

# JACKLEY HOLDINGS LIMITED

## 美吉利國際控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 353)

- (1) PROPOSED CHANGE OF COMPANY NAME;  
(2) PROPOSED CAPITAL REORGANISATION;  
(3) PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO NEW SHARES HELD ON RECORD DATE WITH BONUS SHARES AND BONUS WARRANTS TO BE ISSUED WITH THE OFFER SHARES ON THE BASIS OF ONE BONUS SHARE FOR EVERY FULLY PAID OFFER SHARE AND EIGHT BONUS WARRANTS FOR EVERY TEN FULLY PAID OFFER SHARES;  
(4) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY AND RESUMPTION OF TRADING

Financial advisers to the Company



金利豐財務顧問有限公司  
KINGSTON CORPORATE FINANCE LIMITED



宏圖東方融資有限公司  
Regal Oriental Capital Limited

Underwriter



Kingston Securities Limited

### (1) PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change its English name from “Jackley Holdings Limited” to “Orient Industries Holdings Limited” and to change its Chinese name adopted for identification purposes only from “美吉利國際控股有限公司” to “東方工業控股有限公司” for registration purpose under Part XI of the Companies Ordinance.

### (2) PROPOSED CAPITAL REORGANISATION

The Board also proposes to implement the Capital Reorganisation in the following manner:

- (1) the nominal value of the issued Shares shall be reduced from HK\$0.10 each to HK\$0.001 each by the cancellation of HK\$0.099 paid up on each issued Share;
- (2) every authorised but unissued Share shall be subdivided into 100 Reduced Shares; and
- (3) every 10 issued and unissued Reduced Shares shall be consolidated into one New Share.

Based on the number of Shares in issue as at the date of this announcement, the Capital Reduction will result in the issued share capital of the Company being reduced from HK\$134,000,000 consisting of 1,340,000,000 Shares to HK\$1,340,000 consisting of 1,340,000,000 Reduced Shares. As a result, an amount of approximately HK\$132,660,000 standing to the credit of the share capital account of the Company will be cancelled and credited to a distributable reserve account of the Company. As at the date of this announcement, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each, of which 1,340,000,000 Shares were issued fully paid or credited as fully paid. On the assumption that no further Shares will be issued following this announcement, (i) immediately upon the Capital Reduction and share subdivision having become effective, the authorised share capital of the Company would be HK\$67,340,000 divided into 67,340,000,000 Reduced Shares and (ii) immediately upon the Capital Reorganisation having become effective, the authorised share capital of the Company would be HK\$67,340,000 divided into 6,734,000,000 New Shares, of which 134,000,000 New Shares would have been issued.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares.

Reference is made to the announcement of the Company dated 18 September 2003 in relation to the allotment and issue, subject to certain conditions precedent, of the 50,000,000 HSH Shares. If such issue of HSH Shares takes place before the effective date of the Capital Reorganisation, the number of Shares in issue and the authorised share capital after completion of the Capital Reorganisation will be different from that set out above. For further details of the conditional allotment and issue of the HSH Shares, please refer to the said announcement.

### (3) PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO NEW SHARES HELD ON RECORD DATE WITH BONUS SHARES AND BONUS WARRANTS TO BE ISSUED WITH OFFER SHARES ON THE BASIS OF ONE BONUS SHARE FOR EVERY FULLY PAID OFFER SHARE AND EIGHT BONUS WARRANTS FOR EVERY TEN FULLY PAID OFFER SHARES

The Company proposes to raise approximately not less than HK\$16.7 million but not more than HK\$17.4 million, before expenses, by issuing not less than 67,000,000 but not more than 69,500,000 Offer Shares at a price of HK\$0.25 per Offer Share by way of the Open Offer, payable in full on application, on the basis of one Offer Share for every two New Shares held on the Record Date. Qualifying Shareholders are entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Company also proposes to issue Bonus Shares and Bonus Warrants on the basis of one Bonus Share for every fully paid Offer Share and eight Bonus Warrants for every ten fully paid Offer Shares. Based on the number of Offer Shares proposed to be issued under the Open Offer, not less than 67,000,000 but not more than 69,500,000 Bonus Shares and not less than 53,600,000 but not more than 55,600,000 Bonus Warrants shall be issued with the Offer Shares. The Open Offer will not be available to the Excluded Shareholders. To qualify for the Open Offer, all transfers of New Shares must be lodged for registration with the Registrar by 4:00 p.m. on 24 March 2005, Thursday. The register of members is expected to be closed from 29 March 2005, Tuesday to 31 March 2005, Thursday (both dates inclusive) to determine the entitlements to the Open Offer. The Open Offer is conditional upon, among other things, the completion of the Capital Reorganisation.

Prime Orient has undertaken to take up all its entitlement under the Open Offer (being 25,586,250 Offer Shares). In addition, each of the DNTC Vendors has also undertaken to take up all of its respective entitlement under the Open Offer (being a total of 4,750,000 Offer Shares). For further details in relation to the DNTC Shares, please refer to the Company’s announcement dated 12 September 2004. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares, being not less than 36,663,750 but not more than 39,163,750 Offer Shares, subject to and upon the terms and conditions of the Underwriting Agreement.

The estimated net proceeds from the Open Offer will be approximately not less than HK\$15.5 million but not more than HK\$16.5 million, of which approximately 70% being not less than HK\$10.8 million and not more than HK\$11.6 million will be applied to repay the outstanding loans due to certain bankers and independent third parties and the remaining balance of not less than approximately HK\$4.7 million but not more than approximately HK\$4.9 million will be used as the general working capital of the Group.

### (4) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In order to facilitate the Open Offer by enabling the Company to allot and issue the Bonus Shares and Bonus Warrants and to provide the Company with flexibility to raise capital from its Shareholders in the future, the Directors propose to amend article 153 of the articles of association of the Company to allow a distribution to the Shareholders on such non pro-rata basis as the Directors may approve. Such amendment requires the sanction of a special resolution passed by the Shareholders at the EGM, which is one of the conditions the Open Offer is subject to.

### WARNING OF RISKS OF DEALING IN SHARES

The Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” in the paragraph headed “Underwriting Agreement dated 3 November 2004” in the section headed “Proposed Open Offer of New Shares on the basis of one Offer Share for every two New Shares held on Record Date with Bonus Shares and Bonus Warrants to be issued with the Offer Shares on the basis of one Bonus Share for every fully paid Offer Share and eight Bonus Warrants for every ten fully paid Offer Shares” below). Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt with on an ex-entitlements basis commencing from 23 March 2005, Wednesday and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be 27 April 2005, Wednesday) will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

### GENERAL

A circular containing, among other things, details of the change of Company name, the Capital Reorganisation, the amendment to the articles of association of the Company and the Open Offer and the notice of the EGM, will be despatched to the Shareholders as soon as possible.

### SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Thursday, 4 November 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 18 November 2004.

### (1) PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change its English name from “Jackley Holdings Limited” to “Orient Industries Holdings Limited” and to change its Chinese name adopted for identification purposes only from “美吉利國際控股有限公司” to “東方工業控股有限公司” for registration purpose under Part XI of the Companies Ordinance. Such change is subject to the approval of the Shareholders by passing the relevant special resolution at the EGM and will take effect from the date on which such resolution is passed. The Board considers that the proposed adoption of the new English and Chinese name will better reflect the change in the single largest Shareholder to Prime Orient (a company wholly and beneficially owned by Mr. Lam) as detailed in the announcements of the Company dated 5 July 2004, 6 August 2004 and 23 August 2004.

### (2) PROPOSED CAPITAL REORGANISATION

The Board also proposes to implement the Capital Reorganisation in the following manner:

- (i) the nominal value of the issued Shares shall be reduced from HK\$0.10 each to HK\$0.001 each by the cancellation of HK\$0.099 paid up on each issued Share;
- (ii) every authorised but unissued Share shall be subdivided into 100 Reduced Shares; and
- (iii) every 10 issued and unissued Reduced Shares shall be consolidated into one New Share.

Based on the number of Shares in issue as at the date of this announcement, the Capital Reduction will result in the issued share capital of the Company being reduced from HK\$134,000,000 consisting of 1,340,000,000 Shares to HK\$1,340,000 consisting of 1,340,000,000 Reduced Shares. As a result, an amount of approximately HK\$132,660,000 standing to the credit of the share capital account of the Company will be cancelled and credited to a distributable reserve account of the

Company, from which distribution shall be at the discretion of the Directors. It is intended that such amount will be applied to set off the accumulated losses of the Company as at 31 December, 2003, which, as set out in the latest annual report of the Company, is audited to be approximately HK\$8.75 million (on an unconsolidated basis). Further, following the Capital Reduction and Share Subdivision, the Share Consolidation will result in every 10 issued and unissued Reduced Shares being consolidated into one New Share. Accordingly, every 10 Reduced Shares held by a Shareholder whose name appears on the register of members of the Company on the effective date of the Capital Reorganisation will be consolidated into one New Share. Fractional New Shares will not be issued by the Company to the Qualifying Shareholders. In order to alleviate the difficulties arising from the existence of odd lots of New Shares, the Company has agreed to procure an agent to arrange for matching service regarding the sale and purchase of odd lots of New Shares.

As at the date of this announcement, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each, of which 1,340,000,000 Shares were issued. On the assumption that no further Shares will be issued following this announcement, (i) immediately upon the Capital Reduction and Share Subdivision having become effectively, the authorised share capital of the Company would be HK\$67,340,000 divided into 67,340,000,000 Reduced Shares and (ii) immediately upon the Capital Reorganisation having become effective, the authorised share capital of the Company would be HK\$67,340,000 divided into 6,734,000,000 New Shares, of which 134,000,000 New Shares would have been issued. Reference is made to the announcement of the Company dated 18 September 2003 in relation to the allotment and issue, subject to certain conditions precedent, of the 50,000,000 HSH Shares. If such issue of HSH Shares takes place before the effective date of the Capital Reorganisation, the number of Shares in issue and the authorised share capital after completion of the Capital Reorganisation will be different from that set out above. Other than the issue of the HSH Shares and the issue of Offer Shares, Bonus Shares and Bonus Warrants pursuant to the Open Offer, the Directors have no current intention to issue any part of the unissued share capital of the Company. For details of the conditional allotment and issue of HSH Shares, please refer to the said announcement.

The following table shows the total authorised capital of the Company after the Capital Reorganisation, but before the completion of the Open Offer, in the event that the HSH Shares are/are not allotted and issued before the effective date of the Capital Reorganisation:

	HSH Shares not allotted and issued	HSH Shares allotted and issued
	Number of New Shares	Number of New Shares
Total authorised	6,734,000,000	6,239,000,000
Total issued	134,000,000	139,000,000
Total unissued	6,600,000,000	6,100,000,000

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation is conditional upon:

- (i) the passing of the necessary special resolutions by the Shareholders at the EGM to approve the Capital Reorganisation;
- (ii) compliance with the relevant legal procedures and requirements under Cayman Islands laws, which include, among other things, the sanction of the Cayman Islands court, to effect the Capital Reduction; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares.

Reasons for and effect of the Capital Reorganisation

The Company had accumulated losses of approximately HK\$8.75 million (on an unconsolidated basis) as at 31 December, 2003. With the implementation of the Capital Reduction, the Company will be able to apply the amount (being approximately HK\$132,660,000) credited to a distributable reserve as a result of the Capital Reduction to set off such losses. The Share Consolidation is also intended to reduce the transaction costs for dealing in the Reduced Shares as well as to increase the market value per New Share.

The Capital Reorganisation will have no material effect on the consolidated net assets of the Group. Other than the expenses to be incurred by the Company in relation to the Capital Reorganisation, the implementation thereof will not, by itself, materially alter the underlying assets, business operations, management or financial position of the Group or the interests of Shareholders as a whole.

The Capital Reorganisation is not conditional on the implementation of the Open Offer. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares. All necessary arrangements will be made for the New Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

Shareholders and investors are advised to exercise caution in dealing in Shares.

(3) PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO NEW SHARES HELD ON RECORD DATE WITH BONUS SHARES AND BONUS WARRANTS TO BE ISSUED WITH OFFER SHARES ON THE BASIS OF ONE BONUS SHARE FOR EVERY FULLY PAID OFFER SHARE AND EIGHT BONUS WARRANTS FOR EVERY TEN FULLY PAID OFFER SHARES

Issue statistics:

Basis of the Open Offer	:	One Offer Share for every two New Shares held on the Record Date
Number of Shares in issue as at the date of this announcement	:	1,340,000,000 Shares
Number of Shares upon the completion of Capital Reorganisation	:	134,000,000 New Shares
Number of Offer Shares	:	Not less than 67,000,000 Offer Shares but not more than 69,500,000 Offer Shares
Number of Bonus Shares	:	Not less than 67,000,000 Bonus Shares but not more than 69,500,000 Bonus Shares
Number of Bonus Warrants	:	Not less than 53,600,000 Bonus Warrants but not more than 55,600,000 Bonus Warrants
Number of New Shares in issue immediately upon completion of the Open Offer	:	Not less than 268,000,000 New Shares but not more than 278,000,000 New Shares

Number of Offer Shares undertaken to be taken up by Prime Orient and the DNTC Vendors	:	Prime Orient, has undertaken to take up all its entitlement under the Open Offer (being 25,586,250 Offer Shares). In addition, each of the DNTC Vendors, Mr. Ng Yau Wah and Mr. Choi Hok Ya, has also undertaken to take up all of his respective entitlements under the Open Offer (being an aggregate of 4,750,000 Offer Shares).
Number of Offer Shares underwritten by the Underwriter	:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares, being not less than 36,663,750 but not more than 39,163,750 Offer Shares, subject to and upon the terms and conditions of the Underwriting Agreement. The Underwriter is not a connected person (as defined in the Listing Rules) of the Company and is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

The Company has no outstanding options, warrants or convertible instruments to subscribe for any Share.

Qualifying Holders:

The Company will send (i) the Prospectus Documents to the Qualifying Holders; and (ii) the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Open Offer, Shareholders must, at the close of business on the Record Date be registered on the register of members of the Company and not being an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfer of Shares (with the relevant Share certificates) for registration with the Registrar by 4:00 p.m. on 24 March 2005, Thursday.

The branch share registrar of the Company in Hong Kong is:  
Tengis Limited  
Ground Floor, Bank of East Asia Harbour View Centre  
56 Gloucester Road, Wanchai, Hong Kong

The invitation to apply for the Offer Shares will not be transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Application for excess Offer Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements and any Offer Share provisionally allotted but not accepted by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Offer Shares allotted and issued pursuant to Excess Application Forms will also be allotted and issued with Bonus Shares and Bonus Warrants on the basis of one Bonus Share for every fully paid Offer Share and eight Bonus Warrants for every ten fully paid Offer Shares.

The Directors will allocate excess Offer Shares at their discretion, on a fair and equitable basis by reference to the number of excess Offer Shares applied for by each Qualifying Shareholder, but will give preference to topping-up odd lots to whole board lots.

Closure of register of members:

The register of members of the Company will be closed from 29 March 2005, Tuesday to 31 March 2005, Thursday (both dates inclusive) to determine the eligibility of Shareholders to the Open Offer. No transfer of New Shares will be registered during this period.

Subscription Price:

HK\$0.25 per Offer Share, payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 58.33% to the closing price of HK\$0.60 per New Share (assuming the Capital Reorganisation has become effective) as quoted on the Stock Exchange on 3 November 2004, being the last trading day before the suspension of trading in the Shares pending the publication of this announcement;
- (ii) a discount of approximately 31.03% to the theoretical ex-entitlement price of approximately HK\$0.3625 per New Share (assuming the Capital Reorganisation has become effective) based on the aforesaid closing price per Share; and
- (iii) a discount of approximately 49.70% to the average closing price of HK\$0.497 per New Share (assuming the Capital Reorganisation has become effective) as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 3 November 2004 being the last trading day before the suspension of trading in the Shares pending the publication of this announcement.

The Subscription Price has been determined based on arm's length negotiations between the Company and the Underwriter, with reference to the prevailing market prices of the Shares as well as the subscription prices offered in certain recent open offers with discounts of over 50% to the relevant closing prices of the relevant shares. The Board considers that the terms of the Open Offer are fair and reasonable and the discount of the Subscription Price as compared to the recent market prices would encourage Shareholders to participate in the Open Offer and accordingly the future growth of the Group. The Open Offer is conditional on the completion of the Capital Reorganisation and the Subscription Price was determined based on the assumption of the completion of the Capital Reorganisation.

Status of the Offer Shares and the Bonus Shares:

The Offer Shares and the Bonus Shares, when allotted and issued, will rank pari passu in all respects with the New Shares in issue on the date of allotment and issue of the Offer Shares and the Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issue of such Offer Shares and the Bonus Shares.

Status of the Bonus Warrants:

The Bonus Warrants confer rights in registered form to subscribe for up to not less than 53,600,000 New Shares but not more than 55,600,000 New Shares at an initial subscription price of HK\$0.40 per New Share (subject to adjustments upon a capital reorganisation of the Company such as a sub-division or consolidation of its Shares, capitalisation issue, rights issue and capital reduction). Further details of such adjustment events will be set out in the Prospectus to be issued.

The initial subscription price of HK\$0.40 per New Share for the Bonus Warrants represents:

- (i) a discount of approximately 33.3%% to the closing price of HK\$0.60 per New Share (assuming the Capital Reorganisation has become effective) as quoted on the Stock Exchange on 3 November 2004, being the last trading day before the suspension of trading in the Shares pending the publication of this announcement; and
- (ii) (a discount of approximately 19.51% to the average closing price of HK\$0.497 per New Share (assuming the Capital Reorganisation has become effective) as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 3 November 2004 being the last trading day before the suspension of trading in the Shares pending the publication of this announcement;

The initial subscription price of HK\$0.40 per New Share for the Bonus Warrants is determined with reference to the closing price of approximately HK\$0.60 per New Share (assuming the Capital Reorganisation has become effective). The Directors are of the view that a discount of approximately 33% to the closing price of HK\$0.60 per New Share (assuming the Capital Reorganisation and become effective) can encourage the Shareholders to participate in the Open Offer.

The subscription rights attaching to the Bonus Warrants may be exercised within a two-year period from the date of issue of the Bonus Warrants, which is currently expected to be on 3 May 2005, Tuesday. Any subscription rights attaching to the Bonus Warrants which have not been exercised on or before the last day of the subscription period will lapse following such date and the Bonus Warrants will cease to be valid for all purposes. For the purpose of dealings on the Stock Exchange, the board lot of the Bonus Warrants will be 10,000 at the initial subscription price of HK\$0.40 per New Share.

The New Shares to which the Bonus Warrants relate currently represent about 20.0% of the issued share capital of the Company after the completion of the Open Offer and about 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares to which the Bonus Warrants relate.

The New Shares to be issued pursuant to the exercise of the Bonus Warrants, when allotted and issued, will rank pari passu in all respects with the New Shares in issue on the date of allotment and issue of the New Shares to be issued pursuant to the exercise of the Bonus Warrants and will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issue of the New Shares to be issued pursuant to the exercise of the Bonus Warrants.

The Bonus Warrants will be issued with the Offer Shares upon approval by Shareholders at the EGM. As at the date of this announcement, there are no outstanding warrants of the Company in issue.

Certificates for the Offer Shares, Bonus Shares and Bonus Warrants:

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares, Bonus Shares and Bonus Warrants are expected to be posted on or before 3 May 2005, Tuesday, Monday to those Qualifying Holders who have validly applied and paid for the Offer Shares at their own risks.

Rights of Excluded Shareholders:

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2) of the Listing Rules and make enquiries regarding the feasibility of extending the Open Offer to Excluded Shareholders and the details of the Excluded Shareholders will be disclosed in the Prospectus. If, based on legal opinions provided by the legal advisors to the Company, the Directors consider that, in compliance with Rule 13.36(2) of the Listing Rules, it is necessary or expedient not to offer the Open Offer to the Excluded Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to the Excluded Shareholders.

The Company will send the Prospectus to the Excluded Shareholders for their information only. The Company will not send the Application Forms or the Excess Application Forms to the Excluded Shareholders. The Excluded Shareholders will be entitled to vote at the EGM to consider and, if thought fit, passing the resolutions approving, among others, the Open Offer.

Application for listing:

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares, the Bonus Shares, the Bonus Warrants and New Shares to be issued pursuant to the exercise of the Bonus Warrants. Dealings in the Offer Shares, the Bonus Shares, the Bonus Warrants and New Shares to be issued pursuant to the exercise of the Bonus Warrants will be subject to the payment of stamp duty in Hong Kong.

Underwriting Agreement dated 3 November 2004:

Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite the Underwritten Shares, being not less than 36,663,750 but not more than 39,163,750 Offer Shares.

The Underwriter is independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates. The Company will pay to the Underwriter an underwriting commission calculated at 1.5% of the aggregate Subscription Price of the maximum number of Offer Shares to be underwritten by the Underwriter.

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing to the Company if, prior to 4:00 p.m. on the third business day after the latest date for acceptance of the Offer Shares, or such later time or date as may be agreed between the Company and the Underwriter, any of the following grounds of termination happens:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including, without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstance of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limitation the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than five consecutive business days, excluding any suspension in connection with the clearance of this announcement, the associated circular and the proxy form for use at the EGM or the Prospectus Documents or other announcements or circulars in connection with the Capital Reorganisation and/or the Open Offer.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon, among other things,:

- (i) the passing by Shareholders at the EGM of resolutions to approve the Capital Reorganisation, the amendment to the articles of association of the Company and the Open Offer;
- (ii) compliance with the relevant legal procedures and requirements under Cayman Islands laws, which include, among other things, the sanction of the Cayman Islands court, to effect the Capital Reduction;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, of one copy of each of the Prospectus Documents in compliance with the Listing Rules and the Companies Ordinance not later than the posting date of the Prospectus;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the posting date of the Prospectus; and
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, the Offer Shares, the Bonus Shares, the Bonus Warrants and Shares to be issued pursuant to the exercise of the Bonus Warrants.



If the conditions to the Underwriting Agreement are not fulfilled on the dates as specified in the Underwriting Agreement (or such later date or dates as the Underwriter may agree with the Company in accordance with its terms), the Underwriting Agreement shall terminate and the obligations and liabilities of the parties thereto shall cease and determine save for any antecedent breaches of the terms thereof. The Open Offer is subject to the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from 23 March 2005, Wednesday and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be 27 April 2005, Wednesday), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

Shareholding structure of the Company:

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer with the issue of Bonus Shares assuming the Capital Reorganisation has become effective and the HSH Shares have not been issued:

	Immediately before completion of the Open Offer		Immediately after completion of the Open Offer and issue of Bonus Shares (assuming all Qualifying Holders take up their respective entitlements under the Open Offer)		Immediately after completion of the Open Offer and issue of Bonus Shares (assuming no Qualifying Holder takes up his/her /its entitlement under the Open Offer and all Offer Shares and Bonus Shares are taken up by the Underwriter	
	New Shares	Percentage	New Shares	Percentage	New Shares	Percentage
Prime Orient Underwriter	51,172,500	38.19%	102,345,000	38.19%	102,345,000	38.19%
	0	0.00%	0	0.00%	73,327,500	27.36%
Public						
DNTC Vendors	9,500,000	7.09%	19,000,000	7.09%	19,000,000	7.09%
Other public Shareholders	73,327,500	54.72%	146,655,000	54.72%	73,327,500	27.36%
Total	134,000,000	100.00%	268,000,000	100.00%	268,000,000	100.00%

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer with the issue of Bonus Shares assuming the Capital Reorganisation has become effective but the HSH Shares have been issued:

	Immediately before completion of the Open Offer		Immediately after completion of the Open Offer and issue of Bonus Shares (assuming all Qualifying Holders take up their respective entitlements under the Open Offer)		Immediately after completion of the Open Offer and issue of Bonus Shares (assuming no Qualifying Holder takes up his/her /its entitlement under the Open Offer and all Offer Shares and Bonus Shares are taken up by the Underwriter	
	New Shares	Percentage	New Shares	Percentage	New Shares	Percentage
Prime Orient Underwriter	51,172,500	36.81%	102,345,000	36.81%	102,345,000	36.81%
	0	0.00%	0	0.00%	78,327,500	28.18%
Public						
DNTC Vendors	9,500,000	6.83%	19,000,000	6.83%	19,000,000	6.83%
SZSHS	5,000,000	3.60%	10,000,000	3.60%	5,000,000	1.80%
Other public Shareholders	73,327,500	52.76%	146,655,000	52.76%	73,327,500	26.38%
Total	139,000,000	100.00%	278,000,000	100.00%	278,000,000	100.00%

Reasons for the Open Offer and use of proceeds:

The Group is principally engaged in the design, manufacture and sale of a wide range of carpets under its own brand name and trading of carpets of various brand names.

In view of the financial needs of the Company for repaying certain outstanding loans, which has been used as general working capital, due to certain bankers and independent third parties, the Board considers that it is a suitable time to raise funds for the above purposes through the Open Offer, which is an appropriate means through which the Group can raise funds with no dilutive effects on the shareholding of the Shareholders.

The estimated net proceeds from the Open Offer will be not less than approximately HK\$15.5 million and not more than approximately HK\$16.5 million, of which approximately 70% being not less than HK\$10.8 million and not more than HK\$11.6 million will be applied to the repayment of outstanding loans and the remaining balance of not less than approximately HK\$4.7 million but not more than approximately HK\$4.9 million will be used as the general working capital of the Group. The Board considers that, compared with debt financing, the Open Offer is a better way to raise funds without causing any interest liability to the Company.

FREE EXCHANGE OF NEW SHARE CERTIFICATES AND TRADING ARRANGEMENTS

Upon the change of Company name and the Capital Reorganisation becoming effective, Shareholders may on or after 4 April 2005, Monday and until 6 May 2005, Friday submit certificates for the existing Shares to the Registrar for exchange, at the expense of the Company, for certificates for the New Shares in issue. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time to be allowed by the Stock Exchange) for each new certificate issued for the New Shares. Nevertheless, certificates for the existing Shares will continue to be good evidence of legal title and will continue to be valid for trading, settlement and registration purposes.

EXPECTED TIMETABLE

Despatch of the circular to the Shareholders relating to the change of Company name, the Capital Reorganisation, the amendment to the articles of association of the Company and the Open Offer, containing, among things, notice of the EGM	6 December 2004, Monday
Latest time for lodging forms of proxy for the purpose of the EGM (not less than 48 hours)	10.00 am on 29 December 2004, Wednesday
Time and date of EGM	10.00 a.m. on 31 December 2004, Friday
Expected date on which the new Company names become effective	31 December 2004, Friday
Last day of dealings in Shares on cum-entitlement basis	22 March 2005, Tuesday
First day of dealings in Shares on ex-entitlement basis	23 March 2005, Wednesday
Latest time for lodging transfers of Shares in order to be entitled to the Open Offer	4:00 p.m. on 24 March 2005, Thursday
Register of members closes (both dates inclusive)	29 March 2005, Tuesday to 31 March 2005, Thursday
Record Date	31 March 2005, Thursday
Expected date on which the Capital Reorganisation becomes effective	31 March 2005, Thursday
Register of members reopens	1 April 2005, Friday
Free exchange of existing Share certificates for new share certificates commences	4 April 2005, Monday
First day of availability of odd lot facility	4 April 2005, Monday
Despatch of the Prospectus Documents	6 April 2005, Wednesday
Latest time for lodging application for Offer Shares and payment	4:00 p.m. on 22 April 2005, Friday
Latest time for the Open Offer to become unconditional	4:00 p.m. on 27 April 2005, Wednesday
Announcement of results of the Open Offer	29 April 2005, Friday
Share certificates for Offer Shares and Bonus Shares to be posted	3 May 2005, Tuesday
Dealing in Offer Shares and Bonus Shares commences	5 May 2005, Thursday
Last day of availability of odd lot facility	6 May 2005, Friday
Free exchange of existing Share certificates for New Share certificates ends	6 May 2005, Friday

Since the Capital Reduction under Cayman Islands law requires sanction of the Cayman Islands court, it is expected that the Capital Reorganisation will take three months from the date of EGM to complete for the necessary court proceedings and obtaining the requisite order from the Cayman Islands court.

Dates stated in this announcement for events in the timetable for are indicative only and may be extended or varied. Any changes to the anticipated timetable for the change of Company name, the Capital Reorganisation, the amendment to the articles of association of the Company and the Open Offer will be announced as appropriate.

(4) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In order to facilitate the Open Offer by enabling the Company to allot and issue the Bonus Shares and the Bonus Warrants and to provide the Company with flexibility to raise capital from its Shareholders in the future, the Directors propose to

amend article 153 of the articles of association of the Company to allow a distribution to Shareholders on such non pro-rata basis as the Directors may approve. Such amendment requires the sanction of a special resolution passed by the Shareholders at the EGM, which is one of the conditions to which the Open Offer is subject.

GENERAL

The EGM will be held to consider and, if thought fit, passing the resolutions to approve, among others, the change of Company name, the Capital Reorganisation, the amendment to the articles of association of the Company and the Open Offer.

A circular containing, among other things, details of the proposed change of Company name, the Capital Reorganisation, the amendment to the articles of association of the Company and the Open Offer and the notice of the EGM, will be despatched to the Shareholders as soon as possible.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Thursday, 4 November 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 18 November 2004.

DEFINITIONS

“Application Form(s)”	the application form(s) for use by the Qualifying Holders to apply for the Offer Shares
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the bonus issue of Bonus Shares and Bonus Warrants with the Offer Shares on the basis of one Bonus Share for every fully paid Offer Share and eight Bonus Warrants for every ten fully paid Offer Shares
“Bonus Shares”	not less than 67,000,000 but not more than 69,500,000 New Shares to be allotted and issued to the first registered holders of the Offer Shares on the basis of one bonus share (credited as fully paid) for every fully paid Offer Share
“Bonus Warrants”	not less than 53,600,000 but not more than 55,600,000 warrants conferring rights to subscribe for one New Share each at the initial subscription price of HK\$0.40 to be allotted and issued to the first registered holders of the Offer Shares on the basis of eight bonus warrants for every ten fully paid Offer Shares
“Capital Reduction”	the proposed reduction of the nominal value of each of the issued Shares from HK\$0.10 each to HK\$0.001 each by the cancellation of HK\$0.099 paid up on each issued Share
“Capital Reorganisation”	the Capital Reduction, the Share Subdivision and the Share Consolidation
“Companies Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Jackley Holdings Limited, a company incorporated in the Cayman Islands under the Companies Law, the issued Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“DNTC Shares”	a total of 95,000,000 Shares allotted and issued to the DNTC Vendors (as to 47,500,000 Shares each) as consideration for the acquisition of an aggregate 51 per cent. equity interests in DNTC Investment Limited
“DNTC Vendors “	Mr. Ng Yau Wah and Mr. Choi Hok Ya
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among others, the Capital Reorganisation, the Open Offer and the amendment to the articles of association
“Excess Application Forms”	the form of application for use by the Qualifying Holders to apply for excess Offer Shares not initially taken up under the Open Offer
“Excluded Shareholders”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient to exclude any such Shareholder on account either of the legal restrictions under the laws of the place of his/her/its registered address or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HSH Shares”	the 50,000,000 Shares to be allotted and issued to SZSHS as consideration for the acquisition of the remaining 49 per cent. interests in 惠陽協凱晟地毯有限公司 (Hui Yang Xie Kai Cheng Carpet Co. Ltd.), a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lam”	Mr. Lam Shu Chung, an executive Director and the beneficial owner of the entire issued share capital of Prime Orient
“New Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective, which represents, based on the existing shareholding structure, authorised share capital of 6,734,000,000 shares, issued share capital of 134,000,000 shares and unissued share capital of 6,600,000,000 shares
“Offer Shares”	not less than 67,000,000 New Shares and not more than 69,500,000 New Shares proposed to be offered to the Qualifying Holders for subscription pursuant to the Open Offer
“Open Offer”	the proposed issue of the Offer Shares by way of open offer with Bonus Issue to the Qualifying Holders on the terms to be set out in the Prospectus Documents and summarised herein
“PRC”	the People’s Republic of China
“Prime Orient”	Prime Orient International Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Lam
“Prospectus”	the Open Offer prospectus
“Prospectus Documents”	the Prospectus, the Application Form and the Excess Application Form
“Qualifying Holders”	the Shareholder(s) other than Excluded Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown in the register of members of the Company are in Hong Kong
“Record Date”	31 March 2005, being the date by reference to which entitlements to the Open Offer will be determined
“Reduced Share(s)”	share(s) of HK\$0.001 each in the issued and unissued share capital of the Company upon the Capital Reduction and Share Subdivision becoming effective
“Registrar”	Tengis Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, the Company’s branch share registrar in Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Consolidation”	the proposed consolidation of every 10 issued and unissued Reduced Share into 1 New Share
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation
“Shareholder(s)”	holder(s) of Shares or, after the Capital Reorganisation becoming effective, holder(s) of New Shares
“Share Subdivision”	the proposed subdivision of each unissued Share into 100 Reduced Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.25 per Offer Share pursuant to the Open Offer
“SZSHS”	深圳市豪盛和實業有限公司 (transliterated as Shenzhen Hao Sheng He Industrial Company Limited)
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 3 November 2004 entered into between the Company and the Underwriter in relation to the Open Offer
“Underwritten Shares”	not less than 36,663,750 but not more than 39,163,750 Offer Shares underwritten by the Underwriter pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

Hong Kong, 17 November 2004

\* For identification purposes only

As at the date of this announcement, the executive Directors are Mr. Lam Shu Chung and Mr. Law Fei Shing and the independent non-executive Directors are Mr. Liu Ngai Wing, Mr. Lee Siu Leung and Mr. Ha Chun, Michael.

By order of the Board  
**Lam Shu Chung**  
Director