearing ratio (interest bearing debts / shareholder funds) was at 0.67 well within the industry threshold of 1 time. This reflects the Group's sound financial position to leverage its borrowings in an optimal manner to prepare for future business growth and capital investment.

The Group had no significant capital commitment as at 31 May 2004. There are no material contingent liabilities or off balance sheet obligations other than trade bills discounted in the ordinary course of business as noted in the accounts.

The past year has demonstrated encouraging growth, surpassing our target, and the management is confident that the Group is at the pace of our 5-year plan (which started in FY 03/04) to grow the revenue by 150% so as to secure our return on shareholder fund to exceed 18%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12th November, 2004 to 16th November, 2004, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend and attend the Company's annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration by 4:30 p.m. on 11th November, 2004.

EMPLOYEES

As at 31st May, 2004, the Group had approximately 2,800 employees. They were remunerated based on their experience, their qualifications and the Group's performance and market conditions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the year ended 31st May, 2004.

CODE OF BEST PRACTICE

Except that the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board
Hans-Joerg SEEBERGER
Chairman and Chief Executive

Hong Kong, 27th September, 2004

As at the date of this announcement, the Board comprises Mr. Hans-Joerg SEEBERGER, Mr. Peter Ka Yue LEE, Mr. Michael Richard POIX, Mr. Shunji SAEKI, Mr. Hartmut VAN DER STRAETEN, Mr. Michael BOMMERS and Mr. Ho Yin CHIK as executive directors, Mr. David Wai Kwong WONG as non-executive director and Mr. Charles Cho Chiu SIN, Mr. Eduardo Tang Lung LAU and Professor Zhengfu WANG as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.