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**JEWELLERY & PEARLS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

**ISSUE OF UP TO US\$45,000,000 1.5 PER CENT.  
UNLISTED AND UNSECURED CONVERTIBLE BONDS DUE 2009  
AND  
CLARIFICATION ANNOUNCEMENT**

Reference is made to the Company's announcement dated 10 February 2004.

Clarification has been made to the defined term of "Fixed Conversion Price".

The Directors wish to announce that the Tranche 1 Bonds were issued to Merrill Lynch on 26 February 2004.

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

As stated in the Announcement, the Fixed Conversion Price of the Subscription Agreements has been defined as follows:-

"Fixed Conversion Price" the Fixed Conversion Price in relation to (i) the Tranche 1 Bonds, the Tranche 1a Bonds and the Tranche 2 Bonds, respectively, means the price which is set at 122 per cent. of the closing price of the Shares on the trading day immediately preceding the First Closing Date, and (ii) the Tranche 3 Bonds and Tranche 4 Bonds, respectively, means the price which is set at the lower of: (a) the daily volume weighted average price of the Shares during the 30 consecutive trading days immediately preceding the Third Closing Date or the Fourth Closing Date (as the case may be) and (b) HK\$2.50;

Due to clerical oversight, the Company would like to make clarification for the defined term in relation to the Subscription Agreements:-

"Fixed Conversion Price" the Fixed Conversion Price in relation to (i) the Tranche 1 Bonds, the Tranche 1a Bonds and the Tranche 2 Bonds, respectively, means the price which is set at the lower of: (a) 122 per cent. of the closing price of the Shares on the trading day immediately preceding the First Closing Date and (b) HK\$2.50; and (ii) the Tranche 3 Bonds and Tranche 4 Bonds, respectively, means the price which is set at 122% of the arithmetic average of the daily volume weighted average price of the Shares during the 30 consecutive trading days immediately preceding the actual date of the first issue of the Tranche 3 Bonds or the Tranche 4 Bonds (as the case may be);

The Directors wish to announce that the conditions precedent for the issue of the Tranche 1 Bonds were fulfilled on 25 February 2004 and the Tranche 1 Bonds were issued to Merrill Lynch on 26 February 2004.

The Fixed Conversion Price in respect of the Tranche 1 Bonds is HK\$2.50, which is lower price as compared to the price that is 122% of the closing price of the Shares on the trading day immediately preceding the First Closing Date. Accordingly, pursuant to the terms and conditions of the Bonds, the Fixed Conversion Price in respect of the Tranche 1a Bonds and the Tranche 2 Bonds will be fixed at HK\$2.50. The Fixed Conversion Price in respect of the Tranche 3 Bonds and the Tranche 4 Bonds will be set at 122% of the arithmetic average of the daily volume weighted average price of the Shares during the 30 consecutive trading days immediately preceding the actual date of the first issue of the Tranche 3 Bonds or the Tranche 4 Bonds (as the case may be).

The Company will issue an announcement as and when Merrill Lynch exercises its option to subscribe for further tranches of Bonds.

By Order of the Board  
**Lillian WONG**  
*Company Secretary*

Hong Kong, 26 February 2004

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