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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
DISCLOSEABLE TRANSACTION
DNTC ACQUISITION
APPOINTMENT OF COMPANY SECRETARY
RESUMPTION OF TRADING

DNTC Acquisition On 10 September, 2004, the Company, Orient Carpet and the Vendors entered into the Sale and Purchase Agreement pursuant to which Orient Carpet agreed to purchase, and the Vendors agreed to sell, 1,020,000 shares of DNTC, representing 51% of the issued share capital of DNTC, for a consideration of HK\$9,500,000. The consideration, which was arrived at after arm's length negotiations between the parties, will be satisfied by the issue of the Consideration Shares. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 7 June, 2004. Completion of the Sale and Purchase Agreement is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares. It is expected that Completion will take place on the third business day after the condition precedent of the Sale and Purchase Agreement has been fulfilled. If the condition precedent is not fulfilled within 60 days from the date of the Sale and Purchase Agreement (or such later date as the parties to the Sale and Purchase Agreement may agree), the Sale and Purchase Agreement will lapse. The DNTC Acquisition constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules for the Company and, in accordance with the requirements set out under Rule 14.38 of the Listing Rules, a circular will be sent to the Shareholders giving details of the transaction. The Directors consider the terms of the Sale and Purchase Agreement have been determined based on arm's length negotiations, in particular, taking into account the expected cost savings to be achieved through reduction in overhead expenses which in turn would enhance the profitability of the Group as well as the product range and marketing capability of DNTC. The DNTC Acquisition is in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole. Appointment of Company Secretary The Board wishes to announce the appointment of Mr. Law Fei Shing, an executive Director, as the company secretary of the Company with effect from 9 September, 2004. General Application will be made to the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares. A circular of the Company containing details of the DNTC Acquisition will be sent to the Shareholders as soon as practicable. Resumption of trading Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 13 September, 2004. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 September, 2004.
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DNTC ACQUISITION
Sale and Purchase Agreement
Date: 10 September, 2004

Parties: The Vendors
Orient Carpet as the purchaser
The Company as the issuer

Orient Carpet is a wholly-owned subsidiary of the Company which is engaged in the trading and installation of carpets. Subject to the fulfilment of the condition of the Sale and Purchase Agreement, Orient Carpet agreed to purchase, and the Vendors agreed to sell 1,020,000 shares of DNTC, representing 51% of the issued share capital of DNTC.
The Directors have made all reasonable enquiries and confirm that to the best of their knowledge, information and belief, the Vendors are third parties independent of the Company and its connected persons.

Each of the Vendors held a 50% equity interest in DNTC prior to the DNTC Acquisition. Following the DNTC Acquisition, Orient Carpet will own 51% equity interest and become the major and controlling shareholder of DNTC. The remaining 49% of the issued share capital of DNTC will continue to be owned by the Vendors in equal proportion. The shares of DNTC are identical in all respects.

The Directors consider the terms of the Sale and Purchase Agreement have been determined based on arm's length negotiations, in particular, taking into account the expected cost savings to be achieved through reduction in overhead expenses which in turn would enhance the profitability of the Group as well as the product range and marketing capability of DNTC, and are fair and reasonable as far as the Shareholders are concerned. They are also of the view that the DNTC Acquisition is in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

Consideration
The consideration of HK\$9.5 million was arrived at after arm's length negotiations between the parties. The consideration will be satisfied by the Company issuing 95,000,000 Consideration Shares at HK\$0.10 per Share to the Vendors. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 7 June, 2004.

The consideration pursuant to the Sale and Purchase Agreement will be satisfied by the issue of the Consideration Shares and does not involve the issue of securities of any subsidiary of the Company. This announcement is issued for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for Shares. Orient Carpet will remain as a wholly-owned subsidiary of the Company upon completion of the DNTC Acquisition.

Set out below is the shareholding structure of the Company before and after the DNTC Acquisition:

	Before the DNTC Acquisition		After the DNTC Acquisition	
	No. of Shares	%	No. of Shares	%
Prime Orient International Limited (Note 1)	511,725,000	41.10	511,725,000	38.19
Brilliant Path Limited (Note 2)	110,000,000	8.84	110,000,000	8.21
Mr. Ng Yau Wah	-	-	47,500,000	3.54
Mr. Choi Hok Ya	-	-	47,500,000	3.54
Public	623,275,000	50.06	623,275,000	46.51
	<u>1,245,000,000</u>	<u>100.00</u>	<u>1,340,000,000</u>	<u>100.00</u>

- Notes:
- Prime Orient International Limited, the controlling Shareholder, is wholly and beneficially owned by Mr. Lam Shu Chung, a Director.
 - Brilliant Path Limited is beneficially owned by Mr. Lam Yat Sing.

Condition
Completion of the Sale and Purchase Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consideration Shares. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Completion
Completion of the Sale and Purchase Agreement will take place on the third business day after the condition precedent of the Sale and Purchase Agreement has been fulfilled. If the condition precedent is not fulfilled within 60 days from the date of the Sale and Purchase Agreement (or such other date as the parties to the Sale and Purchase Agreement may agree), the Sale and Purchase Agreement will lapse and neither party shall have any claim against the other in connection with the Sale and Purchase Agreement.

INFORMATION ON THE GROUP
The Group is principally engaged in the manufacture and distribution of carpet. For the year ended 31 December, 2003, the Group recorded a turnover of approximately HK\$127.3 million, or approximately a 30% decrease from approximately HK\$182.1 million in the previous year. Net

loss attributable to Shareholders for the year ended 31 December, 2003 amounted to approximately HK\$31.9 million compared to a net profit of approximately HK\$4.9 million for the year ended 31 December, 2002 and was mainly attributable to the provision for and writing-off of bad and doubtful debts as well as revaluation of fixed assets during the period.

INFORMATION ON DNTC
DNTC was incorporated in Hong Kong in 1986 and is headquartered in Hong Kong. DNTC is the authorised dealer in Hong Kong and the PRC to a number of major carpet manufacturers. In addition to trading and distribution of carpets, DNTC also provides consultation services including design, selection and carpet installation to institutional customers such as international hotel groups, service apartment management companies, governments as well as to private homes in Hong Kong and the PRC.

DNTC recorded audited turnover and after-tax net loss of approximately HK\$21.0 million and approximately HK\$0.1 million respectively for the financial year ended 31 March, 2003. For the financial year ended 31 March, 2004, its audited turnover and after-tax net profit were approximately HK\$15.4 million and HK\$0.4 million respectively. The audited net asset value of DNTC as at 31 March, 2004 was approximately HK\$1.0 million.

Being in the same industry, the management of the Group is familiar with the businesses of DNTC. As part of the due diligence for the DNTC Acquisition, the Directors have reviewed the audited accounts of DNTC, conducted site visits as well as discussions with the management and marketing personnel of DNTC on its business operations and customer profiles. The results of the due diligence were satisfactory.

BASIS OF THE CONSIDERATION AND REASONS FOR THE DNTC ACQUISITION
Based on the closing price of the Shares of HK\$0.035 on 10 September, 2004, being the last trading day prior to the release of this announcement and the average closing price of approximately HK\$0.036 for the last five trading days prior to the release of this announcement, the Consideration Shares would be valued at approximately HK\$3.3 million and HK\$3.4 million respectively. These represent discounts of about 65% and 64% discounts to consideration of HK\$9.5 million. The discounts are due to the fact that the Company is not able to issue Shares at below its par value of HK\$0.10 per Share.

The market value of the Consideration Shares of approximately HK\$3.3 million, which represents the consideration for 51% of the issued share capital of DNTC as discussed above, values the entire share capital of DNTC at approximately HK\$6.5 million. This is about 6.5 times of the net asset value of DNTC as at 31 March, 2004.

The Group is currently engaged in the manufacture and sale of broadloom or wall-to-wall carpets and has the distribution rights in Hong Kong and the PRC in respect of carpet tiles of Shaw Industries, an international carpet company. The Group's customers are mainly from the commercial sector.

The Directors believe that the value of DNTC lies in its comprehensive range of products and services as well as its experienced marketing team. It specialises in the supply, design, installation, trading and contracting of carpet products. DNTC distributes a range of international branded carpet products such as hand-tufted carpets, woven axminster and wilton carpets of Brintons Carpet, nylon-tufted carpets of Fabrica, carpet underpads of Interfloor and woven axminster and carpet tiles of Shanhua, in Hong Kong and the PRC. In addition to the commercial sector, DNTC also sells its products to the hospitality sector such as hotels, club house and service apartments. The senior management of DNTC has more than 20 years of experience in the carpet industry and DNTC has an experienced marketing team with more than 20 personnel, which are based in Hong Kong, Beijing and Shanghai.

Having considered the current operating environment which is highly competitive in terms of price, quality and services and the merits of DNTC as described above, the Directors consider that DNTC's established sales network and marketing team will assist in boosting the sales of broadloom carpets manufactured by the Group and carpet tiles which it distributes and strengthen the Group's market position in Hong Kong and the PRC. DNTC's presence in the PRC may also facilitate the Group's marketing efforts and facilitate its business expansion in this market. The Directors also believe that the acquisition of DNTC will broaden the Group's current range of products and services offered.

When considering the DNTC Acquisition, the Directors have taken into account that the valuation of DNTC of HK\$6.5 million under the Sale and Purchase represents a substantial premium to the net asset value of DNTC. However, they expect that significant cost savings can be achieved through reduction in overhead cost duplication following the DNTC Acquisition. They also believe that the value of DNTC to the Group lies in its reputation, diverse service and product ranges as well as marketing capability, which are intangible in nature. Therefore, the Directors are of the view that the DNTC Acquisition is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

APPOINTMENT OF COMPANY SECRETARY
The Board is pleased to announce the appointment of Mr. Law Fei Shing, an executive Director, as the company secretary of the Company with effect from 9 September, 2004.

Mr. Law Fei Shing, aged 44, is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants. He is the founder of F S Law & Co, a firm of public accountants, of which he is currently a partner.

GENERAL
The DNTC Acquisition constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules for the Company and in accordance with the requirements set out under Rule 14.38 of the Listing Rules, a circular containing details of the DNTC Acquisition will be sent to the Shareholders as soon as practicable.

RESUMPTION OF TRADING
Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 13 September, 2004. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 September, 2004.

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. Ong Hong Hoon, Mr. Lee Siu Leung and Mr. Ha Chun, Michael.

DEFINITION
In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Board"	the board of Directors
"Company"	Jackley Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
"connected person"	the meaning ascribed thereto in the Listing Rules
"Consideration Shares"	the 95,000,000 new Shares to be issued by the Company as consideration for the DNTC Acquisition
"Directors"	the executive directors, non executive directors and independent non-executive directors of the Company
"DNTC"	DNTC Investment Limited, a company incorporated in Hong Kong with limited liability and the entire issued share capital of which is beneficially owned by the Vendors
"DNTC Acquisition"	the acquisition of 51% of the equity interest in DNTC pursuant to the Sale and Purchase Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Orient Carpet"	Orient Carpet Trading Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China
"Sale and Purchase Agreement"	the sale and purchase agreement dated 10 September, 2004 entered into between the Company, Orient Carpet and the Vendors in relation to the DNTC Acquisition
"Share(s)"	ordinary share(s) of HK\$0.10 each in the capital of the Company
"Shareholder(s)"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendors"	Mr. Ng Yau Wah and Mr. Choi Hok Ya, who respectively is legal and beneficial owner of 1,000,000 ordinary shares and 1,000,000 ordinary shares of HK\$1.00 each in DNTC
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
	By order of the board of Jackley Holdings Limited Lam Shu Chung Director

Hong Kong, 20 September, 2004
* For identification purpose only