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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)

CANCELLATION AGREEMENT TO THE SUBSCRIPTION AGREEMENT AND MEMORANDUM OF UNDERSTANDING AND RESUMPTION OF TRADING

Reference is made to the announcements of the Company dated 23 April 2003, 25 April 2003, 5 May 2003, 22 May 2003 and 16 June 2003.

Pursuant to the Cancellation Agreement made between the Subscriber and the Company, it was agreed that the Subscription Agreement be cancelled with effect from 11 July 2003.

The Company entered into a Memorandum of Understanding with the Subscriber on 11 July 2003, under which the Subscriber will provide funds for the benefit and use of the Company for the purposes of undertaking investments in projects meeting both parties' objectives and criteria, and/or for any other purpose as shall be agreed between the Company and the Subscriber.

At the request of the Company, trading in the Shares has been suspended since 9:30 a.m. on 2 June 2003 pending release of an announcement regarding the Subscription Agreement. The Company has applied to the Stock Exchange to resume trading of the Shares from 9:30 a.m. on 18 July 2003.

Reference is made to the announcements of the Company dated 23 April 2003, 25 April 2003, 5 May 2003, 22 May 2003 and 16 June 2003 relating to the Subscription Agreement under which the Subscriber had conditionally agreed to subscribe for 249,000,000 Shares of HK\$74,700,000 cash in the Company at HK\$0.30 per Share.

CANCELLATION AGREEMENT TO THE SUBSCRIPTION AGREEMENT

Further to our announcement on 16 June 2003 that Ernst and Young was engaged to verify the authenticity of the Financial Instrument, Ernst and Young reported on 27 June 2003 that they were not in position to verify the Financial Instrument as they and the Company did not have the original copy of the Financial Instrument. Subsequent to the Second Supplemental Agreement as announced on 16 June 2003, the Company had by an extension letter dated 30 June 2003 granted a further extension to the Subscriber to pay the Subscription Consideration until 11 July 2003 or such later date as the Company may agree in writing.

In order to facilitate a resumption in the trading of the Company's shares and given that numerous extensions have already been granted for the completion of the Subscription Agreement, the Subscriber and the Company have under the Cancellation Agreement agreed to cancel the Subscription Agreement and move to a Memorandum of Understanding with effect from 11 July 2003, without prejudice to the rights and interests of the Company to recover further damages suffered by the Company arising from the Subscription Agreement and the cancellation thereof. Even though the Subscription Agreement has been cancelled, the Subscriber has now started the process of negotiation of a Joint Venture Agreement as of 11 July 2003. The Board believes this cancellation has no material operational or financial impact on the Company, as negotiations for a Joint Venture Agreement continue and as proceeds from the Subscription Consideration have not been factored into the Company's budget.

Mr Anthony Henry Serra, a representative of the Subscriber, was appointed to be an executive director with effect from 16 April 2003. In order for the group to continue to benefit from Mr Serra's experience and expertise in public company management and product and distribution growth, the Company intends to retain and Mr Serra has agreed to remain as an executive director.

MEMORANDUM OF UNDERSTANDING

The principle businesses of the Group are manufacturing and trading of carpet and associated products. Under this Memorandum of Understanding, investment will be made in potential carpet, flooring and associated industries in Asia and China and is in line with the Company's original and continuing commercial goals of growth.

Because of the Company's continued growth plan, the Subscriber has indicated its continued commitment to form a strategic alliance with the Company, and it has been mutually agreed that both parties would enter into a Joint Venture Agreement to invest in projects in Asia and China.

Pursuant to a Memorandum of Understanding entered into on 11 July 2003 by the Company and the Subscriber, which is non legally binding, the Company shall provide management expertise and the Subscriber shall provide funds for the benefit and use of the Company for the purpose of undertaking investments in projects meeting both parties' objectives and criteria, and/or for any other purpose as shall be agreed between the Company and the Subscriber. Notwithstanding that the Subscriber has not fulfilled its obligations under the Subscription Agreement, the Board is of the opinion it is in the best interest of the shareholders of the Company and the Company to enter into the Memorandum of Understanding. It is because the Subscriber and

the Company have mutually negotiated between themselves that the Company will share in the profits but not the losses obtained from such investments and therefore the position of the Company would not be adversely affected.

The Memorandum of Understanding is subject to the execution of a Joint Venture arrangement between the Company and the Subscriber, which shall include definitive terms and conditions to be negotiated in good faith within two weeks. A further announcement shall be made upon the conclusion of a formal Joint Venture Agreement. If the Joint Venture Agreement cannot be completed, the Company reserves its rights to recover further damages suffered by the Company.

At the request of the Company, trading in the Shares of the Company has been suspended since 9:30 a.m. on 2 June 2003 pending release of an announcement regarding the Subscription Agreement. The Company has applied to the Stock Exchange to resume trading of the shares from 9:30 a.m. on 18 July 2003.

Definitions:

“Board”	the board of Directors
“Cancellation Agreement”	the cancellation agreement in relation to the Subscription Agreement dated 11 July 2003 between the Company and the Subscriber
“Company”	Jackley Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Financial Instrument”	a financial instrument of US\$40,000,000 (HK\$312,000,000) issued by Banco Do Brasil, S.A. on 23 October 2000 and matures on 23 November 2006 which is beneficially owned by the Subscriber
“Group”	Jackley Holdings Limited and its subsidiaries
“HK\$”	Hong Kong dollars
“Joint Venture Agreement”	a legally binding joint venture agreement
“Memorandum of Understanding”	a non legally binding memorandum of understanding dated 11 July 2003 between the Company and the Subscriber for a joint venture arrangement to invest in projects in Asia and China
“Second Supplemental Agreement”	a second supplemental agreement to the Subscription Agreement dated 31 May 2003 between the Company and the Subscriber
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Subscriber”	Chricton Holdings Sdn. Bhd., a private company incorporated in Malaysia with limited liability
“Subscription Agreement”	the conditional agreement dated 15 April 2003 between the Company and the Subscriber in relation to the Subscription, and as supplemented by supplemental agreement dated 17 April 2003, extension letter dated 25 April 2003, extension letter dated 3 May 2003 extension letter dated 17 May 2003, second supplemental agreement dated 31 May 2003 and extension letter dated 30 June 2003 made between the Company and the Subscriber
“Subscription Consideration”	HK\$74,700,000 being the consideration for the issue and allotment of 249,000,000 Shares at HK\$0.30 per Share under the Subscription Agreement

By Order of the Board of
JACKLEY HOLDINGS LIMITED
Wong Kwai Wah
Executive Director

Hong Kong, 17 July 2003

* *for identification purpose only*

Please also refer to the published version of this announcement in The Standard.