



JEWELLERY & PEARLS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 926)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST MAY, 2005**

Highlights

Revenue Exceeded: HK\$851 million (down 13%)

After Tax Earnings Reached: HK\$74 million (up 9%)

Shareholders' Funds Amounted: HK\$660 million (up 29%)

Proposed Final Cash Dividend: HK1.85 cents 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, 2005 together with the comparative figures for the year ended 31st May, 2004 which are summarised as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31st May, 2005 HK\$'000	For the year ended 31st May, 2004 HK\$'000
TURNOVER	851,352	977,633
COST OF SALES	<u>(489,344)</u>	<u>(607,521)</u>
GROSS PROFIT	362,008	370,112
OTHER REVENUES (<i>note 2</i>)	43,540	22,266
DISTRIBUTION COSTS	(158,072)	(152,593)
ADMINISTRATIVE EXPENSES	<u>(153,067)</u>	<u>(153,858)</u>
OPERATING PROFIT	94,409	85,927
FINANCE COSTS	<u>(25,515)</u>	<u>(22,448)</u>
PROFIT BEFORE TAXATION	68,894	63,479
TAXATION (<i>note 3</i>)	<u>5,658</u>	<u>5,017</u>
PROFIT AFTER TAXATION	74,552	68,496
MINORITY INTERESTS	<u>—</u>	<u>(1)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u>74,552</u>	<u>68,495</u>
DIVIDENDS (<i>note 4</i>)	<u>30,621</u>	<u>30,572</u>
EARNINGS PER SHARE (<i>note 5</i>)		
Basic	<u>20.27 cents</u>	<u>22.00 cents</u>
Diluted	<u>N/A</u>	<u>21.38 cents</u>

CONSOLIDATED BALANCE SHEET

	As at 31st May, 2005 (Audited) <i>HK\$'000</i>	As at 31st May, 2004 (Audited) <i>HK\$'000</i>
Non-current assets		
Fixed assets	44,041	39,056
Intangible assets	114,965	115,610
Interest in an associated company	(58)	(59)
Investments in non-trading securities	150,760	80,121
Deferred tax assets	<u>16,645</u>	<u>9,646</u>
	<u>326,353</u>	<u>244,374</u>
Current assets		
Inventories	269,493	207,868
Accounts receivable, net	85,367	286,061
Royalty deposit	7,406	14,079
Deposits, prepayments and other receivables	108,004	32,572
Due from fellow subsidiaries	97,628	77,956
Due from a related company	829	1,428
Short-term investments	113	38,449
Cash and cash equivalents		
- Promissory notes	357,329	164,568
- Cash and bank balances	<u>60,820</u>	<u>35,267</u>
	<u>986,989</u>	<u>858,248</u>
Current liabilities		
Accounts payable, accruals and other payables	(128,260)	(121,590)
Bills payable	(64,514)	(59,074)
Short-term bank borrowings	(229,043)	(136,369)
Current portion of long-term liabilities	(55,468)	(25,368)
Due to fellow subsidiaries	(9,391)	(42,931)
Due to a related company	(1,942)	(1,242)
Due to Directors	(255)	(170)
Taxation payable	<u>(1,026)</u>	<u>(10,092)</u>
	<u>(489,899)</u>	<u>(396,836)</u>
Net current assets	<u>497,090</u>	<u>461,412</u>
Total assets less current liabilities	<u>823,443</u>	<u>705,786</u>

	As at 31st May, 2005 (Audited) HK\$'000	As at 31st May, 2004 (Audited) HK\$'000
Non-current liabilities		
Long-term liabilities	(161,604)	(126,559)
Convertible bonds	—	(66,300)
Deferred tax liabilities	<u>(1,874)</u>	<u>(1,289)</u>
	(163,478)	(194,148)
Minority interests	<u>(41)</u>	<u>(41)</u>
Net assets	<u>659,924</u>	<u>511,597</u>
Capital and reserves		
Share capital	206,582	158,735
Reserves	<u>453,342</u>	<u>352,862</u>
Shareholders' funds	<u>659,924</u>	<u>511,597</u>

Notes:

1. Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings and investments in non-trading and trading securities.

The HKICPA has issued a number of new or revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005.

In the year, the Group has adopted the following new HKFRSs:

HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKFRS 3	Business Combinations

The effect of adopting these new HKFRSs is set out below:

(a) *Trademarks*

On the first time adoption of the new HKFRSs, the Group reassessed the useful lives of previously recognised intangible assets. As a result of this assessment, the acquired trademarks of the Group were classified as indefinite-lived intangible assets in accordance with HKAS 38. This conclusion is supported by the fact that the trademarks legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration. In addition, as the trademarks are related to well known and long established luxury and fashion consumer brands, based on the expected future financial performance of the Group, they are expected to generate positive cash flows indefinitely. This view is supported by LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer, who has been appointed by the Group to perform an assessment of the useful lives of the trademarks

in accordance with the requirements set out in HKAS 38. Having considered the factors specific to the Group, the valuer considered that the trademarks should be regarded as an intangible asset with an indefinite useful life. Since 1st June, 2004, the amortisation of trademarks has been discontinued and accordingly, the Group's profit for the year ended 31st May, 2005 was increased by approximately HK\$738,000. Such change was accounted for as a change in accounting estimate which was reflected in the accounts prospectively. Under HKAS 38, the Group re-evaluates the useful lives of the trademarks each year to determine whether events or circumstances continue to support the view of indefinite useful life for the assets.

(b) *Goodwill*

Since 1st June, 2004, amortisation of positive goodwill has been discontinued and the related accumulated amortisation brought forward was transferred and eliminated against the cost of the goodwill. As a result, the Group's profit for the year ended 31st May, 2005 was increased by approximately HK\$6,740,000.

(c) *Negative Goodwill*

The carrying amount of negative goodwill previously recognised prior to 1st June, 2004, including that credited to the goodwill reserve, has been credited to the opening balance of retained profits. As a result, the Group's opening retained profits as at 1st June, 2004 was increased by approximately HK\$81,963,000 with the corresponding decrease in the goodwill reserve of approximately HK\$81,963,000.

The Group has not early adopted other new HKFRSs except for those mentioned above in the accounts for the year ended 31st May, 2005.

The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. **Other Revenues**

	For the year ended 31st May, 2005 HK\$'000	For the year ended 31st May, 2004 HK\$'000
Interest income	22,918	12,847
Management fees	5	5
Redemption premium received on maturity of equity-linked notes	8,512	1,834
Gain on disposal of fixed assets	—	67
Gain on revaluation of fixed assets	990	—
Gain on revaluation of listed trading securities	3	3
Others	<u>11,112</u>	<u>7,510</u>
	<u>43,540</u>	<u>22,266</u>

3. Taxation

	For the year ended 31st May, 2005 HK\$'000	For the year ended 31st May, 2004 HK\$'000
The Company and its subsidiaries:		
Current taxation		
Hong Kong profits tax		
- Provision for the year	767	3,839
- Over-provision in prior years	(4,879)	—
Overseas taxation		
- Provision for the year	384	1,614
- Under-provision in prior years	1,534	279
Deferred taxation	<u>(3,464)</u>	<u>(10,749)</u>
	(5,658)	(5,017)
Associated company:		
Current taxation		
Hong Kong profits tax		
- Provision for the year	—	—
Overseas taxation		
- Provision for the year	<u>—</u>	<u>—</u>
	<u>(5,658)</u>	<u>(5,017)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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, 2005 HK\$'000	For the year ended 31st May, 2004 HK\$'000
Interim, paid, HK5.5 cents (2004: HK5.5 cents) per ordinary share	22,724	17,300
Final, proposed, HK1.85 cents (2004: HK4 cents) per ordinary share	<u>7,897</u>	<u>13,272</u>
	<u>30,621</u>	<u>30,572</u>

During the year, an interim dividend of approximately HK\$22,724,000 (2004: HK\$17,300,000) was declared and paid on 30th March, 2005.

At a meeting to be held on 17th November, 2005, the Directors will recommend a final dividend of HK1.85 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, 2006, if approved by shareholders at the forthcoming annual general meeting.

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 of approximately HK\$74,552,000 (2004: HK\$68,495,000) and the weighted average number of ordinary shares of approximately 367,754,000 (2004: 311,372,000) in issue during the year.

Diluted earnings per share

During the year ended 31st May, 2005, the Company's share options exercise price was above the average fair value of one ordinary share, thus there were no dilutive potential ordinary shares.

During the year ended 31st May, 2004, 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.

Reconciliation

- 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, 2005 HK\$'000	For the year ended 31st May, 2004 HK\$'000
Profit attributable to shareholders used in calculating basic earnings per share	74,552	68,495
Interest savings in respect of convertible bonds	<u>—</u>	<u>232</u>
Profit attributable to shareholders used in calculating diluted earnings per share	<u>74,552</u>	<u>68,727</u>

- 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, 2005	For the year ended 31st May, 2004
Weighted average number of ordinary shares used in calculating basic earnings per share	367,754,000	311,372,000
Dilutive potential effect in respect of convertible bonds	<u>—</u>	<u>10,018,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>367,754,000</u>	<u>321,390,000</u>

DIVIDENDS

The Directors recommend the payment of a final dividend of HK1.85 cents per share to shareholders whose names appear on the register of members of the Company on 16th November, 2005. Together with the interim dividend of HK5.5 cents per share paid on 30th March, 2005, total dividends for the year ended 31st May, 2005 amount to approximately HK\$30,621,000.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 16th December, 2005.

BUSINESS REVIEW AND PROSPECTS

As a specialist in luxury and fashion branded jewellery industry, we continue to capitalise on Brand Pyramid approach. In April 2005, we have introduced a high-end jewellery collection designed and manufactured by our operations in Germany to our business partners with positive response.

Carrera stainless steel jewellery, as affordable lifestyles accessories, have been brought to the US, Middle East and German market with encouraging response. In the affordable luxury segment, we will introduce in 1Q 2006 CERRUTI 1881 jewellery line to the market, riding on the success of CERRUTI 1881 watch worldwide. JOOP! jewellery is a tentpole of our fashion segment strategy in the jewellery market, which has transcended the product category's boundaries by being a sought after offering in fashion retail as well as the streamlining of collections and the introduction of innovative line that have the potential for lasting extensions. JOOP! jewellery has a strong demand in Germany, respectively Europe. It is setting the trend for future growth in Japan and the Greater China.

In fashion and lifestyle segments, both Esprit and MEXX are performing to our satisfaction. We are getting wider range of distribution network in the existing market, in addition to developing new markets in Eastern Europe and Asia.

We, as a subsidiary of EganaGoldpfeil (Holdings) Limited (which is a leading luxury and fashion accessories company specialising in international distribution and marketing with integrated manufacturing support, focusing on watch, jewellery and leather / lifestyle accessories) are in a better position to leveraging on the network of the timepiece and leather / lifestyle divisions to expand our global coverage. Currently, we have access to 6,000 Points-of-sales (4,800 POS in FY04) in 55 countries (48 countries in FY04) as compared to EganaGoldpfeil Group's 13,800 POS in 100 countries.

On 31st March, 2005, EganaGoldpfeil (Holdings) Limited completed the acquisition of Salamander — a renowned shoe retailer and shoemaker in Germany and Eastern Europe. It originated from Germany since 1904, and is positioned as one of the top 3 shoemakers and distributors in German speaking countries, which currently operates 57 shops in Germany, and 121 stores and outlets in Eastern Europe, Austria, Belgium and France. We should be able to ride on the wave of Salamander retail shops to further penetrate our jewellery portfolios into the Eastern Europe which is enjoying relatively faster GDP growth in the European continent.

In the US, we are continuously focusing on related diversification strategy for the high-end market and leveraging on affordable luxury and prestigious segment. In the US, the bridal business dominates the jewellery market with 40% of bridal business using platinum jewellery. In line with our Group's commitment to innovations for product development, our German company has developed a new technique to make platinum jewellery with more unique design, larger surface and yet considerably lighter than previously possible. The new jewellery is made of the highest purity of platinum not alloyed. It is not cast but made through stamping and tooling with the highest workmanship. The initial feedback from customers in the US and Europe is encouraging. It is expected that similar positive feedback would be forthcoming from Japan and China on its future launch.

In Japan, we have successfully leveraged on 60 Goldpfeil / Comtesse shops to secure 600 POS for Pierre Cardin jewellery collection. We are taking further steps to introduce Carrera jewellery and high-end platinum jewellery collection under Abel & Zimmermann in the Japan market.

Turning to China market, we have developed a network of 300 POS for Pierre Cardin and Esprit items. Given our proven experience as major exhibitor in international trade fairs, we have been participating in jewellery shows in China for attracting distributors and retail partners for furtherance of our business in Mainland.

In order to attract customers from our existing coverage in Western Europe and Eastern Europe, starting from last Autumn, the Exhibition Center at our European Headquarters at Offenbach / Frankfurt, Germany has actively been in charge of hosting annual Egana Autumn Fair. There now established a series of Egana Fairs for Spring (in January), Summer (in June) and Autumn (in October), which extend better and ongoing services to our customers in Europe.

During the FY 04/05, the geographical revenue split for Europe represents 76%, (64% in FY 03/04); Asia Pacific: 15% (29% in FY 03/04) and the US: 9% (7% in FY 03/04) respectively.

The revenue split for business segment in FY 04/05 is demonstrated as 77% for branded products and 23% contributed by Private label (Bought-in-finished goods) business. (56% and 44% in FY 03/04 respectively).

70% of our branded jewellery is produced in-house under our production facility network in Europe (2) and Asia (4) for global product development and production, which supports 80% of our Group revenue.

We are committed to continuing to provide quality product and services as well as innovativeness for customer's satisfaction with a view to sustaining a leading stance in the jewellery industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's annual revenue reached HK\$851 million, in line with the first half year revenue of HK\$421 million.

With better product mixture, and production efficiency, the gross margin increased from 38% in FY04 by 4.5% to 42.5% in FY05.

The distribution costs in FY05 were in line with those in FY04, at HK\$158 million and HK\$153 million respectively — thanks to the Group's defined communication and promotion strategies as well as the sales administration model which are proven to bring positive effect to the Group's branding, marketing and sales activities.

The administration expenses remained intact at HK\$153 million for both FY05 and FY04 due to the ongoing review and control of the Group's operational structure and corporate overhead. This is believed essential in this highly cost-competitive economy.

The operating profit margin reached 11%, as compared to 8.8% in FY04, reflecting the continuous improvement in logistic efficiency in our European Technology & Logistic Center in Germany and the gross margin enhancement.

Our revenue and assets were denominated in Euro and Swiss Francs 74%; US\$ and HK\$ 24% and other 2%. Payments and liabilities were in Euro and Swiss Francs 36%; US\$ and HK\$ 59% and other 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 was HK\$74.5 million, a 9% increment over FY04's, showing a net margin of 8.8% up from 7% in FY04 by 1.8%.

As a result, this translated into a positive operating cash inflow to the Group, with an increase in cash and cash equivalents of HK\$218 million, reaching HK\$418 million as of 31st May, 2005.

The shareholders' funds amounted to HK\$660 million, showing a continuous double digit growth (29%).

Working capital was HK\$497 million and the current ratio stood at 2x (as compared to industry average of 1x). This provides a valid base for the Group to plan its financial resources in a more cost-effective manner, and with higher certainty in securing funds to cope with the business expansion.

The debtor turnover was at 80 days (well ahead of the industry norm of 120 days), and the inventory turnover was at 178 days (again compared favorably with the market average of 210 days). These are attributable to the Group's tight credit control policy and ongoing inventory control measures.

Due to the Group's commitment to sound financial model (of applying medium term funds and equity-linked resources for capital investment with debts for working capital), the gearing ratio (interest bearing debt to shareholders' funds) was maintained at 0.67x, in line with FY04's, which is well within the industry yardstick of 1 time.

The leverage (Net debt to EBITDA) was at 0.38x, demonstrating the Group's sound financial position to leverage its borrowings in an optimal manner, which sets a firm base preparing for its business growth and capital investment going forward.

Total assets increased by 19% to exceed HK\$1,313 million in FY05. This is yet to include the value of the brand portfolio of the Group which is reckoned to be in the range of HK\$1 billion — a valuable off-balance sheet asset of the Group.

Currently, the confirmed orders on hand covering 6-month worth of shipments are at a higher level than last year.

The Group had no significant capital commitment as at 31st May, 2005. There are no material contingent liabilities or off balance sheet obligations other than trade bills discounted in the ordinary course of business as reflected in the accounts.

FINANCING ACTIVITIES

Convertible Bonds Activities

On 4th February, 2005, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granted the listing approval to the Company for issue of Tranche 3a Bonds of up to US\$5,000,000 to Merrill Lynch. As at 31st May, 2005, Merrill Lynch has fully exercised its conversion rights to convert the Tranche 3a Bonds to Shares.

On 9th August, 2005, the Stock Exchange granted the listing approval to the Company for the issue of Tranche 4a Bonds of up to US\$5,000,000 to Merrill Lynch. As at 14th September, 2005 (the date of this announcement), Merrill Lynch has exercised its conversion rights to convert US\$2,000,000 Tranche 4a Bonds into Shares. The outstanding US\$3,000,000 Tranche 4a Bonds will be expiring on 31st March, 2009.

SUSTAINABLE DEVELOPMENT

We aim at delivering positive social value in the communities in which we serve, primarily through four principal means:-

- Promoting fair employment and creating safe workplace;
- Applying innovation in our business approach as well as the product coverage;
- Providing quality products and services to the customers for good value and in a responsible manner; and
- Being a good corporate citizen through contribution to community programs in which we are to add value.

On the community program, our objective is to reciprocate the business experience (that we have gained from the community in the past 30 years of operation) to the society to enable a sustainable development of the environment which should result in a better living for the people, and an (ever) improving business climate for fair trade and on an open competition basis.

During the year, EganaGoldpfeil (Holdings) Limited and the Company sponsored the world's 1st international corporate governance conference - The Inaugural Asia-Pacific Corporate Governance Conference, organised by Hong Kong Baptist University (August 2005), in line with our commitment to high standard of corporate governance.

In addition to sponsorship, our Director of Corporate Planning made several speeches at conferences and seminars organised by Chinese University of Hong Kong, Hong Kong Baptist University and Hong Kong Professional & Education Services Limited respectively on topics covering "Corporate Governance" and "Business Ethics". These include "Improving Corporate Governance in SMES" (January 2005); "Business Ethics for Quality Business" (February 2004); "Workshop on Best Corporate Governance Practice" (March 2005).

We have been invited to share "What is legal may not be moral" in a business ethics seminar organised by Hong Kong Baptist University to be held in March 2006.

We promulgate "work-life balance" philosophy in our daily work, and in addition to it, actively sponsor program with this theme, which includes the 14th International Employment Relations Association Conference: "Family-friendly Employment Policies and Practices: An East-West Perspective on Work-Life Balance" organised by Hong Kong Baptist University (to be held in June 2006).

In December 2005, we will speak at a human resources development program organised by Hong Kong Baptist University on the topic "Employment Development: Adult Learning in the Workplace".

Mr. Hans-Joerg SEEBERGER ("Mr. Seeberger"), the Chairman, made two speeches at conferences held in Germany on topics relating to Global Economy during the year. He also actively shares his experience on international branding and marketing strategies at various luxury goods seminars organised by investment banks, non-profit making organisations and academics.

We are pleased that Mr. Seeberger has been presented the "Award of Excellence" by Club 55, the European Community of Marketing and Sales. This award is a milestone for Mr. Seeberger and the Group's achievement of excellence in taking on the leadership role in the international sales and marketing arena.

To share the practical experience in operating certain advanced product development and production facilities with our future business leaders, we extended hospitality to post-graduate students from renowned universities in the US, Germany, Australia, Malaysia and Hong Kong for factory visits in the past year.

Two of our Directors (Mr. Peter Ka Yue LEE and Mr. David Wai Kwong WONG) are honored to be the Honorary Associate of Hong Kong Baptist University, in recognition of our contribution to the community.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14th November, 2005 to 16th November, 2005, 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, 2005.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 17th November, 2005. The Notice of annual general meeting will be published in the newspapers and despatched to shareholders in due course.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st May, 2005, the Group employed approximately 3,800 staff. Remuneration is determined by reference to the employees' performance, qualifications, experiences and the prevailing market conditions. The Company has established discretionary bonuses, employee share option schemes to motivate and reward employees to achieve the Company's business performance targets.

A Remuneration Committee has been established in January 2005 to review the board policy for remuneration of the Chairman, Executive Directors, senior management as well as the Group's overall remuneration policy and basis of determination.

Details of the Remuneration Committee Meeting held and the works done by Remuneration Committee will be contained in the Corporate Governance Report.

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 or otherwise) during the year ended 31st May, 2005.

CODE OF BEST PRACTICE AND CORPORATE GOVERNANCE

Except that the Independent 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 the old Appendix 14 of the Listing Rules throughout the year.

In order to comply with the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules, the Company has adopted its own "Code on Corporate Governance" in July 2005.

A detailed Corporate Governance Report will be contained in the Company's 2005 Annual Report which will be despatched to shareholders in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's audited consolidated results for the year ended 31st May, 2005, the accounting principles and practices adopted by the Company, the effectiveness of the internal control system and discussed with management regarding the external auditing as well as the internal control system review process.

Details of the Audit Committee Meetings held and the works done by Audit Committee during the year will be contained in the Corporate Governance Report.

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
Egana Jewellery & Pearls Limited
Hans-Joerg SEEBERGER
Chairman and Chief Executive

Hong Kong, 14th September, 2005

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, Professor Zhengfu WANG and Andy Yick Man NG as Independent Non-Executive Directors.

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