

Chairman's Statement

On behalf of the board of directors (the Board) of Orient Industries Holdings Limited (the Company) and its subsidiaries (collectively referred to as the Group), I hereby present the annual report of the Company and the Group for the year ended 31 December 2004.

The Group's turnover for the year ended 31 December 2004 was approximately HK\$19.6 million, which represented a decrease of 84.6% compared to the previous year. The administrative expenses for the year ended 31 December 2004 were approximately HK\$21.2 million, which represented a decrease of 12.3% compared to the expenses incurred last year.

The consolidated loss for the year ended 31 December 2004 was approximately HK\$77.5 million (2003: HK\$31.9 million).

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2004 (2003: Nil).

CHANGE OF CONTROLLING SHAREHOLDERS

On 18 June 2004, Prime Orient International Limited ("POIL"), Brilliant Path Limited and Sinotime Limited (collectively referred to as the "Vendors") entered into a conditional sale and purchase agreement that POIL agreed to purchase and the Vendors agreed to sell an aggregate of 511,725,000 shares of the Company ("Sale Shares") for a consideration of HK\$15,351,750 (equivalent to HK\$0.03 per Sale Share). The Sale Share represented approximately 41.10% of the entire issued share capital of the Company as at that date.

Pursuant to Rule 26 of the Hong Kong Code on Takeovers and Mergers, POIL and the parties acting in concert were obliged to make mandatory conditional cash offer ("Offer") to acquire all the issued shares of the Company at a cash price of HK\$0.03. Upon the closing date of the cash offer on 23 August 2004, POIL had received one valid acceptance in respect of 902,000 shares of the Company, representing approximately 0.072% of the total 1,245,000,000 issued shares of the Company. Since the offer did not result in the POIL and parties acting in concert with it having more than 50% of the voting rights of the Company, the Offer did not become unconditional. POIL did not extend the period of the Offer and the Offer therefore lapsed on the first closing date of the Offer.

Following the acquisition and the conditional cash Offer, the Company is now under the management of a new management team embracing experience and knowledge of financing, manufacturing and trading, and will strive to bring favourable profits for the shareholders of the Company.

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CHANGE OF NAME

Pursuant to the approval of shareholders at an extraordinary general meeting held on 31 December 2004, the name of the Company has changed from "Jackley Holdings Limited" to "Orient Industries Holdings Limited" and the Company has adopted the Chinese name from "美吉利國際控股有限公司" to "東方工業控股有限公司" for identification purposes on the same day.

BUSINESS REVIEW

During the year, carpet manufacturing and distribution were the core business. However due to the keen competition in the whole carpet industry in the People's Republic of China ("PRC"), the Group recorded a significant decrease in the profits margin and the turnover. Therefore, sales and marketing offices in Beijing, Guangzhou, Fuzhou and branch office in Shanghai were closed.

The Hong Kong construction and property markets have sloped down for several years and thus the demand of carpets has subsequently dropped. However, a strong growth and recovery in the property market this year and hotel hospitality upgrade programs led to the increase of demand of carpets in local Hong Kong market.

Sales to United States of America were stable, but the profit margin decreased due to the price increase of raw materials which could not be wholly absorbed by the customers. In response to the current competitive environment, the sales and marketing network has been expanded by linking up additional distributors and dealers with the sales efforts into other markets and developing an OEM arrangement with leading rug retailers.

CARPET MANUFACTURING ACQUISITION

On 22 July 2004 the Company, through its indirectly wholly-owned subsidiary, has acquired the remaining 49% minority equity interest in Hui Zhou Orient Carpet Manufacturing Co., Ltd. ("HZOCM") (formerly known as Hui Yang Xie Kai Cheng Carpet Company Limited) from Shenzhen Hao Sheng He Industrial Company Limited for a total consideration of HK\$62 million. HK\$47 million was already settled last year in the forms of inventory and trade receivables of the Group. The balance of the consideration of HK\$15 million was settled by issuance of 50 million shares of the Company at HK\$0.30 per share on 18 January 2005.

DNTC ACQUISITION

On 10 September 2004 Orient Carpet Trading Limited, an indirectly wholly-owned subsidiary, entered into the sale and purchase agreement with Mr. Choi Hok Ya and Mr. Ng Yau Wah to purchase 1,020,000 shares of DNTC Investment Limited (now known as International Carpet Co., Limited ("ICC")), a company incorporated in Hong Kong with the entire issued share capital beneficially owned by Mr. Choi Hok Ya and Mr. Ng Yau Wah, representing 51% of the issued share capital of ICC for a consideration of HK\$9,500,000. The consideration of HK\$9,500,000 was arrived at arm's length negotiation between the parties.

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The directors believe that the value of ICC 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. ICC distributes a range of international branded carpet products such as hand-tufted carpets, woven axminster and carpets of Brintons Carpet. Having considered the current operating environment which is highly competitive in terms of pricing and the services and the merits of ICC as described above, the directors consider that ICC's established sales network and marketing team will assist in boosting the sales of broadloom carpets and carpet tiles manufactured by the Group and strengthening the Group's marketing position in Hong Kong and the PRC.

CAPITAL REORGANISATION

Pursuant to the special resolution passed at the extraordinary general meeting held on 31 December 2004 that the issued share capital of the Company be reduced by canceling paid-up capital to the extent of HK\$0.099 on each existing share of HK\$0.10 of the Company in issue as at the effective date of capital reduction on 10 March 2005, so that each such share shall be treated as one fully paid up share of HK\$0.001 each.

Subject to and forthwith upon the capital reduction and subdivision taking effect, every ten (10) reduced shares be consolidated into one new share with effective on 11 March 2005.

OPEN OFFER

In view of the financial needs of the Company for repaying certain outstanding indebtedness due to certain bankers and independent third parties. The board of directors ("Board") proposes to raise funds by issuing 69,500,000 offer shares at the price of HK\$0.20 per offer share by the way of the open offer on the basis of one offer share for every two new shares held on 10 March 2005.

The estimated net proceeds from the open offer will be approximately HK\$13 million, of which approximately HK\$9.1 million will be applied to repay the outstanding indebtedness and the remaining balance of approximately HK\$3.9 million will be used as general working capital of the Group. The Open Offer was completed on 14 April 2005.

PROPOSED ISSUE OF CONVERTIBLE NOTE

The directors are pleased to announce that the Company entered into the subscription agreement with the subscriber on 15 April 2005 ("Subscription Agreement"), pursuant to which the Company conditionally agreed to issue the convertible note in an aggregate principal amount of HK\$33,000,000 to the subscriber. The subscriber will have the right to convert the whole integral multiple of HK\$1,000,000 of the principal amount of the convertible note into shares at any time before the maturity date falling on the second anniversary of the date of issue of the convertible note at the initial conversion price of HK\$0.12 per share (subject to adjustments).

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Completion of the Subscription Agreement is conditional upon the fulfillment of the conditions including, among other things, (i) The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting approval for the listing of, and permission to deal in, the conversion shares; (ii) the granting of the whitewash waiver by the Executive Director of the Corporate Finance Division of the SFC (the "Executive"); and (iii) the passing of the relevant resolutions at the extraordinary general meeting to approve the subscription, issue of the convertible note and the whitewash waiver.

FUTURE PLAN AND PROSPECTS

Looking forward, the market demand for carpet products will have stable growth due to the recovery of the property market. However the impact of continuous and frequent increase in raw material cost such as polypropylene and nylon due to unstable oil prices would substantially lower profit margin. To help offset the margin pressure, a higher sales turnover would have to be achieved.

The Group will continue to adhere to the strategy of maintaining balanced exposure to both the core carpet business and the new business. The Board will seek any possible ways to raise funds to improve the current tight financial position and to seek new investment. With the new management team embracing experience and knowledge of manufacturing, trading and financing, we strongly believe that we have the necessary skills and expertise to enable us to explore potential investment opportunities that would offer higher returns to shareholders and enhance the group's growth.

EMPLOYEE INFORMATION

As at 31 December 2004, the Group employed a total of 136 (2003: 140) full-time employees, mostly at the Group's subsidiary factories for manufacturing carpets. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides provident fund schemes (as the case may be) to its employees depending on the location of such employees.

APPRECIATION

I would take this opportunity to express my sincere thanks to all shareholders for continuing support, and all the directors and staff of the Group for their loyalty, commitment and diligence in the past year.

By order of the Board

LAM SHU CHUNG

Chairman

Hong Kong, 28 April 2005