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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

RESULTS

The board of directors (the "Board") of Jackley Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2003 together with the comparative figures for the previous year as follows:

	Note	2003 HK$'000	2002 HK$'000
TURNOVER		**127,338**	182,062
Cost of sales		**(91,252)**	(134,542)
Gross profit		**36,086**	47,520
Other revenue and gains		**3,382**	2,732
Selling and distribution expenses		**(6,450)**	(10,075)
Administrative expenses		**(24,119)**	(24,485)
Other operating expenses		**(11,820)**	(4,062)
Provision for deposit paid		**(9,161)**	–
Provision for bad and doubtful debts and loan receivables		**(17,951)**	–
Long term lease right written off		**(7,524)**	–
Revaluation deficit on plant and equipment		**(6,019)**	–
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	3	**(43,576)**	11,630
Finance costs	4	**(2,168)**	(1,728)
(LOSS)/PROFIT BEFORE TAX		**(45,744)**	9,902
Tax	5	**(3,500)**	(1,053)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		**(49,244)**	8,849
Minority interests		**17,391**	(3,970)
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(31,853)**	4,879
(LOSS)/EARNINGS PER SHARE	6		
– Basic		**(HK2.6 cents)**	HK0.4 cents

Notes:

1. IMPACT OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income Taxes" is effective for the first time for the current year's financial statements.

In prior years, partial provision was made for deferred tax using liability method on all significant timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

In the current year, the Group has changed its accounting policy for deferred tax, following its adoption of SSAP 12 (Revised) issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has not had any material effect on the results for the current year or prior accounting periods.

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue and results information for the Group's business segments.

	Manufacture of carpets 2003 HK$'000	Manufacture of carpets 2002 HK$'000	Trading of carpets 2003 HK$'000	Trading of carpets 2002 HK$'000	Consolidated 2003 HK$'000	Consolidated 2002 HK$'000
Segment revenue:						
Sales to external customers	**87,334**	105,174	**40,004**	76,888	**127,338**	182,062
Segment results	**(7,447)**	22,950	**(4,884)**	(911)	**(12,331)**	22,039
Unallocated revenue					**3,382**	2,732
Unallocated expenses					**(34,627)**	(13,141)
(Loss)/profit from operating activities					**(43,576)**	11,630
Finance costs					**(2,168)**	(1,728)
(Loss)/profit before tax					**(45,744)**	9,902
Tax					**(3,500)**	(1,053)
(Loss)/profit before minority interests					**(49,244)**	8,849
Minority interests					**17,391**	(3,970)
Net (loss)/profit from ordinary activities attributable to shareholders					**(31,853)**	4,879

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

	Hong Kong 2003 HK$'000	Hong Kong 2002 HK$'000	Mainland China 2003 HK$'000	Mainland China 2002 HK$'000	South East Asia 2003 HK$'000	South East Asia 2002 HK$'000	Dubai 2003 HK$'000	Dubai 2002 HK$'000	Consolidated 2003 HK$'000	Consolidated 2002 HK$'000
Segment revenue:										
Sales to external customers	**19,650**	39,522	**59,490**	131,450	**25**	11,090	**48,173**	–	**127,338**	182,062

* *For identification propose only*

3. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging:

	2003 HK$'000	2002 HK$'000
Cost of inventories sold	**73,015**	109,143
Depreciation	**11,346**	14,661
Amortisation of long term lease rights#	**1,700**	1,700
Minimum lease payments under operating leases on		
land and building	**2,797**	3,696
plant and equipment	**148**	3,696
Staff costs (excluding directors' remuneration)		
Wages and salaries	**6,576**	5,808
Retirement benefits scheme contributions	**338**	134
Auditors' remuneration	**800**	950
Revaluation deficit on leasehold land and buildings	**–**	752
Net exchange losses	**251**	51
Loss on disposals of fixed assets**	**2,570**	80
Net unrealised loss on short term investments**	**3,335**	–
Provision for amount due from an associate**	**1,782**	–
Fixed assets written off**	**3,727**	–
Provision for slow-moving and net realisable values of inventories**	**279**	1,812
Provision for bad debts and doubtful debts	**–**	1,418

Included in "Cost of sales" on the face of the consolidated profit and loss account.

** Included in "Other operating expenses" on the face of the consolidated profit and loss account.

4. FINANCE COSTS

	Group 2003 HK$'000	Group 2002 HK$'000
Interest on bank loans overdrafts:		
Wholly repayable within five years	**1,685**	1,404
Repayable beyond five years	**419**	274
Interest on finance leases	**21**	50
Other interests	**43**	–
	2,168	1,728

5. TAX

	Group 2003 HK$'000	Group 2002 HK$'000
Current year provision:		
Hong Kong	**–**	84
Overseas	**3,500**	969
Tax charge for the year	**3,500**	1,053

No provision for Hong Kong profits tax is required since the Company has no assessable profit for the year. The amount provided for the year ended 31 December 2002 was calculated at 16% based on the assessable profit for that year. In 2003, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the year of assessment 2003/2004.

Taxes on profits assessable overseas have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

One of the Company's subsidiaries operating in Mainland China is exempt from the income tax of Mainland China for two years starting from the first profitable year of its operations, and is entitled to a 50% relief from the income tax of Mainland China for the following three years under the Income Tax Law of Mainland China. Upon expiry of the tax relief period, the subsidiary will be subject to the full income tax rate of 33%. This subsidiary has not commenced to generate any assessable profits arising in Mainland China since the date of its establishment.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net (loss)/profit attributable to shareholders for the year of approximately HK$31,853,000 (2002: profit of HK$4,879,000), and the weighted average of 1,245,000,000 (2002: 1,245,000,000 shares after adjusting for bonus issue in 2002).

Diluted (loss)/earnings per share amount has not been disclosed as no diluting events existed in both 2002 and 2003.

7. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2003 (2002: HK$ Nil).

8. COMPARATIVE AMOUNTS

As further explained in the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

SUMMARY OF AUDITORS' REPORT

The evidence regarding opening figures and comparative figures available to the auditors was limited. Financial statements for the year ended 31 December 2002 were audited by another firm of accountants who have expressed a disclaimer opinion as to whether the financial statements gave a true and fair view of the state of affairs of the Company and of the Group and of the profit and cash flows of the Group.

The present auditors were not given access to the audit files of the previous auditors for the year ended 31 December 2002 for review of prior year audit files and they have not been able to carry out alternative audit procedures covering the year ended 31 December 2002 to enable them to express an opinion on the figures brought forward as at 1 January 2003 and the comparative figures in these financial statements.

Any adjustment to the opening figures would have a consequential significant effect on the results of the Group for the year ended 31 December 2002 and 2003.

Fundamental uncertainty relating to going concern basis

The financial statements have been prepared on a going concern basis, the validity of which is subject to the successful outcome of the measures to be implemented by the Company and the Group for the future operations and financing of the Group. The financial statements do not include any adjustments that would result from the failure of these measures. Even though appropriate disclosures have been made, the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that the present auditors disclaimed their opinion.

Disclaimer of opinion

Because of the significant of the possible effects of the limitation in evidence available to the auditors' regarding the figures brought forward as at 1 January 2003 and of the fundamental uncertainty relating to appropriateness of the going concern basis as set out above, the present auditor are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit and loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on the auditors' work relating to the opening balances and comparative figures referred above, they have not obtained all the information on our work relating to the opening balances; and they were unable to determine whether proper books of accounts had been kept.

USE OF PROCEEDS FROM THE NEW ISSUE

In connection with the Listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 26 July 2001, the Group raised approximately HK$46 million, net of related expenses.

Approximately HK$2 million has been applied for the acquisition of additional production equipment and machinery for the manufacture of the Group's existing products, approximately HK$8 million for the establishment of marketing offices, approximately HK$8 million for the promotion and marketing of the Group's products and approximately HK$14 million as general working capital during prior years. Approximately HK$14 million which has been placed on short-term deposits with financial institution in Hong Kong, originally intended for the acquisition of production equipment and machinery for the manufacture of carpet tiles been utilised to reduce bank borrowings with financial institutions in Hong Kong as at 31st December 2003.

	Propose	2001	2002	**2003**
Purchase Carpet tile line	14,000,000			
Purchase of Plant & Machinery	2,000,000	2,000,000		
Marketing offices	8,000,000	3,000,000	5,000,000	
Promotion & Marketing	8,000,000	4,000,000	4,000,000	
General working capital	14,000,000	14,000,000		
Reduction of Bank borrowing				**14,000,000**
IPO Proceeds	46,000,000	23,000,000	9,000,000	**14,000,000**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company used the year to consolidate and focus on the core business, that is, CARPET MANUFACTURING AND DISTRIBUTION. Our annual report reflects provisions against non-core investments and doubtful debts as well as provisions against potential tax liabilities. The amount provided on all these issues for 2003 accounts was about HK$49 million.

The Company undertook actions in respect of the management and the sales group of 12 people who left the organization and proceeded to move our customer base to their new company. This will culminate in future court action being undertaken in Hong Kong, that combines actions against Interface and the old management in a claim by Jackley Holdings Limited.

The Company also took action in reducing bank debt. The reduction was in the magnitude of approximately HK$60 million and in fact, at post balance date as this report is being written the unsecured and net balance outstanding to banks is HK$12m

The Company went to great lengths to ensure that all areas of review for the audit of 2003 books were open and decisive in our relationship with the new Audit group from RSM Nelson Wheeler. Our "clean the decks" approach has given strength to the platform for better results in 2004.

The Company also took very decisive action in positioning itself for future growth and profitability. They are;

- The acquisition of the 49% stake held by the China Joint Venture partner in the Hui Yang carpet factory.
- The acquisition of the Factory Land and Buildings in Hui Yang.
- The establishment of export selling into the Middle-east, USA, Japan and Korea
- The signing of major supply contracts for the domestic China market at a value of RMB40 million each year for the next 3 years.
- The launch of the "cash & carry" tile product for the mass retail market. The product is called "Jackley in a Box".
- The awarding to the Hui Yang factory of the first ISO14001 Certification highlighting the success of our environmental management systems.
- The opening of our first "Carpet Centre" in the e-Home department store at Shenzhen.
- The restructuring of the sales organization throughout China and Hong Kong by firstly improving the quality of our team, and secondly training them to sell carpet tile and broadloom product

While the **CARPET TILE** distribution business of the company received a positive push with the gain of the distribution rights to Shaw Industries carpet products for Hong Kong and the PRC (Shaw is the worlds largest manufacturer of carpet and is owned by Berkshire Hatherway), there was a negative effect in the change over from the Interface product. The real break through has been the introduction of our own carpet tile range that is being sold by the sales team in a more rounded offering to the customers when combined with the high end Shaw products. This strategy allows us to address about 70% of the available market segment, rather than the 12% that the single supplier, single product strategy which Interface imposes on the Group. The China Carpet Association numbers indicated the PRC market to be valued over HK$500 million for the year 2004 and over HK$800 million in the Hong Kong market.

In the **BROADLOOM** manufacturing environment we moved the operation from being an OEM manufacturer for local resellers in the PRC to a standard range and OEM manufacturer focused on the hospitality market. Additional to the OEM reseller market we now take orders direct through our own sales offices from designers, developers, wholesalers and acts as a "broker" for other factories in supplying to this expanded customer base. The real growth in this part of our business is the Export market and in the reporting year the factory has shipped to USA, Japan, Korea and the Middle-east. Again as this report is being prepared the Company is finalizing distribution arrangements for America and Canada.

The China Carpet Association numbers indicated a market size in the year 2004 to be over 100 million M^2 with a value of over HK$4 billion. In Hong Kong the market is estimated at about HK$400 million.

PROSPECTS

The Company is well positioned for a stronger result in 2004. We are now structured to grow organically within the HK$4.5 billion of the PRC and Hong Kong. The focus on growth will be on the hospitality and commercial markets.

We will use the new industry relationships with key international suppliers to take advantage of technology and intellectual transfers. We have opened many doors in the export market with distributor arrangements in over 7 countries.

The goal is to have a 24/7 utilization on the 9 tufting machines we have in the Hui Yang complex. Future potential acquisitions is inevitable as the consolidation of the provincial based carpet manufacturing into a national based occurs with the effect of WTO.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2003, the Group had cash and bank balances amounted to HK$1 million (2002: HK$23 million) and the Group's total interest-bearing bank borrowings amounted to HK$40 million (2002: HK$82 million) and all bank borrowings were denominated in Hong Kong dollars. The maturity profile of the Group's outstanding floating interest-bearing bank borrowings was all repayable within one year.

Charge on group assets

At the balance sheet date, the Group's bank borrowings were secured by (i) first legal charges on the Group's leasehold land and buildings and investment property in Hong Kong and the PRC with carrying value of HK$24 million (2002: HK$17 million) and (ii) corporate guarantees given by the Company and certain subsidiaries of the Company.

Current and gearing ratio

As at 31 December 2003, the Group had total assets of HK$221 million (2002: HK$283 million), total liabilities of HK$76 million (2002: HK$97 million), indicating a gearing ratio 0.34 (2002: 0.34) on the basis of total liabilities over total assets. The current ratio of the Group for the year was 0.78 (2002: 2.05).

Foreign currency fluctuation

The Group does not have any significant exposure to foreign currency fluctuation.

Contingent liabilities

As at 31 December 2003, the Group did not have any significant contingent liabilities except as provided below:–

1. In December 2003, the Company and one of its wholly-owned subsidiaries were brought into litigation by a major supplier for the Group's carpet-tile business for a winding-up intention over some disputed trade debts, amounting to approximately HK$8 million ("judgement debts") of which HK$6.9 million was provided in the Group's financial statements. Nevertheless, the Company had filed in an application to the High Court for an interim stay of execution in respect of the judgment debts and has successfully obtained a court order in early February 2004. The Company had opposed to litigation on grounds that its abovementioned subsidiary has a counterclaim against the said supplier for breach of a distribution agreement with a claim for damages exceeding the judgment debts.

2. Subsequent to the financial year-end, one of the Company's wholly-owned subsidiaries has received a Writ of Summons for liquidated damages in respect of its commercial property situated at Shun Tak Centre for breach of the Sales & Purchase contract. The Directors are of the opinion that the outcome of the case has no significant impact on the Group and thus no provision is necessary.

3. As at 31 December 2003, the Company had provided corporate guarantees to banks for banking facilities extended to certain subsidiaries of approximately HK$59,770,000 (2002: HK$97,447,000). These banking facilities had been utilized to the extent of approximately HK$39,324,000 (2002: HK$54,456,000) as at the balance sheet date.

Staff and remuneration policy

The total number of employees employed by the Group as of 31 December 2003 remains unchanged as compared with previous years. The Group recognises the importance of maintaining good working relationships with its employees and accordingly, strives to maintain remunerations at competitive levels and in line with industry practice. In addition, the Company has adopted a share option scheme of which the Board may, at its discretion, grant options to employees of the Group. The Company has granted no share options during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June to 7 June 2004, both dates inclusive, during which period no transfer of shares will be registered.

CODE OF BEST PRACTICE

In the opinion of the Directors of the Company, the Company has complied with the Code of Best Practice (the "Code") as set out in appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange since the listing of the Company's shares on the Stock Exchange on 26 July 2001.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

FULL DETAILS OF FINANCIAL INFORMATION

The annual report of the Company, including the information required by paragraphs 45(1) to 45(8) of appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Anthony Henry Serra
Chief Executive Officer
and Executive Director

Hong Kong, 29 April 2004

The existing Board of Directors of the Company consists of four executive directors, namely Messrs. Wong Kwai Wah, Anthony Henry Serra, Chew Kean Eng and Khoo Chuan Teng and two independent non-executive directors, namely Messrs. Liu Ngai Wing and Ong Hong Hoon.