



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 UNAUDITED INTERIM RESULTS 2004

The board of directors (the "Board" or "Directors") of Jackley Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2004 (the "Period"). The unaudited consolidated results have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Notes	Six months ended 30 June 2004		2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
TURNOVER	2	6,871	67,862
Cost of sales		(9,747)	(55,336)
Gross (loss)/profit		(2,876)	12,526
Other revenue and gains		547	177
Selling and distribution expenses		(612)	(1,101)
Administrative expenses		(6,371)	(9,312)
Other operating income		14	—
Gain on disposal of properties		5,340	—
Write back of provision for loan receivables		900	—
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	4	(3,058)	2,290
Finance costs	5	(1,583)	(965)
(LOSS)/PROFIT BEFORE TAXATION		(4,641)	1,325
Taxation	6	—	—
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(4,641)	1,325
Minority interests		2,240	9
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(2,401)	1,334
DIVIDEND	7	—	—
(LOSS)/PROFIT PER SHARE	8	(0.2 cents)	0.1 cent

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited condensed consolidated financial statements for the Period of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 2.125 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed financial statements should be read in conjunction with the 2003 annual report of the Company.

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Period. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

- on a primary segment reporting basis, by business segment; and
- on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- the manufacture of carpets segment represents the manufacture and sale of carpets under the Group's own brand name; and
- the trading of carpets segment represents the trading of carpets of other renowned brand names.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers.

(a) Business segments

The following table presents revenue and results for the Group's business segments.

	Manufacture of carpets six months ended 30 June 2004		Trading of carpets six months ended 30 June 2004		Consolidated six months ended 30 June 2004	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	5,122	52,929	1,749	14,933	6,871	67,862
Segment results	(4,570)	7,904	(3,649)	(1,893)	(8,219)	6,011
Unallocated revenue					135	177
Unallocated expenses					(1,214)	(3,898)
(Loss)/profit from operating activities					(9,298)	2,290
Finance costs					(1,583)	(965)
Gain on disposal of properties					5,340	—
Write back of provision for loan receivables					900	—
(Loss)/profit before tax					(4,641)	1,325
Taxation					—	—
(Loss)/profit before minority interests					(4,641)	1,325
Minority interests					2,240	9
(Loss)/profit attributable to Shareholders					(2,401)	1,334

(b) Geographical segments

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

	Hong Kong Six months ended 30 June 2004		Elsewhere in The people's Republic of China (the "PRC") Six months ended 30 June 2004		Consolidated Six months ended 30 June 2004	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	1,843	11,838	5,028	56,024	6,871	67,862
Segment results	(2,932)	(1,173)	(5,287)	7,184	(8,219)	6,011

4 (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June 2004		2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
Cost of inventories sold	5,583		55,336
Depreciation	3,848		7,328
Amortisation of long term lease rights	—		850
Loss on disposal of short term investment	88		—
Interest income	—		(171)
Write back of staff and directors' salaries	2,913		—

5 FINANCE COSTS

	Six months ended 30 June 2004		2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
Interest on bank loans and overdrafts			
Wholly repayable:			
Within five years	1,583		756
After five years	—		198
Interest on finance leases	—		11
	1,583		965

6 TAX

No provision for Hong Kong profits tax is required since the Group has no estimated assessable profit for the Period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislating, interpretations and practices in respect thereof.

7 DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the Period (2003: Nil).

8 (LOSS)/PROFIT PER SHARE

The calculation of basic (loss)/profit per share for the Period is based on the net loss from ordinary activities attributable to shareholders for the Period of HK\$2,401,000 (2003: Profit of HK\$1,344,000) and the weighted average number of 1,245,000,000 (2003: 1,245,000,000) ordinary shares in issue during the Period.

There were no potential dilutive ordinary shares in existence for the six months ended 30 June 2004 and 2003 and accordingly, no diluted earnings per share amounts have been presented for either of the two periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months period ended 30th June 2004, the Group recorded a turnover of HK\$6.9 million and a loss before tax attributable to Shareholders of HK\$2.4 millions. The turnover of the Group was substantially decreased by approximately 89.9% as compared to the corresponding period of last year and this reduction was mainly due to the liquidity and uncertain economic conditions which in turn seriously affected the Group turnover and profitability. The negative effect over the change of the Group major distribution product has also contributes significant to the loss of revenue and profit for the business.

The result from ordinary activities attributable to Shareholders was decreased from HK\$1.3 millions in the 2nd half of 2003 to HK\$ (2.4 millions) for the six months ended 30th June 2004 represent a decreased of approximately of 280%. Although the Group has reported gains of approximately HK\$5.3 millions from disposal of properties but the favourable effect was offset by the loss from operation activities. Accordingly, the earning per share was decreased from HK0.1 cents in the 2nd half of 2003 cents to (HK0.20) cents for the six months ended 30th June 2004, but a 92% improvement as compare to the financial result ended 31st December 2003. The Group has reduced its cost of operation by approximately responding period of last year.

Nevertheless, the Group continued to focus on the existing core business CARPET MANUFACTURING AND DISTRIBUTION and is undergoing restructuring to position itself for future growth and profitability. The restructuring includes inter-alia the sale and divestment of non-core subsidiaries and investment.

Carpet manufacturing

Subsequent to the period ended 30th June 2004, the Company has in principal completed its acquisition of the remaining 49% minority equity interest in Hui Yang Xie Kia Cheng Carpet Company Limited in which the Group already owns 51% equity interest. Out of the total consideration of HK\$62 million, HK\$47 million was already settled last year in the forms of inventory and trade receivables, and the remaining HK\$15 million will be satisfied pending the allotment and issue by the Company of the consideration shares.

Carpet distribution

Over the carpet distribution division, the Group has on September 2004 through an indirectly wholly owned subsidiary entered into a conditional agreement for the acquisition of 51% equity interest in a company incorporated in Hong Kong and engaged in the supply, design, installation, trading and contracting of a wide range of carpet products in Hong Kong and the PRC for a total consideration of HK\$9,500,000 to satisfied by the allotment and issue by the Company of the consideration shares at HK\$0.10 per share under the general mandate granted to the Directors of the Company. The completion of the agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consideration Shares.

Liquidity and financial resources

Based on the unaudited management account for the six months ended 30th June 2004, the Group's total current assets were HK\$62.06 millions and its total current liabilities were HK\$41.16 millions. For the six months to 30th June 2004, the Group had been paying down its bank borrowings, consequently total bank borrowings were reduced from HK\$40.02 millions in 31st December 2003 to HK\$8.58 millions as at 30th June 2004. The reduction was in the magnitude of approximately HK\$ 31.44 millions mainly repay from the net proceeds for sale of two properties of the Group situated at Hong Kong.

As at 30th June 2004, the Group cash and bank balances were amounted to HK\$ 1.20 millions (31st December 2003: HK\$ 1.14 millions). On May 2004, the Group has procured a third party loan of approximately HK\$ 14.25 millions utilized to repay trade payables and to provide additional working capital for the Group. The loan is secured by way of first fixed and floating charges on all fixed and floating assets of the Group. The loan is initially repayable within three months after date of the drawdown and bearing interest at the rate of 20% per annum. However, subsequent to the balance sheet date ended 30th June 2004, the Group's has procured an extension to the tenure of the said loan until 31st December 2005 with a revised interest rate of 10% per annum.

Segment information

During the period under review the Group recorded a substantial decrease in sales and profit margin both in the manufacturing arm based at PRC and trading arm in Hong Kong as a result of the Group's liquidity position and uncertain economic conditions in which the business segment operate. In addition, the negative effect resulted from the change of the Group major distribution product has also contributes significant to the loss of revenue and profit for the trading arm business. The principal market of the Group continues to be the PRC, which accounted for approximately 73% (2003: 83%) of the Group turnover. Sales to the PRC amounted to approximately HK\$5.0 millions, representing a decrease approximately 91.0% compared to the corresponding period of last year. Sales to Hong Kong region amounted to approximately HK\$1.8 millions, representing a decrease of approximately 84.4% compared to the corresponding period last year.

Number and remuneration of employees

The Group total number of employees has reduced to approximately 120 employees (2003: 180) in Hong Kong and PRC for the period ended 30th June 2004. The Group recognized 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 Group 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 period under review.

Charge on group assets

As at 30th June 2004, the Group's bank borrowing of approximately HK\$76,000 (31st December 2003: HK\$76,000) was secured by first legal charge on the Group's leasehold land and building in the PRC with open market value of approximately HK\$212,000 (31st December 2003: HK\$300,000); and HK\$8,507,000 (31st December 2003: HK\$40,021,000) were secured by corporate guarantees provided by the Company to certain bankers of approximately HK\$27,000,000 (31st December, 2003: HK\$59,710,000).

In addition, the Company third party loan obtained on May 2004 of approximately HK\$ 14.25 millions was secured by way of first fixed and floating charges on all fixed and floating assets of the Group.

Current and gearing ratio

As at 30th June 2004, the Group had total assets of HK\$195 millions (31st December 2003: HK\$221 millions), total liabilities of HK\$55 millions (31st December 2003: HK\$ 76 millions), indicating a gearing ratio 0.28 (31st December 2003: 0.34) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 1.51 (31st December 2003: 0.78).

Foreign currency exposure

The Group did not have any significant exposure to and did not hedge against risks associated with foreign currency fluctuation.

Contingent liabilities

The Group did not have any significant contingent liabilities at the balance sheet date saved as disclosed under the heading of "charge on group assets".

Corporate Restructuring Exercise

On July 2004, Prime Orient International Limited make a mandatory conditional cash offer to acquire all the remaining issued shares capital in the Company which its has not already owned at the offer price of HK\$0.03 per share. The offer was closed and lapsed on 23rd August 2004 and the shareholding structure of the Company remained unchanged throughout and upon the lapse of the said Offer. As a result of the change in control of the Company, three executive Directors namely Mr. Anthony Henry Serra, Mr. Khoo Chuan Teng and Mr. Chew Kean Eng have resigned from their respective positions with effect from 24th August, 2004.

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 Period.

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 Listing Rules of the Stock Exchange, throughout the accounting period covered by the interim report.

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.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30 June 2004, with the management.

On behalf of the Board

Lam Shu Chung

Executive Director and Chief Executive Officer

Hong Kong, 29 September 2004

* For identification purpose only