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JEWELLERY & PEARLS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 926)

CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Company is the jewellery division of EganaGoldpfeil and was separately listed on the Stock Exchange on 27 July 1998 to engage in the design, manufacturing, distribution and trading of jewellery and licensing. EganaGoldpfeil Group currently owns approximately 60% in the issued share capital of the Company and is a connected person of the Company under the Listing Rules.

The Continuing Connected Transactions have been conducted since the separate listing of the Company in July 1998. On 31 October 2001, the Stock Exchange granted a waiver to the Company from strict compliance with the announcement and/or independent Shareholders' approval requirements in respect of the Continuing Connected Transactions under Chapter 14 of the Old Listing Rules. The waiver expired on 31 December 2003.

Upon expiry of the waiver, each of these transactions constitute a Continuing Connected Transaction under Rule 14A.34 of the Listing Rules. Details of the transactions have been included in the Company's published annual report and accounts for the year ended 31 May 2004 under Rule 14A.45 of the Listing Rules.

BACKGROUND

The Company is the jewellery division of EganaGoldpfeil and was separately listed on the Stock Exchange on 27 July 1998. The Group is principally engaged in the design, manufacture, distribution and trading of jewellery worldwide and licensing.

EganaGoldpfeil is principally engaged in the design, assembly, manufacturing and distribution of timepiece, jewellery and leather products. It currently owns approximately 60% of the issued share capital of the Company and is a connected person of the Company for the purpose of the Listing Rules.

Prior to the listing of the Company, the Company has from time to time conducted the Continuing Connected Transactions with EganaGoldpfeil Group. To enhance cost and management efficiency for the benefit of the Group and EganaGoldpfeil Group, EganaGoldpfeil Group has been providing certain management, administrative and support services to the Group and licensing certain brand names owned by EganaGoldpfeil Group to

the Group. These transactions have been carried out in accordance with the Management Service Agreement and the Trademark License and Assignment Agreement. In addition, there exist certain trading transactions between the Group and EganaGoldpfeil Group. All these transactions are on normal commercial terms and are in the ordinary and usual course of business. These transactions constituted as Continuing Connected Transactions under Chapter 14A of the Listing Rules.

MANAGEMENT SERVICE AGREEMENT

EganaGoldpfeil Group has been providing certain management, administrative and support services to the Group under the Management Service Agreement. The services were provided on normal commercial terms and the charges were based on a cost plus basis.

The Stock Exchange has previously granted a waiver to the Company from strict compliance with the connected transaction requirements under Chapter 14 of the Old Listing Rules in connection with these transactions for three years ended on 31 December 2003. Under the waiver, the cap amount of the aggregate value of such transaction for each financial year should not exceed 5% of the Group's audited total annual expenses in that year.

For the 17 months ended 31 May 2002 and the financial year ended 31 May 2003, the aggregate value of the transaction amounted to approximately HK\$11,477,000 and HK\$10,852,000, representing approximately 3.1% and 4.0% of the Group's audited total annual expenses in the relevant period/year respectively. For the 7 months ended 31 December 2003, the aggregate value of such transaction was approximately HK\$6,341,000, representing approximately 1.9% of the Group's audited total annual expenses for the financial year ended 31 May 2004. The Company has complied with the waiver granted by the Stock Exchange.

For the period from 1 January 2004 to 31 May 2004, the aggregate value of the Management Service Agreement was approximately HK\$3,893,000 (for the periods from 1 January 2004 to 31 March 2004 and from 1 April 2004 to 31 May 2004, the respective aggregate values of the transaction were approximately HK\$2,336,000 and HK\$1,557,000) and the amount of the percentage ratios as calculated pursuant to Rule 14.07 of the Listing Rules is less than 2.5%. The Management Service Agreement constitutes a Continuing Connected Transaction under Rule 14A.34 of the Listing Rules which was only subject to the reporting and announcement requirements. Details of the transaction has been included in the Company's published annual report and accounts for the year ended 31 May 2004 under Rule 14A.45 of the Listing Rules.

With effect from 1 June 2004, the Management Service Agreement has been terminated and thereafter, these services are shared between the Group and EganaGoldpfeil Group on a cost basis which are exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(2) of the Listing Rules.

TRADEMARK LICENSE AND ASSIGNMENT AGREEMENT

Pursuant to the Trademark License and Assignment Agreement, PCIM (the beneficial owner of the *Pierre Cardin* trademark for timepieces and jewellery) granted an exclusive worldwide license (except in Argentina, Uruguay, Chile and Japan) to EIPL to use the *Pierre Cardin* trademark for jewellery for a term of 25 years commencing on 1 January 1998, renewable for additional periods of 25 years each on the same terms without additional payment of any kind. Royalties payable by EIPL to PCIM are computed at 5% of the ex-factory price or free on board value of the licensed products. In addition, PCIM is entitled to receive 15% of the royalties earned by EIPL from sub-licensing its rights relating to the *Pierre Cardin* trademark to independent third parties not connected with any connected persons of the Company under the Listing Rules.

EIPL agreed to pay a guaranteed minimum royalty of HK\$7,000,000 to PCIM for the year commencing on 1 January 1998. Thereafter the guaranteed minimum royalty will be increased by 4% annually and is payable where the royalties payable by EIPL to PCIM in accordance with the above royalty arrangements in respect of any year are less than the guaranteed minimum royalty for such period.

In compliance with Rule 14A.35 of the Listing Rules, PCIM and EIPL have revised the Trademark License and Assignment Agreement to have a term of 3 years from 1 June 2004 to 31 May 2007. Other terms of the said agreement remain unchanged.

The Stock Exchange has previously granted a waiver to the Company from strict compliance with the connected transaction requirements under Chapter 14 of the Old Listing Rules in connection with these transactions for the three years ended 31 December 2003. Under the waiver, the cap amount of the aggregate value of such transaction for each financial year should not exceed 5% of the Group's audited total annual expenses in that year.

For the 17 months ended 31 May 2002 and the financial year ended 31 May 2003, the aggregate value of the transaction amounted to approximately HK\$11,286,000 and HK\$8,325,000 respectively, both representing approximately 3.1% of the Group's audited total annual expenses in the relevant period/year. For the 7 months ended 31 December 2003, the aggregate value of such transaction was approximately HK\$4,968,000, representing approximately 1.5% of the Group's audited total annual expenses for the financial year ended 31 May 2004. The Company has complied with the waiver granted by the Stock Exchange.

For the period from 1 January 2004 to 31 December 2004, the aggregate value of the Trademark Transactions was approximately HK\$8,857,000 (for the periods from 1 January 2004 to 31 March 2004 and from 1 April 2004 to 31 December 2004, the respective aggregate values of the Trademark Transactions were approximately HK\$2,214,000 and HK\$6,643,000) and the amount of the percentage ratios as calculated pursuant to Rule 14.07 of the Listing Rules is less than 2.5%.

For the twelve months ended 31 December 2004, the Trademark Transactions constituted as Continuing Connected Transactions under Rule 14A.34 of the Listing Rules which was only subject to the reporting and announcement requirements. Details of the Trademark Transactions has been disclosed in the Company's published annual report and accounts for the year ended 31 May 2004 under Rule 14A.45 of the Listing Rules.

The Directors proposed to set the cap amount for the Trademark Transactions at HK\$12,000,000 (the “Annual Cap for Trademark Transactions”) for a period from 1 January 2005 up to 31 May 2007, the table below shown the detailed information about the Annual Cap for the Trademark Transactions the Company proposed to be complied with for the relevant periods up to 31 May 2007:-

For the period from 1 January 2005 to 31 May 2005	HK\$5,000,000
For the financial year ending 31 May 2006	HK\$12,000,000
For the financial year ending 31 May 2007	HK\$12,000,000

For the period from 1 January 2005 to 31 May 2007, as each of the percentage ratios is on an annual basis less than 2.5%, the Trademark Transactions constituted as Continuing Connected Transactions under Rule 14A.34 of the Listing Rules which are only subject to the reporting and announcement requirements and are exempt from the independent Shareholders’ approval requirements. Details of the Trademark Transactions will be disclosed in the Company’s 2005, 2006 and 2007 Annual Reports accordingly.

The Annual Cap for the Trademark Transactions has been determined by reference to the value of the Trademark Transactions for the year ended 31 May 2004. The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate value of the transactions during each of the three financial years ending 31 May 2007 exceeds the Annual Cap for the Trademark Transactions or the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 2.5%.

TRADING TRANSACTIONS AGREEMENTS

The Group has been purchasing certain marketing and packaging materials and procuring repair and after-sales service from EganaGoldpfeil Group for products under brands held by the Group and EganaGoldpfeil Group, and has been selling jewellery and related accessories to EganaGoldpfeil Group including its retail pilot shops in order to satisfy their respective customers’ need.

In order to comply with Rule 14A.35 of the Listing Rules, a Master Supply Agreement and a Service Agreement have been signed between EganaGoldpfeil Group and the Group.

The Master Supply Agreement was entered into between EganaGoldpfeil and Oro Design for the supply and purchase of Merchandise between EganaGoldpfeil Group and Oro Design or any of its fellow subsidiaries for a term of 29 months commencing from 1 January 2005 and expiring on 31 May 2007. The prices for the Merchandise were set at cost plus basis (5% to 300%). The exact mark up percentage of the Merchandise was determined through good faith negotiations between EganaGoldpfeil Group and Oro Design or its fellow subsidiaries and also by reference to the price range fixed by the two Groups to their respective customers.

The Service Agreement was entered into between Zeitmesstechnik and Egana Schmuck for the provision of repair and after-sale service to Egana Schmuck by Zeitmesstechnik in respect of the jewellery products and related accessories at a service fee of cost plus basis

(5% to 100%). The exact mark up percentage of the service fee was determined through good faith negotiations between Zeitmesstechnik and Egana Schmuck and also by reference to the price range fixed by Egana Schmuck to its customers. The term of the Service Agreement was 29 months commencing from 1 January 2005 and expiring on 31 May 2007.

The Master Supply Agreement and the Service Agreement were entered into on normal commercial terms and in the ordinary and usual course of businesses of both EganaGoldpfeil Group and the Group.

The Stock Exchange has previously granted a waiver to the Company from strict compliance with the connected transaction requirements under Chapter 14 of the Old Listing Rules in connection with the Trading Transactions for the three years ended 31 December 2003. Under the waiver, the cap amount of the aggregate value of the Trading Transactions for each financial year should not exceed HK\$20,000,000 or 3% of the Group's audited total turnover in that year.

For the 17 months ended 31 May 2002 and the financial year ended 31 May 2003, the aggregate value of the Trading Transactions amounted to approximately HK\$12,940,000 and HK\$8,039,000 respectively. For the 7 months ended 31 December 2003, the aggregate value of such transactions was approximately HK\$15,595,000. The Company has complied with the waiver granted by the Stock Exchange.

For the period from 1 January 2004 to 31 December 2004, the aggregate value of the Trading Transactions was approximately HK\$11,755,000 (for the periods from 1 January 2004 to 31 March 2004 and from 1 April 2004 to 31 December 2004, the respective aggregate values of the Trading Transactions were approximately HK\$3,165,000 and HK\$8,590,000) and the amount of the percentage ratios as calculated pursuant to Rule 14.07 of the Listing Rules is less than 2.5%.

For the twelve months ended 31 December 2004, the Trading Transactions constituted as Continuing Connected Transactions under Rule 14A.34 of the Listing Rules which was only subject to the reporting and announcement requirements. Details of the Trading Transactions has been disclosed in the Company's published annual report and accounts for the year ended 31 May 2004 under Rule 14A.46 of the Listing Rules.

The Directors proposed to set the cap amount for the Trading Transactions at HK\$14,000,000 (the "Annual Cap for Trading Transactions") for a period from 1 January 2005 up to 31 May 2007, the table below shown the detailed information about the Annual Cap for Trading Transactions the Company proposed to be complied with for the relevant periods up to 31 May 2007:-

For the period from 1 January 2005 to 31 May 2005	HK\$5,833,333
For the financial year ending 31 May 2006	HK\$14,000,000
For the financial year ending 31 May 2007	HK\$14,000,000

For the period from 1 January 2005 to 31 May 2007, as each of the percentage ratios is on an annual basis less than 2.5%, the Trading Transactions constituted as Continuing Connected Transactions under Rule 14A.34 of the Listing Rules which are only subject to the reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements. Details of the Trading Transactions will be disclosed in the Company's 2005, 2006 and 2007 Annual Reports accordingly.

The Annual Cap for the Trading Transactions has been determined by reference to the value of the Trading Transactions entered into with EganaGoldpfeil Group for the six months period ended 30 November 2004 of HK\$6,537,458 which have been dropped by 34% (on an annualised basis) as compared to the aggregate value of the Trading Transactions of approximately HK\$19,675,641 for the financial year ended 31st May, 2004. This was mainly due to the decrease in sales volume of jewellery products sold to EganaGoldpfeil Group through out the six months period ended 30 November 2004 since the customers' demand for jewellery products in EganaGoldpfeil Group was decreasing over the period. The Group expects that this trend will continue in the coming financial years. The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate value of the transactions during each of the three financial years ending 31 May 2007 exceeds the Annual Cap for the Trading Transactions or the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 2.5%.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions have been entered with a view to enhancing cost and management efficiency of the Group, and to achieving synergies through a uniform global marketing plan and concept for both the timepiece and jewellery products under trademarks held by the Group and EganaGoldpfeil Group.

In addition, they have been conducted in the ordinary and usual course of the business of the Group and on normal commercial terms. The Directors including the independent non-executive directors of the Company consider that the Continuing Connected Transactions have been entered in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders of the Company as a whole. It is considered that the Continuing Connected Transactions are in line with the Group's objectives and help to enhance the business growth of the Group.

Definitions

“Company”	Egana Jewellery & Pearls Limited
“Continuing Connected Transactions”	The transactions under the Management Service Agreement, the Trademark License and Assignment Agreement and the Trading Transactions Agreements entered between the Group and EganaGoldpfeil Group
“Directors”	the directors of the Company
“EganaGoldpfeil Group”	EganaGoldpfeil, together with its subsidiaries (other than the Group)

“EganaGoldpfeil”	EganaGoldpfeil (Holdings) Limited, which owns approximately 60% of the issued share capital of the Company
“EIPL”	Egana Investments (Pacific) Limited, a wholly owned subsidiary of the Company. The principal activity of EIPL is licensing business
“Egana Schmuck”	Egana Schmuck und Perlen GmbH, a wholly owned subsidiary of the Company. The principal activities of Egana Schmuck are design, product development, distribution and marketing of jewellery and related accessories
“Group”	the Company, together with its subsidiaries
“Old Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange in force prior to 31 March 2004
“Oro Design”	Oro Design Limited, a wholly owned subsidiary of the Company. The principal activities of Oro Design are design, manufacturing and distribution of jewellery and related accessories
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Management Service Agreement”	a management service agreement dated 15 December 1997 entered between EganaGoldpfeil and the Company
“Merchandise”	Timepiece and leather products, jewellery products, stones, point-of-sales materials, gift items, packaging boxes, etc.
“PCIM”	P.C. International Marketing Limited, a wholly owned subsidiary of EganaGoldpfeil. The principal activity of PCIM is the licensing of watches and jewellery trademarks/brandnames
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark License and Assignment Agreement”	a trademark license and assignment agreement between PCIM and EIPL dated 16 October 1997
“Trademark Transactions”	The transactions in connection with the Trademark License and Assignment Agreement
“Trading Transactions”	the sale of jewellery and related accessories by the Group to EganaGoldpfeil Group and the purchase from EganaGoldpfeil Group of marketing and packaging materials for products under common brands held by the Group and EganaGoldpfeil Group
“Trading Transactions Agreements”	a Master Supply Agreement and a Service Agreement entered into between EganaGoldpfeil Group and the Group in respect of the Trading Transactions

“Zeitmesstechnik”

Zeitmesstechnik GmbH, a wholly-owned subsidiary of EganaGoldpfeil. The principal activities of Zeitmesstechnik are the provision of repair and maintenance services for timepieces, jewellery and leather products

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
David Wai Kwong WONG
Company Secretary

Hong Kong, 13 April 2005

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