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**EGANA**  
**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 announcements dated 18th February and 7th March, 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, 18th February, 2005 and 7th March, 2005.

**Exercise of the conversion rights by Merrill Lynch under the Tranche 3a Bonds on  
9th March, 2005**

With reference to the Company's announcement dated 18th February and 7th March, 2005 regarding the disclosure requirements imposed on the Company in relation to the issue of the Tranche 3a Bonds to Merrill Lynch, the Company announces that Merrill Lynch has exercised its rights to convert US\$2,500,000 Tranche 3a Bonds into 15,700,080 Shares of the Company at a floating conversion price of HK\$1.242 per Share on 9th March, 2005 ("the Conversion"). The table below shown the respective dilution effects on Shareholders of the Company in respect of the Conversion:-

	<b>Number of Shares in issue</b>	<b>Dilution Effect</b>
Before the Conversion	397,464,372 Shares	3.95%
The Conversion	15,700,080 Shares	
After the Conversion	413,164,452 Shares	3.80%

**Cumulative Dilution Effects of the Tranche 3a Bonds on Shareholders of the  
Company**

At the date of this announcement, Merrill Lynch has fully exercised its conversion rights to convert US\$5,000,000 Tranche 3a Bonds into a total of 32,188,790 Shares (of which 16,488,710 Shares was converted during the month of February 2005 while 15,700,080 Shares were converted on 9th March, 2005) of the Company, which represents 8.45% and

7.79% cumulative dilution effects on the Shareholders of the Company based on the respective 380,975,662 Shares (at the date before Merrill Lynch exercised any of its rights to convert the Tranche 3a Bonds into Shares) and 413,164,452 Shares (as enlarged by Merrill Lynch fully exercised its rights to convert the Tranche 3a Bonds into Shares) issued.

The Company will make a further announcement if Merrill Lynch exercises its Subscription Rights to subscribe for 3,518,342 Shares of the Company.

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, 17th March, 2005

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