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JEWELLERY & PEARLS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(stock code: 926)

ISSUE OF TRANCHE 3A BONDS OF UP TO US\$5,000,000 PURSUANT TO THE SUBSCRIPTION AGREEMENTS ENTERED INTO BETWEEN MERRILL LYNCH AND THE COMPANY

Reference is made to the Company's announcements dated 10th February, 2004, 26th February, 2004 and 13th January, 2005.

The Board of Directors of the Company is pleased to announce that the Stock Exchange has formally approved the listing of and the permission to deal in the new Shares of the Company which fall to be issued upon the exercise of the conversion rights under the Tranche 3a Bonds and the subscription of new Shares under the Subscription Rights by Merrill Lynch.

Reference is made to the Company's announcements dated 10th February, 2004, 26th February, 2004 and 13th January, 2005 regarding the issue of the Bonds (the "Announcements"). Unless the context otherwise requires, defined terms used in this announcement shall have the same respective meanings as in the Announcements.

Tranche 3a Bonds

The Board of Directors of the Company is pleased to announce that the Stock Exchange has formally approved the listing of and the permission to deal in the new Shares of the Company which fall to be issued upon the exercise of the conversion rights under the Tranche 3a Bonds and the subscription of up to 3,518,342 new Shares under the Subscription Rights by Merrill Lynch. The total number of new Shares to be issued under the Tranche 3a Bonds and Subscription Rights should be within the limit of 76,195,132 Shares.

Public Float

At the date of this announcement, the issued ordinary share capital of the Company is HK\$193,785,649 comprising 387,571,298 Shares. EganaGoldpfeil, the single largest shareholder of the Company, currently holds 246,121,144 Shares, representing approximately 63.50% of the existing issued ordinary share capital of the Company.

If based on the assumption made in the Company's announcement dated 13th January, 2005 in calculating the total number of new Shares to be issued if Merrill Lynch fully exercises its conversion rights under the Tranche 3a Bonds and Subscription Rights, the percentage of shares holding of EganaGoldpfeil in the enlarged issued share capital of the Company will be 58.86%.

Dilution Effect on Shareholders

As the Company foresees the future dilution effect on the Shareholders of the Company in relation to the issue of Tranche 3a Bonds, the Company will promptly keep the Shareholders informed of the level of dilution effect and all relevant details of the conversion and/or exercise of the Subscription Rights by way of an announcement published in the newspapers in the following manners:-

1. Within 5 trading days after the end of each month, the Company will make an announcement disclosing details of the conversion rights exercised by Merrill Lynch under the Tranche 3a Bonds and Shares subscribed under the Subscription Rights during that month, which include, inter alia, the total principal amount converted, number of Shares converted, the floating / fixed conversion price and the percentage of dilution effect on the existing shareholders;
2. The Company will make an announcement as soon as possible when the conversion of Shares hit every 5% threshold of the Company's issued share capital (based on the level of dilution effect on cumulative basis);
3. If the Company forms the view that any issue of new Shares under the Tranche 3a Bonds will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Tranche 3a Bonds; and
4. If the conversion rights under the Tranche 3a Bonds are fully exercised and Shares under the Subscription Rights are fully subscribed by Merrill Lynch or either party exercises its rights for an early redemption of the Tranche 3a Bonds, then the announcement requirements set out in the above conditions (1) to (3) will cease immediately.

The above disclosure obligations form part of the conditions imposed on the Company on the grant of the aforesaid listing approval.

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

By order of the Board
Egana Jewellery & Pearls Limited
Hans-Joerg SEEBERGER
Chairman and Chief Executive

Hong Kong, 18th February, 2005

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