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JEWELLERY & PEARLS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(stock code: 926)

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

ANNOUNCEMENT

Reference is made to the Company's announcement dated 18th February, 2005 in relation to the issue of Tranche 3a Bonds to Merrill Lynch.

Unless the context otherwise requires, defined terms used in this announcement shall have the same respective meanings as in the Company's Announcements dated 10th February, 2004, 26th February, 2004, 13th January, 2005 and 18th February, 2005.

Exercise of the conversion rights by Merrill Lynch under the Tranche 3a Bonds

With reference to the Company's announcement dated 18th February, 2005 regarding the monthly disclosure requirement on the dilution effect on Shareholders of the Company in relation to the issue of the Tranche 3a Bonds, the Board of Directors announces that during the period from 4th February, 2005 (date of granting the listing approval) to the month ended 28th February, 2005, Merrill Lynch has exercised its conversion rights to convert US\$2,500,000 Tranche 3a Bonds into 16,488,710 new Shares of the Company at a floating conversion price of HK\$1.1826 per Share. The issue of new Shares represent respective 4.33% and 4.15% dilution effect on the Shareholders of the Company based on the existing number of 380,975,662 Shares issued and the enlarged number of 397,464,372 Shares in issued.

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

By order of the Board
Egana Jewellery & Pearls Limited
David Wai Kwong WONG
Company Secretary

Hong Kong, 7th March, 2005

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