



# JACKLEY HOLDINGS LIMITED

## 美吉利國際控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS 2002

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 2002 (the “Period”). The unaudited consolidated results have been reviewed by the Company’s audit committee (the “Audit Committee”).

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months ended 30 June 2002

		Six months ended 30 June 2002	2001
	Notes	(Unaudited) HK\$’000	(Unaudited) HK\$’000
TURNOVER	2	123,469	156,594
Cost of sales		(92,539)	(101,665)
Gross profit		30,930	54,929
Other revenue		2,773	622
Selling and distribution expenses		(6,119)	(4,692)
Administrative expenses		(12,209)	(10,026)
Other operating expenses		(924)	(376)
PROFIT FROM OPERATING ACTIVITIES	4	14,451	40,457
Finance costs	5	(464)	(362)
PROFIT BEFORE TAX		13,987	40,095
Tax	6	(1,056)	(10,889)
PROFIT BEFORE MINORITY INTERESTS		12,931	29,206
Minority interests		(195)	887
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		12,736	30,093
DIVIDEND	7	–	10,000
EARNINGS PER SHARE – Basic	8	HK1.0 cent	HK2.9 cents
– Diluted		N/A	N/A

#### NOTES

##### 1. BASIS OF PRESENTATION

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 Society of Accountants.

The accounting policies and basis of presentation adopted in these unaudited condensed consolidated financial statements are consistent with those used in the Group’s consolidated financial statements for the year ended 31 December 2001, except for the adoption of the following revised and new SSAPs which are effective for the first time for the Period:

SSAP 2.101 (Revised):	Presentation of financial statements
SSAP 2.111 (Revised):	Foreign currency translation
SSAP 2.115 (Revised):	Cash flow statements
SSAP 2.125 (Revised):	Interim financial reporting
SSAP 2.133:	Discontinuing operations
SSAP 2.134:	Employee benefits

##### 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		Trading of carpets		Consolidated	
	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001
	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Segment revenue:						
– Sales to external customers	86,064	130,176	37,405	26,418	123,469	156,594
Segment results	17,752	39,891	271	1,053	18,023	40,944
Unallocated revenue					2,773	622
Unallocated expenses					(6,345)	(1,109)
Profit from operating activities					14,451	40,457
Finance costs					(464)	(362)
Profit before tax					13,987	40,095
Tax					(1,056)	(10,889)
Profit before minority interests					12,931	29,206
Minority interests					(195)	887
Net profit from ordinary activities attributable to shareholders					12,736	30,093

##### (b) Geographical segments

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

	Hong Kong		Elsewhere in the People’s Republic of China (the “PRC”)		Consolidated	
	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001
	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Segment revenue:						
– Sales to external customers	19,894	12,006	103,575	144,588	123,469	156,594
Segment results	162	14	17,861	40,930	18,023	40,944

##### 4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June 2002	2001
	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Cost of inventories sold	92,539	101,665
Depreciation	7,228	5,962
Deficit on revaluation of leasehold land and buildings	–	320
Loss on disposal of fixed assets	79	–
Amortisation of long term lease rights	850	850
Provision for bad and doubtful debts	845	–
Unrealised holding gain on securities investment	(1,516)	–
Interest income	(630)	(108)

##### 5. FINANCE COSTS

	Six months ended 30 June 2002	2001
	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Interest on bank loans and overdrafts wholly repayable:		
– Within five years	343	362
– After five years	84	–
Interest on finance leases	37	–
	464	362

##### 6. TAX

	Six months ended 30 June 2002	2001
	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Current period provision:		
– Hong Kong	135	–
– Elsewhere in the PRC	921	10,889
Tax charge for the period	1,056	10,889

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during 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 legislation, interpretations and practices in respect thereof.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2001: Nil).

##### 7. DIVIDEND

	Six months ended 30 June 2002	2001
	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Special dividend	–	10,000

The 2001 special dividend was paid by the Company to its then shareholders prior to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The Directors do not recommend the payment of any interim dividend in respect of the Period.

##### 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of HK\$12,736,000 (2001: HK\$30,093,000) and the weighted average number of 1,245,000,000 (2001: 1,027,500,000 (restated)) ordinary shares in issue during the Period, as adjusted to reflect the bonus issue during the Period, with two bonus ordinary shares issued for every one ordinary share of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appeared on the register of members of the Company on 6 June 2002.

There were no potential dilutive ordinary shares in existence for the six months ended 30 June 2002 and 2001 and, accordingly, no diluted earnings per share amounts have been presented for either of the two periods.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Review of Operations and Financial Performance

During the Period, the Group continued to engage in the design, manufacture and sale of carpets under its own brand name “Jackley” as well as trading of carpets under other renowned brand names such as “Interface”, “Bentley” and “Toli”.

For the Period, the turnover of the Group amounted to approximately HK\$123.5 million (2001: HK\$156.6 million), representing a decrease of approximately 21.1% over the corresponding period of last year, and the net profit from ordinary activities attributable to shareholders for the Period amounted to approximately HK\$12.7 million (2001: HK\$30.1 million), representing a decrease of approximately 57.8% over the corresponding period in the previous year.

During the Period, the Group recorded a decrease in sales and profit margin in the manufacturing arm as a result of continuous price reduction by the PRC competitors. The Group’s trading arm in Hong Kong, managed to stimulate the sales volume by reducing the selling price of international brands which led to a decrease in the profit margin in trading of carpets.

The principal market of the Group continues to be the PRC, which accounted for approximately 83.9% (2001: 92.3%) of the Group’s turnover. Sales to the PRC amounted to approximately HK\$103.6 million, representing a decrease of approximately 28.4% compared to the same period of last year. Sales to Hong Kong amounted to approximately HK\$19.9 million, representing an increase of approximately 65.8% compared to the same period of last year.

The Group continues to face intense competition in the PRC as well as in Hong Kong. Although the Group was operating in an increasingly competitive economic climate, the management focused on the Group’s core competencies and operations through the development of new product ranges as well as spending more on advertising and promotions. During the Period, the Group has set up a number of new marketing offices in the PRC to strengthen the sales network of the Group and has also established a subsidiary in Macau for trading of carpets. Furthermore, in response to the intense competition, the Group continued to postpone the expansion of product range to carpet tiles and corresponding investment in plant and machinery. With its well-established marketing network, the Group managed to maintain profitability and its market position during the Period.

##### Liquidity and Financial Resources

The net current assets of the Group amounted to approximately HK\$89.9 million as at 30 June 2002 (31 December 2001: HK\$79.3 million) comprising prepayments, deposits and other receivables of approximately HK\$11.9 million (31 December 2001: HK\$17.6 million), inventories of

HK\$51.4 million (31 December 2001: HK\$62.0 million), trade receivables of approximately HK\$62.1 million (31 December 2001: HK\$67.2 million), short term investments of approximately HK\$4.4 million (31 December 2001: Nil), pledged time deposits of approximately HK\$27.0 million (31 December 2001: HK\$24.0 million), cash and bank balances of approximately HK\$11.3 million (31 December 2001: HK\$7.4 million). The current ratio of the Group increased from approximately 1.8 as at 31 December 2001 to approximately 2.2 as at 30 June 2002.

The Group had interest-bearing bank borrowings of approximately HK\$52.1 million as at 30 June 2002 (31 December 2001: HK\$10.3 million). The increase in bank borrowings was mainly due to the increase in bank overdrafts and trust receipt loans drawn down during the Period. All of the borrowings were denominated in Hong Kong dollars. The maturity profile of the Group’s outstanding borrowings is spread over a period of 12 years, with approximately 80.2% of the borrowings repayable within one year. Certain assets of the Group have been pledged to secure its borrowings, including bank deposits of approximately HK\$27.0 million (31 December 2001: HK\$24.0 million) and leasehold land and buildings with carrying values of HK\$17.4 million (31 December 2001: HK\$1.0 million).

At 30 June 2002, the Group had total assets of approximately HK\$279.2 million (31 December 2001: HK\$276.7 million) and the total liabilities of approximately HK\$88.8 million (31 December 2001: HK\$99.2 million). The Group’s gearing ratio, measuring as total liabilities to total assets, as at 30 June 2002 was approximately 0.32 (31 December 2001: 0.36).

Although significant portions of sales and purchases are primarily denominated in Renminbi, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the Renminbi. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of its borrowings and for future dividends payable to shareholders. During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2002.

##### Contingent liabilities

At 30 June 2002, the Company had provided corporate guarantees to banks for banking facilities provided to certain subsidiaries. These banking facilities had been utilised to the extent of approximately HK\$27,641,000 (31 December 2001: HK\$10,039,000) as at 30 June 2002.

##### Prospects

While the outlook of the PRC market remains positive, the Group will explore the possibility of strengthening the internal operations to remain cost competitive in view of the growing competitive market situation. The Group is committed to build on our core strengths of expanding marketing network in second-tier cities in the PRC. To diversify the Group’s market portfolio, the Group will continue to seek for opportunities to further expand the overseas sales by exploiting business relationships with multinational corporations. With solid foundation in the carpet industry, the Group will prudently seek opportunities of revenue diversification in order to maximise the shareholders’ value. In the years ahead, the Group will continue to adhere a prudent financial management policy.

During the Period, Mr. Wong Kwai Wah was appointed as the director of the Group. Mr. Wong has extensive experience in management and financial matters. His appointment would certainly bring in new expertise and strengthen the Group’s strategic positioning in the carpet market.

##### Use of Proceeds from the Company’s Initial Public Offering

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, of which approximately HK\$23 million were applied as at 31 December 2001. During the Period, the remaining net proceeds of approximately HK\$23 million were partially applied as follows:

- as to approximately HK\$5 million for the establishment of marketing offices in the PRC; and
- as to approximately HK\$4 million for the promotion and marketing of the Group’s products.

The balance of the proceeds of approximately HK\$14 million was placed on short term deposits with financial institutions in Hong Kong as at 30 June 2002.

The actual and intended applications of the net proceeds from the issue of new shares are consistent with the plans set out in the prospectus of the Company dated 16 July 2001.

##### Number and remuneration of employees

The Group employed a total of approximately 210 employees in Hong Kong and the PRC as at 30 June 2002. The Group recognises the importance of good relationship with employees. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group included mandatory provident fund and medical schemes. At the date of this announcement, no share options have been granted by the Group.

##### DISCLOSURE OF ADDITIONAL INFORMATION

##### 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

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the Period in compliance with the Code of Best Practice (the “Code”) as set out in appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

##### 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 interim results of the Group for the Period had not been audited, but had been reviewed by the Audit Committee.

**Publication of the detailed interim results on the Stock Exchange’s website**  
Information that is required by paragraphs 46(1) to 46(6) of appendix 16 of the Listing Rules will be released on The Stock Exchange of Hong Kong Limited’s website in due course.

On behalf of the Board  
**Lam Yat Sing**  
Chairman

Hong Kong, 25 September 2002

\* For identification purpose only