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聯洲國際集團有限公司
EGANAGOLDPFEIL

(HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

(stock code: 048)

EGANA
JEWELLERY & PEARLS LIMITED

(聯洲珠寶有限公司)
(Incorporated in the Cayman Islands with limited liability)
(stock code: 926)

**(1) PROPOSAL TO CONSTITUTE
EGANA JEWELLERY & PEARLS LIMITED
AS A WHOLLY-OWNED SUBSIDIARY OF
EGANAGOLDPFEIL (HOLDINGS) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW
OF THE CAYMAN ISLANDS**

**(2) PROPOSED PRIVATISATION AND WITHDRAWAL OF LISTING OF
EGANA JEWELLERY & PEARLS LIMITED**

**(3) DISCLOSEABLE TRANSACTION FOR
EGANAGOLDPFEIL (HOLDINGS) LIMITED**

**(4) RESUMPTION OF TRADING IN THE SHARES OF
EGANAGOLDPFEIL (HOLDINGS) LIMITED AND
EGANA JEWELLERY & PEARLS LIMITED**

**Financial adviser to
EganaGoldpfeil (Holdings) Limited**

BNP PARIBAS PEREGRINE

**Independent financial adviser
to the independent committee of the board of directors of
Egana Jewellery & Pearls Limited**



Somerley Limited

Scheme of Arrangement

The EganaGoldpfeil Directors and the Directors jointly announce that on 6th July 2006, EganaGoldpfeil requested the Board to put forward to the Shareholders a Proposal regarding a proposed privatisation and withdrawal of listing of the Shares.

The Proposal will be implemented by way of the Scheme of Arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law. Upon completion of the Scheme of Arrangement, the Company will become a wholly-owned subsidiary of EganaGoldpfeil and the listing of the Shares will be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules.

Under the Scheme of Arrangement, the Scheme Shareholders will receive from EganaGoldpfeil as Cancellation Consideration for the cancellation of their Scheme Shares:

- (1) for every 1.5 Scheme Share held by
the Scheme Shareholdersthe Share Alternative
(being 1 EganaGoldpfeil Share); or
- (2) for every Scheme Share held by
the Scheme Shareholders the Cash Alternative
(being HK\$1.80 in cash, but subject to
the limit on the total cash available
under the Scheme of Arrangement
as specified below).

The Scheme Shareholders may elect the Cash Alternative, the Share Alternative, or a combination of both. For each Scheme Shareholder, the Cash Alternative is assured for 30% of its shareholding in the Company. The total cash available under the Scheme of Arrangement is HK\$130 million and the remaining cash balance after satisfying the 30% assured portion of the Cash Alternative elected by the Scheme Shareholders will be applied to satisfy the excess election for the Cash Alternative by the Scheme Shareholders. All excess election for the Cash Alternative will be accepted on a pro-rata basis and the remaining portion of the Cancellation Consideration will be made in the form of Share Alternative. If no election is made, such Scheme Shareholders will receive the Share Alternative.

The Cancellation Consideration in the form of Share Alternative values each Scheme Share at approximately HK\$2.20 (on the basis of the closing price of HK\$3.30 per EganaGoldpfeil Share on 6th July 2006, being the trading day immediately prior to the suspension of trading in the EganaGoldpfeil Shares pending the issue of this announcement).

The premium represented by the Cancellation Consideration in the form of Share Alternative under the Proposal, which is calculated by reference to the ratio between the average closing price of the EganaGoldpfeil Shares and the average closing price of the Shares on 6th July 2006 and in various historical periods is as follows:

		As at 6th July 2006	Period up to 6th July 2006			
			10 days	1 month	3 months	6 months
(A)	Average closing price of EganaGoldpfeil Shares (in HK\$)	\$3.30	\$3.20	\$3.02	\$3.02	\$2.76
(B)	Average closing price of Shares (in HK\$)	\$1.58	\$1.56	\$1.46	\$1.48	\$1.41
(C)	(C) = (A) / (B)	2.089 times	2.051 times	2.068 times	2.041 times	1.957 times
(D)	Premium = (C)/1.5 - 1	39.3%	36.7%	37.9%	36.1%	30.5%

The Cancellation Consideration in the form of the Cash Alternative of HK\$1.80 for each Scheme Share under the Proposal also represents (i) a premium of 13.9% over the closing price of the Shares of HK\$1.58 on 6th July 2006, being the last trading day before the suspension of the Shares pending the publication of this announcement, (ii) a premium of 15.4% over the average closing price of the Shares of approximately HK\$1.56 for the 10 trading days prior to 6th July 2006, (iii) a premium of approximately 23.3% over the average closing price of the Shares of approximately HK\$1.46 per Share for the one month ended 6th July 2006; (iv) a premium of 21.6% over the average closing price of the Shares of approximately HK\$1.48 for the three months ended 6th July, 2006, (v) a premium of 27.7% over the average closing price of the Shares of approximately HK\$1.41 for the six months ended 6th July 2006; and (vi) a premium of approximately 14.6% over the unaudited consolidated net asset value per Share of approximately HK\$1.57 as at 30th November 2005.

The Scheme of Arrangement is conditional upon the fulfilment or waiver, as applicable, of the conditions described in the section of this announcement headed “Conditions of the Scheme of Arrangement”, including, among others, the approval of Scheme Shareholders at the Court Meeting and the sanction of the Court. If the conditions are not fulfilled or, if applicable, not waived on or before 31st December 2006 (or such other date as EganaGoldpfeil and the Company may agree and the Court may allow), the Proposal will lapse. The listing of the Shares on the Stock Exchange will not be withdrawn if the Proposal is not approved or lapses.

EganaGoldpfeil and parties acting in concert with it will, in compliance with the Takeovers Code, abstain from voting at the Court Meeting.

Under the Proposal, a total of approximately 136,287,784 new EganaGoldpfeil Shares, representing approximately 10.6% of the existing issued share capital of EganaGoldpfeil, or approximately 9.6% of the enlarged issued share capital of EganaGoldpfeil, will be allotted and issued assuming all Scheme Shareholders elect for the Share Alternative and none of the outstanding Options shall have been exercised prior to the Record Date. A total of approximately 142,337,784 new EganaGoldpfeil Shares, representing approximately 11.1% of the existing issued share capital of EganaGoldpfeil, or approximately 10.0% of the enlarged issued share capital of EganaGoldpfeil, will be allotted and issued under the Proposal assuming full exercise of the outstanding Options by the Optionholders prior to the Record Date and all Scheme Shareholders (including the Optionholders) elect for the Share Alternative. All such new EganaGoldpfeil Shares will be issued pursuant to existing general mandate available to EganaGoldpfeil.

Irrespective of the level of acceptance of the offers for the outstanding Options and the number of Scheme Shares electing for the Cash Alternative by all Scheme Shareholders, the total maximum cash consideration payable under the Proposal is HK\$130 million. BNP Peregrine is satisfied that EganaGoldpfeil has sufficient financial resources available to it to implement the Proposal in accordance with its terms.

Cash offer to the Optionholders

Conditional upon the Scheme of Arrangement becoming effective, EganaGoldpfeil will make a cash offer to the Optionholders to cancel their Options. The offer to cancel an Option will be calculated by deducting the exercise price of the Option from the Cash Alternative under the Scheme of Arrangement.

Shareholding of the Company

As at the date of this announcement, EganaGoldpfeil Group and parties acting in concert with it hold 246,121,144 Shares (representing approximately 54.63% of the issued Shares). Other than the above, EganaGoldpfeil and parties acting in concert with it do not hold any other securities in the Company. Shares beneficially owned by the EganaGoldpfeil Group will not form part of the Scheme Shares and the EganaGoldpfeil Group are not entitled to vote at the Court Meeting.

As at the date of this announcement, apart from the Options (which entitle their holders to subscribe for new Shares), the Company does not have any outstanding options, warrants, derivatives or convertible securities.

As at the date of this announcement, the Scheme Shareholders hold 204,431,677 Scheme Shares (representing approximately 45.37% of the issued Shares) and the Optionholders hold 9,075,000 Options. The Independent Shareholders will be entitled to vote at the Court Meeting.

Donation of Shares by the Common Directors

Prior to the making of the Proposal, the Common Directors (other than Mr. David Wai Kwong WONG who does not have any shareholding in the Company) held a total of 2,609,002 Shares but such Common Directors have unconditionally and irrevocably donated to an independent charitable organisation all beneficial interest in such Scheme Shares held by them on 6th July 2006. Accordingly, they will not make any financial gain out of the implementation of the Proposal.

Discloseable Transaction for EganaGoldpfeil

Since the Applicable Percentage Ratios of the transactions contemplated under the Proposal are more than 5% but less than 25%, the Proposal constitutes a discloseable transaction of EganaGoldpfeil, which is subject to the announcement and circular requirements of the Listing Rules. A circular providing further details of the Proposal will be despatched to the EganaGoldpfeil Shareholders in accordance with the relevant requirement of the Listing Rules.

Independent board committee of the Company

An independent committee of the Board, comprising Messrs. Charles Cho Chiu SIN, Eduardo Tang Lung LAU and Professor Zhengfu WANG, all being independent non-executive directors of the Company, has been formed to advise the Independent Shareholders and the Optionholders in connection with the Proposal. The independent committee of the Board has approved the appointment of Somerley Limited to advise the independent committee of the Board.

Suspension and resumption of trading of the Shares and the EganaGoldpfeil Shares

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 7th July 2006 pending the issue of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on 11th July 2006.

At the request of EganaGoldpfeil, trading in the EganaGoldpfeil Shares on the Stock Exchange was suspended from 9:30 a.m. on 7th July 2006 pending the issue of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the EganaGoldpfeil Shares with effect from 9:30 a.m. on 11th July 2006.

The Shareholders, the EganaGoldpfeil Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the conditions set out below being fulfilled or waived, as applicable, and consequently the Scheme of Arrangement may or may not become effective or be made. Accordingly, they are advised to exercise caution when dealing in the Shares and the EganaGoldpfeil Shares.

Introduction

On 6th July 2006, EganaGoldpfeil requested the Board to put forward to its Shareholders a Proposal which, if implemented, will result in the Company becoming a wholly-owned subsidiary of EganaGoldpfeil. The Proposal will be implemented by way of a Scheme of Arrangement under Section 86 of the Companies Law. The Board has agreed to put forward the Proposal as it considers the Proposal to be appropriate for consideration by the Scheme Shareholders and Optionholders.

The Proposal

Under the Scheme of Arrangement, the Scheme Shareholders will receive from EganaGoldpfeil as Cancellation Consideration for the cancellation of their Scheme Shares:

- (1) for every 1.5 Scheme Share held by
the Scheme Shareholders the Share Alternative
(being 1 EganaGoldpfeil Share); or
- (2) for every Scheme Share held by
the Scheme Shareholders the Cash Alternative
(being HK\$1.80 in cash, but subject to
the limit on the total cash available
under the Scheme of Arrangement
as specified below)

The Share Alternative, valued at HK\$2.20 per Scheme Share, has been determined with reference to the closing price of HK\$3.30 per EganaGoldpfeil Share on 6th July 2006, being the last trading day before the publication of this announcement.

The aggregate value of the Cancellation Consideration under the Share Alternative is approximately HK\$447.2 million (assuming that all Scheme Shareholders elect for the Share Alternative).

For indicative purposes, the aggregate value of the Cancellation Consideration under the Cash Alternative is approximately HK\$419.2 million (assuming that the Cancellation Consideration will be first satisfied by the cash portion of HK\$130 million and the remaining portion of the Cancellation Consideration will be satisfied by the Share Alternative).

The Scheme Shareholders may elect the Cash Alternative, the Share Alternative, or a combination of both. For each Scheme Shareholder, the Cash Alternative is assured for 30% of its shareholding in the Company. If any Scheme Shareholder chooses to forgo the 30% cash entitlement, the corresponding amount of cash will be available for the excess election by the other Scheme Shareholders. The total cash available under the Scheme of Arrangement is HK\$130 million and the remaining cash balance after satisfying the 30% assured portion of the Cash Alternative elected by the Scheme Shareholders will be applied to satisfy the

excess election for the Cash Alternative by the Scheme Shareholders. All excess election for the Cash Alternative will be accepted on a pro-rata basis and the remaining portion of the Cancellation Consideration will be made in the form of Share Alternative. If no election is made, such Scheme Shareholders will receive the Share Alternative.

Shareholding structure of the Company

The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately upon completion of the Proposal:

Shareholders	As at the date of this announcement		Upon completion of the Proposal (assuming no Options are exercised by the Optionholders)		Upon completion of the Proposal (assuming full exercise of the Options by the Optionholders)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
EganaGoldpfeil Group and parties acting in concert with it	246,121,144	54.63	246,121,144	100	246,121,144	100
Public Shareholders (<i>note</i>)	<u>204,431,677</u>	<u>45.37</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Issued Share Capital	<u>450,552,821</u>	<u>100.00</u>	<u>246,121,144</u>	<u>100</u>	<u>246,121,144</u>	<u>100</u>

Note: Including 1,044,955 Shares previously held by Messrs. Hans-Joerg SEEBERGER, 1,188,489 Shares previously held by Peter Ka Yue LEE, 373,398 Shares previously held by Michael Richard POIX and 2,160 Shares previously held by Ho Yin CHIK, all being executive directors of EganaGoldpfeil and the Company, who have unconditionally and irrevocably donated to an independent charitable organisation in Hong Kong all their respective beneficial interests in such Shares prior to the making of the Proposal on 6th July 2006, and only hold the Shares (either in their own name or in the name of their nominee) as bare trustee for and on behalf of the independent charitable organisation as at the date of this announcement.

Conditions of the Scheme of Arrangement

The Scheme of Arrangement will become effective and binding on the Company, EganaGoldpfeil and all Shareholders subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme of Arrangement by a majority in number representing 75% in value of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting provided that the Scheme of Arrangement is approved (by way of poll) by the Independent Shareholders representing not less than three-fourths in value of the Scheme Shares, present and voting at the Court Meeting either in person or by proxy by poll, provided that the number of votes cast against the resolution to approve the Scheme of Arrangement is not more than 10% of the votes attaching to all Scheme Shares, save for the Shares held by EganaGoldpfeil and parties acting in concert with it. EganaGoldpfeil and parties acting in concert with it shall, in compliance with the Takeovers Code, abstain from voting at the Court Meeting;

- (b) the passing of a special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling all of the issued Scheme Shares by a majority of at least three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM;
- (c) the sanction of the Scheme of Arrangement by the Court (with or without modifications) and to the extent necessary, the Court's confirmation of the reduction of the issued share capital of the Company and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law in each case in relation to the reduction of the issued share capital of the Company;
- (e) all Authorisations having been obtained in connection with the Scheme of Arrangement from the Relevant Authorities in the Cayman Islands, Hong Kong, or any other relevant jurisdictions; and
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme of Arrangement becomes effective.

In the event that condition (e) and/or condition (f) are not fulfilled, EganaGoldpfeil reserves the right to assess the materiality of such non-fulfillment and to waive the fulfilment of any such condition to such extent as it considers appropriate. Conditions (a) to (d) cannot be waived in any event. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 31st December 2006 (or such other date as EganaGoldpfeil and the Company may agree and the Court may allow), otherwise the Proposal will lapse. The listing of the Shares on the Stock Exchange will not be withdrawn if the Proposal is not approved or lapses.

Comparison of value

The Cancellation Consideration in the form of Share Alternative values each Scheme Share at approximately HK\$2.20 (on the basis of the closing price of HK\$3.30 per EganaGoldpfeil Share on 6th July 2006, being the trading day immediately prior to the suspension of trading in the EganaGoldpfeil Shares pending the issue of this announcement).

The premium represented by the Cancellation Consideration in the form of Share Alternative under the Proposal, which is calculated by reference to the ratio between the average closing price of the EganaGoldpfeil Shares and the average closing price of the Shares on 6th July 2006 and in various historical periods is as follows:

		As at 6th July 2006	Period up to 6th July 2006			
			10 days	1 month	3 months	6 months
(A)	Average closing price of EganaGoldpfeil Shares (in HK\$)	\$3.30	\$3.20	\$3.02	\$3.02	\$2.76
(B)	Average closing price of Shares (in HK\$)	\$1.58	\$1.56	\$1.46	\$1.48	\$1.41
(C)	(C) = (A) / (B)	2.089 times	2.051 times	2.068 times	2.041 times	1.957 times
(D)	Premium = (C)/1.5 - 1	39.3%	36.7%	37.9%	36.1%	30.5%

The Cancellation Consideration in the form of the Cash Alternative of HK\$1.80 for each Scheme Share under the Proposal also represents:

- a premium of approximately 13.9% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on 6th July 2006 being the last day on which the Shares traded before the publication of this announcement;
- a premium of approximately 15.4% over the average closing price of the Shares of approximately HK\$1.56 per Share during the 10 trading days prior to 6th July 2006;
- a premium of approximately 23.3% over the average closing price of the Shares of approximately HK\$1.46 per Share for the one month ended 6th July 2006;
- a premium of approximately 21.6% over the average closing price of the Shares of approximately HK\$1.48 per Share for the three months ended 6th July 2006;
- a premium of approximately 27.7% over the average closing price of the Shares of approximately HK\$1.41 per Share for the six months ended 6th July 2006;
- a premium of approximately 14.6% over the unaudited consolidated net asset value per Share of approximately HK\$1.57 as at 30th November 2005.

Reasons for the Proposal

The liquidity in the Shares traded on the Stock Exchange has been relatively low compared to the EganaGoldpfeil Shares. For the 3-month period from 6th April 2006 up to 6th July 2006, being the last trading day prior to the publication of this announcement, the average daily trading value (being the daily closing price multiplied by the daily trading volume) for the Shares was only approximately HK\$ 1.2 million. The average trading volume of the Shares for the same period was only 800,000 Shares, which represented only approximately 0.4% of the total number of Shares in public hands. In addition, as of 6th July 2006, being the last trading day prior to the publication of this announcement, the market capitalization of the Company was only HK\$711.9 million which in the view of the Board may not be

sufficient to retain public interest or interest from professional market researchers or analysts or from high quality institutional investors. The Proposal offers the Scheme Shareholders an opportunity to exchange their investment in EganaGoldpfeil, whose shares are considered to have higher liquidity and investors' coverage as well as growth potential.

In addition, the EganaGoldpfeil Board is of the view that the withdrawal of the listing of the Company will result in a leaner corporate structure of the EganaGoldpfeil Group and will enhance operational efficiency and management accountability.

The Cancellation Consideration (assuming all Shareholders will elect to receive the Share Alternative and none of the outstanding Options shall have been exercised prior to the Record Date) will result in approximately 9.6% dilution of the equity interest of the existing shareholders of EganaGoldpfeil and the EganaGoldpfeil Board is of the view that such dilution, in the context of the Proposal, is acceptable.

The Proposal is designed to give public Shareholders a consideration for their Shares which, the EganaGoldpfeil Board believes, is reasonably higher than would be justified by the Company's trading performance. This is borne out by the premium to the prevailing market price of Shares prior to this announcement compared with the Cash Alternative being offered to Shareholders under the Scheme of Arrangement. The Proposal does, however, allow Shareholders who wish to switch their investment in EganaGoldpfeil by choosing the Share Alternative.

In arriving at the Cancellation Consideration, the EganaGoldpfeil Board has had regard to the following considerations:

- The Cancellation Consideration in the form of Share Alternative represents a value of HK\$2.20 per Scheme Share on the basis of the closing price of HK\$3.30 per EganaGoldpfeil Share on the Stock Exchange on 6th July 2006, representing a premium of approximately 39.2% over the closing price of HK\$1.58 per Share on the same day;
- The respective closing prices of the EganaGoldpfeil Share and the Share were HK\$3.30 and HK\$1.58 on the Stock Exchange on 6th July 2006;
- EganaGoldpfeil is a listed company in Hong Kong, with a market capitalization of approximately HK\$4,243.2 million, while the market capitalization of the Company amounted to approximately HK\$711.9 million;
- For the 3-month period from 6th April 2006 up to 6th July 2006, being the last trading day prior to the publication of this announcement, the average daily turnover value of the EganaGoldpfeil Shares and the Shares on the Stock Exchange amounted to approximately HK\$9.7 million and approximately HK\$1.2 million, respectively.

The EganaGoldpfeil Board is of the view that the terms of the Proposal are fair and reasonable and in the interests of the shareholders of EganaGoldpfeil as a whole.

New EganaGoldpfeil Shares to be issued under the Share Alternative

A total of approximately 136,287,784 new EganaGoldpfeil Shares, representing approximately 10.6% of the existing issued share capital of EganaGoldpfeil, or approximately 9.6% of the enlarged issued share capital of EganaGoldpfeil, will be allotted and issued under the Proposal assuming all Scheme Shareholders elect for the Share Alternative and none of the outstanding Options shall have been exercised prior to the Record Date.

A total of approximately 142,337,784 new EganaGoldpfeil Shares, representing approximately 11.1% of the existing issued share capital of EganaGoldpfeil, or approximately 10.0% of the enlarged issued share capital of EganaGoldpfeil, will be allotted and issued under the Proposal assuming full exercise of the outstanding Options by the Optionholders prior to the Record Date and all Scheme Shareholders (including the Optionholders) elect for the Share Alternative.

The number of EganaGoldpfeil Shares to be issued to each Scheme Shareholder under the Proposal will be rounded down to the nearest figure. Cancellation Consideration in the form of fractions of EganaGoldpfeil Shares will not be issued to the Scheme Shareholders.

The new EganaGoldpfeil Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up, ranking pari passu with the existing EganaGoldpfeil Shares at the date of issue, and are expected to be allotted and issued under the general mandate granted to the EganaGoldpfeil Directors at the annual general meeting of EganaGoldpfeil held on 17th November 2005, which authorised the EganaGoldpfeil Directors to allot and issue a maximum of 255,305,210 EganaGoldpfeil Shares. The general mandate has not been utilised prior to this announcement. EganaGoldpfeil has not undertaken any equity fund raising activities in the 12 months immediately before the date of this announcement. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the new EganaGoldpfeil Shares to be issued in satisfaction of the Cancellation Consideration.

As it is anticipated that the Proposal will be effective before the record date for determining entitlements to the final dividend of each of EganaGoldpfeil and the Company for the year ended 31st May 2006, Scheme Shareholders receiving the EganaGoldpfeil Shares under the Proposal will be entitled to the final dividend of EganaGoldpfeil Share, if any, and will not be entitled to the final dividend of the Share.

The Shares held by each of the parties acting in concert with EganaGoldpfeil will neither be represented nor voted at the Court Meeting but the Shares held by them will form part of the Scheme Shares.

Information on the Company

The Company is a company incorporated under the laws of the Cayman Islands with limited liability. It is the jewellery division of EganaGoldpfeil and was listed on the Stock Exchange on 27th July 1998. The Group is principally engaged in the design, manufacture, distribution and trading of jewellery worldwide and licensing.

A summary of the audited consolidated accounts of the Company for the years ended 31st May 2004 and 2005 is set out below:

	For the year ended 31st May 2004 HK\$'000	For the year ended 31st May 2005 HK\$'000	Increase / (decrease) compared to previous year(%)
Turnover	977,633	851,352	(12.92)
Profit before taxation	63,479	68,894	8.53
Profit after taxation	68,496	74,552	8.84
Profit attributable to Shareholders	68,495	74,552	8.84
Basic earnings per Share (basic) (HK\$)	22.00 cents	20.27 cents	(7.86)
Dividends	30,572	30,621	0.16

The audited consolidated net assets attributable to Shareholders were approximately HK\$660 million as at 31st May 2005 and approximately HK\$512 million as at 31st May 2004. The unaudited consolidated net asset attributable to Shareholders was approximately HK\$706 million as at 30th November 2005.

As at the date of this announcement, apart from the Options (which entitle their holders to subscribe for new Shares), the Company does not have any outstanding options, warrants, derivatives or convertible securities.

Information on EganaGoldpfeil Group

EganaGoldpfeil is a company incorporated under the laws of the Cayman Islands with limited liability and is the controlling shareholder of the Company. The EganaGoldpfeil Shares are also listed and traded on the Stock Exchange. It is an investment holding company. Other than the activities engaged in by the Company, EganaGoldpfeil Group is also engaged in (i) design, assembly, manufacturing and distribution of timepieces, leather & lifestyle products; (ii) licensing or assignment of brandnames or trademarks to third parties; (iii) trading of timepiece components, jewellery and consumer electronic products; (iv) distribution of branded timepieces, leather and lifestyle products through franchisees under the franchising arrangement and (v) holding of investments.

A summary of the audited consolidated accounts of EganaGoldpfeil Group for the years ended 31st May 2004 and 2005 is set out below:

	For the year ended 31st May 2004 <i>HK\$'000</i>	For the year ended 31st May 2005 <i>HK\$'000</i>	Increase / (decrease) compared to previous year(%)
Turnover	3,513,434	3,716,706	5.79
Profit before taxation	141,895	234,572	65.31
Profit after taxation	157,504	237,390	50.72
Profit attributable to the EganaGoldpfeil Shareholders	141,884	210,695	48.50
Basic earnings per EganaGoldpfeil Share (basic) (HK\$)	12.35 cents	17.51 cents	41.78
Dividends	52,834	75,425	42.76

As at the date of this announcement, options granted by EganaGoldpfeil to the EganaGoldpfeil Directors and the employees of the EganaGoldpfeil Group under its share option scheme adopted on 31st May 1993 entitle them to subscribe a total of 44,819,200 EganaGoldpfeil Shares.

As at the date of this announcement, apart from the above options (which entitle their holders to subscribe for new EganaGoldpfeil Shares), EganaGoldpfeil does not have any outstanding options, warrants, derivatives or convertible securities.

The table below sets out the shareholding structure of EganaGoldpfeil as at the date of this announcement and immediately upon completion of the Proposal assuming all Scheme Shareholders elect to receive the Share Alternative:

Shareholders	As at the date of this announcement		Upon completion of the Proposal (assuming no Options are exercised by the Optionholders)		Upon completion of the Proposal (assuming full exercise of the Options by the Optionholders)	
	Number of EganaGoldpfeil Shares	%	Number of EganaGoldpfeil Shares	%	Number of EganaGoldpfeil Shares	%
Hans-Joerg Seeberger (<i>notes i and ii</i>)	478,620,553	37.22	478,620,553	33.66	478,620,553	33.51
Peter Ka Yue Lee (<i>notes i and ii</i>)	8,722,064	0.68	8,722,064	0.61	8,722,064	0.61
Michael Richard Poix (<i>notes i and ii</i>)	2,884,666	0.22	2,884,666	0.20	2,884,666	0.20
Udo Glittenberg (<i>note i</i>)	115,200	0.01	115,200	0.01	115,200	0.01
Goetz Reiner Westermeyer (<i>note i</i>)	288,000	0.02	288,000	0.02	288,000	0.02
Ho Yin Chik (<i>notes i and ii</i>)	18,464	0.00	18,464	0.00	18,464	0.00
Shunji Saeki (<i>note ii</i>)	61,640	0.00	61,640	0.00	61,640	0.00
Public Shareholders	795,099,464	61.84	931,387,248	65.49	937,437,248	65.64
Total Issued Share Capital	<u>1,285,810,051</u>	<u>100.00</u>	<u>1,422,097,835</u>	<u>100.00</u>	<u>1,428,147,835</u>	<u>100.00</u>

Note:

- i. Director of EganaGoldpfeil.
- ii. Director of the Company.

Interests of EganaGoldpfeil and parties acting in concert with it

As at the date of this announcement, EganaGoldpfeil and parties acting in concert with it hold 246,121,144 Shares (representing approximately 54.63% of the issued share capital of the Company). Messrs. Hans-Joerg SEEBERGER, Peter Ka Yue LEE, Michael Richard POIX and Ho Yin CHIK, executive directors of EganaGoldpfeil and the Company, previously owned an aggregate of 2,609,002 Shares. They have unconditionally and irrevocably donated to an independent charitable organisation in Hong Kong all their respective beneficial interest in such Shares prior to the making of the Proposal on 6th July 2006, and only hold the Shares (either in their own name or in the name of their nominee) as bare trustee for and on behalf of the independent charitable organisation as at the date of this announcement. Other than the above, EganaGoldpfeil and parties acting in concert with it do not hold any other securities in the Company. Shares beneficially owned by the EganaGoldpfeil Group will not form part of the Scheme Shares and are not entitled to vote at the Court Meeting.

As at the date of this announcement, the Scheme Shareholders hold 204,431,677 Scheme Shares. The Scheme Shareholders will be entitled to vote at the Court Meeting but those Scheme Shareholders who are acting in concert with EganaGoldpfeil will abstain from voting at the Court Meeting.

Neither EganaGoldpfeil nor any party acting in concert with it has dealt in the Shares in the six months immediately preceding the date of this announcement.

Save for the Proposal itself, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between EganaGoldpfeil or any party acting in concert with it and any other party in relation to the shares of EganaGoldpfeil or the Company which might be material to the Proposal.

Donation of Shares by the Common Directors

Prior to the making of the Proposal, the Common Directors (other than Mr. David Wai Kwong WONG who does not have any shareholding in the Company) held a total of 2,609,002 Shares but such Common Directors have unconditionally and irrevocably donated to an independent charitable organisation in Hong Kong all beneficial interests in such Scheme Shares held by them on 6th July 2006. It is currently expected that completion of the donation will take place within a week of the date of announcement. On 6th July, 2006, those Common Directors who have been granted Options agreed to the Company cancelling Options granted to them at no consideration with immediate effect. Accordingly, they will not make any financial gain out of the implementation of the Proposal.

Cancellation of the Options under the Share Option Scheme

After the Scheme of Arrangement becomes effective, EganaGoldpfeil will make a cash offer to cancel the Options under the Share Option Scheme. The offer to cancel each Option will be calculated by deducting the exercise price of the Option from the Cash Alternative under the Scheme of Arrangement. As at the date of this announcement, 9,075,000 Options with an exercise price of HK\$2.24 for each Share that have been granted to the Optionholders under the Share Option Scheme are currently outstanding and exercisable. The Company will pay HK\$1 as consideration for the cancellation of the Options to each Optionholder, irrespective of the number of Options held by such Optionholder. In the event that any Options are exercised after the date of this announcement and new Shares are issued pursuant to such exercise prior to the Record Date, such Shares shall constitute Scheme Shares and shall be eligible to participate in the Scheme of Arrangement.

Total cash consideration and confirmation of financial resources

Irrespective of the level of acceptance of the offers for the outstanding Options and the number of Scheme Shares electing for the Cash Alternative by all Scheme Shareholders, the total maximum cash consideration payable under the Proposal is HK\$130 million, which will be financed by means of internal resources or bank borrowings of EganaGoldpfeil. BNP Peregrine, the financial adviser to EganaGoldpfeil, is satisfied that sufficient financial resources are available to EganaGoldpfeil to implement the Scheme of Arrangement and to satisfy full acceptance of the offer for the Options.

Discloseable Transaction for EganaGoldpfeil

The closing price of HK\$3.30 per EganaGoldpfeil Shares is used for calculating the Applicable Percentage Ratios of the transactions contemplated under the Proposal.

Since the Applicable Percentage Ratios of the transactions contemplated under the Proposal are more than 5% but less than 25%, the Proposal constitutes a discloseable transaction of EganaGoldpfeil, which is subject to the announcement and circular requirements of the Listing Rules. A circular providing further details of the Proposal will be despatched to the EganaGoldpfeil Shareholders in accordance with the relevant requirement of the Listing Rules.

For accounting purposes, the EganaGoldpfeil Shares will be issued at the prevailing market price on the date they are issued.

As far as the Directors are aware, the Scheme Shareholders and Optionholders are not connected persons of EganaGoldpfeil.

Future intentions and withdrawal of listings of the Shares

It is the intention of EganaGoldpfeil to maintain the existing businesses of the Group following the Scheme of Arrangement becoming effective. It does not intend to introduce any major changes to the existing operating and management structure of the Group or to make any changes to existing senior management or to discontinue the employment of any of the employees of the Group. Consequently, there should be no material change to the Group's businesses or personnel as a result of the Scheme of Arrangement becoming effective.

Upon the Scheme of Arrangement becoming effective, it is intended to withdraw the listing of the Shares on the Stock Exchange and the Company will become a wholly-owned subsidiary of EganaGoldpfeil. The listing of the Shares on the Stock Exchange will not be withdrawn if the Proposal is not approved or lapses.

Overseas Shareholders

The Scheme of Arrangement and offers to the Scheme Shareholders and Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme Shareholders and Optionholders are located. Such Scheme Shareholders and Optionholders should observe any applicable legal and regulatory requirements. It is the responsibility of any overseas Scheme Shareholder wishing to elect for the Share Alternative to satisfy themselves as to full observance of the laws of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

EganaGoldpfeil reserves the right to make relevant arrangements in respect of Scheme Shareholders not resident in Hong Kong in relation to the Proposal in case of the issue of new EganaGoldpfeil Shares under the Proposal to any overseas Scheme Shareholder who elects for the Share Alternative is prohibited by any relevant law or so prohibited except after compliance with conditions which are regarded to be unduly burdensome. EganaGoldpfeil

will be making necessary enquiries to determine whether or not it would be unduly burdensome to make any offers or to send the composite document to such overseas Scheme Shareholders. If appropriate, EganaGoldpfeil or the Company will apply for a waiver from the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code from the requirement to send the composite document to such overseas Scheme Shareholders. Details of such arrangements (if any) will be set out in the composite document referred to below.

Independent committee of the Board

An independent committee of the Board comprising Messrs. Charles Cho Chiu SIN, Eduardo Tang Lung LAU and Professor Zhengfu WANG, all being independent non-executive directors of the Company, has been formed to advise the Independent Shareholders, as to what action they should take in response to the Scheme of Arrangement, as well as Optionholders, other than EganaGoldpfeil, in response to the offer for their Options respectively. The independent committee of the Board has approved the appointment of Somerley Limited to advise the independent committee of the Board.

Composite document

A composite document including the Scheme of Arrangement, the explanatory statement, the offer for the Options, timetables of the Scheme of Arrangement and the offer for Options, the recommendations of the independent committee of the Board, the letter of advice from the independent financial adviser and notices of the Court Meeting and EGM will be despatched to the Shareholders within thirty five days from the publication of this announcement or such later date as may be permitted by Takeovers Code. A further announcement will be made regarding the expected timetable when the composite document is despatched.

Suspension and resumption of trading in the Shares and the EganaGoldpfeil Shares

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 7th July 2006, pending the issue of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on 11th July 2006.

At the request of EganaGoldpfeil, trading in the EganaGoldpfeil Shares was suspended with effect from 9:30 a.m. on 7th July 2006, pending the issue of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the EganaGoldpfeil Shares with effect from 9:30 a.m. on 11th July 2006.

General

In view of the donation by the Common Directors of all their beneficial interest in the Shares (if any) prior to the making of the Proposal, there will not be any potential conflict of interest under Rule 2.4 of the Takeovers Code.

Respective Associates of EganaGoldpfeil and the Company are reminded to disclose their dealings in any securities in the Company and/or EganaGoldpfeil.

Stockbrokers, banks and others who deal in the Shares and the EganaGoldpfeil Shares on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to Associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules under the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security (which is in this case the Shares and the EganaGoldpfeil Shares) undertaken for a client during any 7 day period is less than HK\$1 million. This dispensation does not alter the obligation of principals, Associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive under the Takeovers Code in its dealings enquiries. Therefore, those who deal in the relevant securities (and in this case, the Shares and the EganaGoldpfeil Shares) should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the EganaGoldpfeil Shares.

Warning

The Shareholders, the EganaGoldpfeil Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the conditions set out above in this announcement under the headings “Conditions of the Scheme of Arrangement” being fulfilled or waived, as applicable, and consequently the Proposal may not become effective or be made. Accordingly, they are advised to exercise caution when dealing in the Shares and the EganaGoldpfeil Shares.

Definitions

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning given to it in the Takeovers Code
“Applicable Percentage Ratios”	the percentage ratios other than profit ratio (all as defined in Rule 14.04(9) of the Listing Rules) applicable to the transaction contemplated under the Proposal in accordance with Chapter 14 of the Listing Rules
“Associate(s)”	has the meaning ascribed thereto in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal

“BNP Peregrine”	BNP Paribas Peregrine Capital Limited, the financial adviser to EganaGoldpfeil, and a corporation licensed to conduct types 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
“Board”	the board of directors of the Company
“Cancellation Consideration”	the Share Alternative or the Cash Alternative
“Cash Alternative”	HK\$1.80 per Scheme Share in cash under the Scheme of Arrangement
“Common Directors”	persons who hold an office of director at both the Company and EganaGoldpfeil, being Messrs. Hans-Joerg SEEBERGER, Peter Ka Yue LEE, Michael Richard POIX, Ho Yin CHIK and David Wai Kwong WONG
“Companies Law”	Companies Law (2004 Revision) of the Cayman Islands
“Court”	the Grand Court of the Cayman Islands
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme of Arrangement will be voted upon. EganaGoldpfeil and parties acting in concert with it will abstain from voting at the Court Meeting
“Company”	Egana Jewellery & Pearls Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“EganaGoldpfeil”	EganaGoldpfeil (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the controlling shareholder of the Company, the securities of which are also listed on the Stock Exchange
“EganaGoldpfeil Group”	EganaGoldpfeil and its subsidiaries including the Group
“EganaGoldpfeil Board”	the board of directors of EganaGoldpfeil
“EganaGoldpfeil Directors”	the directors of EganaGoldpfeil
“EganaGoldpfeil Shares”	Shares of HK\$1.00 each in the capital of EganaGoldpfeil

“EganaGoldpfeil Shareholders”	holders of the EganaGoldpfeil Shares
“EGM”	an extraordinary general meeting of the Company to be held immediately following the Court Meeting to consider and vote on the share capital reduction as part of the Scheme of Arrangement at which all Shareholders are eligible to vote
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Independent Shareholders”	The Scheme Shareholders (other than the EganaGoldpfeil Group and parties acting in concert with EganaGoldpfeil)
“Listing Rules”	Rules governing the Listing of Securities on the Stock Exchange
“Option(s)”	Option(s) granted to Optionholders under the Share Option Scheme
“Optionholder(s)”	holder(s) of options granted under the Share Option Scheme
“Proposal”	the proposed privatisation of the Company by EganaGoldpfeil under the Scheme of Arrangement
“Record Date”	The record date for determining entitlements of the Scheme Shareholders under the Scheme of Arrangement
“Relevant Authorities”	appropriate governments or governmental bodies, regulatory bodies, courts or institutions including the SFC and the Stock Exchange
“Scheme of Arrangement”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law
“Scheme Shareholders”	Shareholders of the Company other than the EganaGoldpfeil Group
“Scheme Shares”	Shares held by the Scheme Shareholders
“SFC”	the Securities and Futures Commission
“Share(s)”	shares of HK\$0.50 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Share Alternative”	1 EganaGoldpfeil Share per 1.5 Scheme Share
“Share Option Scheme”	the share option scheme of the Company adopted on 26th June 1998 and effected on 23rd July 1998
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

By order of
the board of directors of
**EGANAGOLDPFEIL (HOLDINGS)
LIMITED**
David Wai Kwong WONG
Company Secretary

By order of
the board of directors of
**EGANA JEWELLERY & PEARLS
LIMITED**
David Wai Kwong WONG
Company Secretary

Hong Kong, 10th July 2006

As at the date of this announcement, the board of directors of EganaGoldpfeil comprises Messrs. Hans-Joerg SEEBERGER, Peter Ka Yue LEE, Michael Richard POIX, Ho Yin CHIK and David Wai Kwong WONG as executive directors, and Professor Udo GLITTENBERG, Dr. Goetz Reiner WESTERMEYER and Mr. Andy Yick Man NG as independent non-executive directors.

The directors of EganaGoldpfeil jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than those relating to the Company, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to the Company, have been arrived at after due and careful consideration and there are no facts, other than facts relating to the Company, not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than those relating to EganaGoldpfeil, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to EganaGoldpfeil, have been arrived at after due and careful consideration and there are no facts, other than facts relating to EganaGoldpfeil, not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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