JF Household Furnishings Limited
捷豐家居用品有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8310)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability.

Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

HIGHLIGHTS

Turnover for the year ended 31 December 2005 amounted to approximately HK$199.6 million (2004: HK$145.4 million), representing an increase of approximately 37.3% as compared with preceding year.

Net profit attributable to equity shareholders of the Company for the year ended 31 December 2005 amounted to approximately HK$23.7 million (2004: HK$18.9 million).

Basic and diluted earnings per share for the year ended 31 December 2005 amounted to approximately HK14 cents and HK14 cents respectively. Basic earnings per share for the year ended 31 December 2004 amounted to approximately HK11 cents.

THE FINANCIAL STATEMENTS

The Directors are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2005, together with the comparative audited figures for the year ended 31 December 2004 which have been reviewed and approved by the Audit Committee as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Note	2005 HK$	2004 HK$ (restated)
Turnover	*3*	**199,625,181**	145,431,977
Cost of sales		**(158,922,912)**	(116,350,149)
Gross profit		**40,702,269**	29,081,828
Other revenue	*3*	**61,403**	63,502
Other income		**807,550**	326,068
Selling and distribution costs		**(1,512,091)**	(1,007,544)
Administrative expenses		**(10,826,406)**	(5,307,853)
PROFIT FROM OPERATIONS	*4*	**29,232,725**	23,156,001
Finance costs		**(1,247,915)**	(1,199,672)
PROFIT BEFORE TAXATION		**27,984,810**	21,956,329
Taxation	*5a*	**(4,325,579)**	(3,079,425)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**23,659,231**	18,876,904
DISCONTINUED OPERATION		**—**	—
NET PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**23,659,231**	18,876,904
DIVIDEND	*6*	**9,408,000**	4,530,457
EARNINGS PER SHARE	*7*		
Basic		**0.14**	0.11
Diluted		**0.14**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Note	2005 HK$	2004 HK$
Non-current assets			
Property, plant and equipment	*8*	**13,994,401**	9,587,996
Land use rights	*9*	**1,054,752**	1,062,767
Deposit paid for acquisition of land use rights	*10*	**15,553,308**	—
		30,602,461	10,650,763
Current assets			
Inventories	*11*	**32,944,923**	28,062,057
Trade receivables	*12*	**31,205,524**	18,897,027
Deposits, other receivables and prepayments		**6,891,514**	11,417,575
Due from directors		**—**	1,560
Due from related companies		**139,920**	2,850
Pledged bank deposits		**1,170,000**	3,123,264
Bank and cash balances		**13,636,669**	12,639,736
		85,988,550	74,144,069
Current liabilities			
Bills payable		**—**	1,150,970
Trade payables	*13*	**14,854,039**	12,561,075
Deposit received		**—**	1,803,208
Other payables and accruals		**6,070,846**	11,599,156
Dividends payable		**871,876**	5,895,178
Due to directors		**571,720**	491,974
Due to related companies		**—**	1,450,818
Provision for taxation	*5(b)*	**3,202,744**	1,616,241
Bank borrowings		**15,865,385**	22,922,358
		41,436,610	59,490,978
NET CURRENT ASSETS		**44,551,940**	14,653,091
NET ASSETS		**75,154,401**	25,303,854
CAPITAL AND RESERVES			
Share capital	*14*	**1,680,000**	—
Reserves		**64,066,401**	25,303,854
Proposed final dividend	*6*	**9,408,000**	—
TOTAL EQUITY		**75,154,401**	25,303,854

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

			Reserve							
	Note	Share capital	Share premium	Merger reserve (Note a)	Foreign exchange translation reserve	Capital reserve (Note b)	General reserve (Note c)	Employee share-based compensation reserve	Retained profits	Total
		HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2004		—	—	7,356,522	—	—	3,369,258	—	230,067	10,955,847
Proceeds from issue of shares		—	—	1,560	—	—	—	—	—	1,560
Net profit attributable to equity shareholders of the Company		—	—	—	—	—	—	—	18,876,904	18,876,904
Transfers		—	—	—	—	131,901	1,969,197	—	(2,101,098)	—
Dividend	6	—	—	—	—	—	—	—	(4,530,457)	(4,530,457)
At 31 December 2004 and 1 January 2005		—	—	7,358,082	—	131,901	5,338,455	—	12,475,416	25,303,854
New shares issued on reorganisation	14(ii), (iv)	20,000	(20,000)	—	—	—	—	—	—	—
Capitalisation of share premium	14(v)	1,240,000	(1,240,000)	—	—	—	—	—	—	—
Shares issued on placing	14(vi)	420,000	33,180,000	—	—	—	—	—	—	33,600,000
Share issue expenses		—	(10,326,471)	—	—	—	—	—	—	(10,326,471)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		—	—	—	567,597	—	—	—	—	567,597
Employee share option benefits		—	—	—	—	—	—	2,350,190	—	2,350,190
Net profit attributable to equity shareholders of the Company		—	—	—	—	—	—	—	23,659,231	23,659,231
Transfers		—	—	—	—	—	2,799,847	—	(2,799,847)	—
At 31 December 2005		1,680,000	21,593,529	7,358,082	567,597	131,901	8,138,302	2,350,190	33,334,800	75,154,401

Note:

a The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiaries arising from group reorganisation on 8 September 2005.

b This represents the transfer from retained profits to capital reserve as a result of the write off of certain trade payables by 寧波捷豐家居用品有限公司 (JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd.) ("JF Ningbo"), a subsidiary of the Company. Pursuant to the People's Republic of China ("PRC") accounting principles and financial regulations, any gains arising from debt restructuring which represent the difference between the final settlement and the carrying value of the debt concerned are directly reflected in capital reserve and therefore not distributable. Accordingly, a transfer has been made from retained profits to capital reserve. The capital reserve can only be used to increase capital of this subsidiary.

c The general reserve is set up by JF Ningbo by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation to the general reserve is subject to the decision of the board of directors of JF Ningbo, but the minimum appropriation rate is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of its registered capital. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital of this subsidiary.

Note:

1. CORPORATE INFORMATION

The principal place of business of the Company is located at 15th Floor, EIB Tower, 4-6 Morrison Hill Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are principally engaged in manufacturing and sales of furnishings and home products and accessories primarily used in kitchens and bathrooms. There were no significant changes in the nature of the Group's principal activities during the year.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at these financial statements, which conform to accounting principles generally accepted in Hong Kong, are as follows:

(a) Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which include collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted for Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (hereinafter collectively referred to as the "new HKFRSs") which are generally effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Group has adopted these currently in issue new HKFRSs in the preparation of the financial statements for the year ended 31 December 2005.

The preparation of financial statements in conformity with new HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group has not applied the following new and revised Hong Kong Financial Reporting Standards ("new and revised HKFRSs") applicable to these financial statements, that have been issued but are not yet effective, to these financial statements. Unless otherwise stated, these new and revised HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease

The Company has already commenced an assessment of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its result of operations and financial position.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group's turnover represented the net invoiced value of goods sold, after allowances for trade discounts and returns. Revenue for continuing operations recognised during the year is as follows:

	2005	2004
	HK$	*HK$*
		(restated)
Turnover		
— Sales of goods	**199,625,181**	145,431,977
Other revenue		
— Interest income	**61,403**	63,502
Total revenue	**199,686,584**	145,495,479

Segmental information

Segment information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by geographical segments; and

(ii) on a secondary segment reporting basis, by business segments.

The Group is principally engaged in manufacturing and sale of furnishings and home products.

In prior years, the Group was also involved in the manufacture and sale of heat exchangers in the PRC. That operation was discontinued with effect from 1 July 2004.

Segment information about the Group's continuing operations is presented below.

(a) Geographical segments based on the location of customers

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

The following tables present revenue, results, assets, liabilities and capital expenditure information for the Group's geographical segments:

	PRC		Hong Kong		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:						
Sales to external customers	**29,543,207**	20,617,809	**170,081,974**	124,814,168	**199,625,181**	145,431,977
Segment results	**3,182,417**	8,397,509	**32,263,892**	17,119,422	**35,446,309**	25,516,931
Unallocated revenue					**868,953**	389,570
Unallocated expenses					**(7,082,537)**	(2,750,500)
Profit from operations					**29,232,725**	23,156,001
Finance costs					**(1,247,915)**	(1,199,672)
Profit before taxation					**27,984,810**	21,956,329
Taxation					**(4,325,579)**	(3,079,425)
Net profit attributable to equity shareholders of the Company					**23,659,231**	18,876,904
Segment assets	**9,673,860**	8,360,821	**21,605,295**	10,536,206	**31,279,155**	18,897,027
Unallocated assets					**85,311,856**	65,897,805
Total assets					**116,591,011**	84,794,832
Segment liabilities	**—**	1,803,208	**—**	—	**—**	1,803,208
Unallocated liabilities					**41,436,610**	57,687,770
Total liabilities					**41,436,610**	59,490,978
Other segment information:						
Unallocated depreciation					**838,238**	456,074
Unallocated amortisation					**28,452**	25,941
Capital expenditure						
– Property, plant and equipment					**5,131,359**	5,529,048
– Deposit paid for acquisition of land use rights					**15,553,308**	—
					20,684,667	5,529,048

(b) Geographical segments based on the location of assets

All of the Group's assets are substantially located in the PRC. No additional information in respect of segment assets and capital expenditure information are presented.

(c) Business segments

No business segment information is presented as all the Group's turnover and contribution to operating results were arose from manufacturing and sale of furnishings and home products during the year.

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	2005	2004
	HK$	*HK$*
		(restated)
Auditors' remuneration	**415,615**	9,434
Depreciation and amortisation of land use rights	**866,690**	482,015
Loss on disposals of property, plant and equipment	**23,023**	—
Staff costs (including directors' emoluments)		
Fees	**211,771**	—
Basic salaries, bonuses, allowances and benefits in kind	**13,297,920**	10,182,418
Retirement benefits scheme contributions	**1,613,509**	197,992
Employee share-based payment expenses	**2,350,190**	—
Operating lease-license fee of leasehold buildings	**43,500**	—
Net exchange losses	**617,374**	160,143

5. TAXATION

(a) Taxation included in the consolidated income statement represents:

	2005	2004
	HK$	*HK$*
PRC enterprise income tax	**4,325,579**	3,079,425

No provision for profits tax in Hong Kong, the Cayman Islands or British Virgin Islands has been made as the Group had no income assessable for profits tax for the year.

Pursuant to the relevant laws and regulations in the PRC, JF Ningbo operating in Zhejiang Province, the PRC, is subject to enterprise income tax rate at 26.4% on its taxable profit in accordance with Income Tax Law of People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. JF Ningbo is entitled to a two-year exemption from enterprise income tax starting from its first profit-making year followed by a 50% reduction for the subsequent three years. JF Ningbo was in its fifth profit-making year during the year.

Pursuant to the relevant laws and regulations in the PRC, 寧波捷豐金屬製品有限公司 (Ningbo JF Metal Products Co. Ltd.) ("JF Metal"), a subsidiary of the Company operating in Zhejiang Province, the PRC, is subject to enterprise income tax rate at 26.4% on its taxable profit in accordance with Income Tax Law of People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. JF Metal is entitled to a two-year exemption from enterprise income tax starting from its first profit-making year followed by a 50% reduction for the subsequent three years. No provision for PRC enterprise income tax has been made as JF Metal has no assessable profit for the year.

(b) Taxation in the consolidated balance sheet represents:

	2005	2004
	HK$	*HK$*
Provision for PRC enterprise income tax	**3,202,744**	1,616,241

(c) No provision for deferred taxation has been made in the financial statements as the effect of temporary differences is not material to the Group.

6. DIVIDEND

	2005	2004
	HK$	*HK$*
Interim dividend declared and paid of HK$ Nil per share (2004: HK$45,304.57 per share)	**—**	4,530,457
Final dividend proposed after the balance sheet date of HK5.6 cents per share (2004: HK$ Nil)	**9,408,000**	—
	9,408,000	4,530,457

The final dividend proposed after the balance sheet date have not been recognised as a liability at the balance sheet date. The final dividend of HK5.6 cents per share amounting to HK$9,408,000 in respect of year ended 31 December 2005 has been proposed by the directors and is subject to approval by the equity shareholders in the forthcoming general meeting. The dividend for the year ended 31 December 2004 was paid by a subsidiary to its then shareholders prior to the Corporate Reorganisation.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2005 is based on the net profit attributable to equity shareholders of HK$23,659,231 and on the 168,000,000 shares of the Company in issue after the listing of the Company on the GEM of the Stock Exchange on 13 October 2005 as if those shares had been in issue for the year.

The calculation of basic earnings per share for the year ended 31 December 2004 is based on the net profit attributable to equity shareholders of HK$18,876,904 and on the 168,000,000 shares of the Company in issue after Corporate Reorganisation and capitalisation issue as if those shares had been in issue for the year.

The calculation of diluted earnings per share for the year ended 31 December 2005 is based on the net profit attributable to equity shareholders of HK$23,659,231 and the weighted average number of 168,635,178 ordinary shares in issue during the year. Accordingly, the effect of dilutive potential ordinary shares relating to the share option is 635,178.

The diluted earnings per share for the year ended 31 December 2004 has not been shown as there were no dilutive potential ordinary shares existed during the year.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost						
At 1 January 2004	2,708,996	4,992,396	71,741	538,651	1,118,421	9,430,205
Additions	—	1,692,927	151,470	441,776	3,242,875	5,529,048
Transfers	4,323,041	—	—	—	(4,323,041)	—
Disposals/written off	—	(4,164,045)	(10,472)	(117,635)	(38,255)	(4,330,407)
At December 2004 and 1 January 2005	7,032,037	2,521,278	212,739	862,792	—	10,628,846
Additions	—	1,674,048	116,614	—	3,340,697	5,131,359
Disposals	—	—	—	(90,000)	—	(90,000)
Exchange difference	135,231	48,486	4,091	16,592	—	204,400
At 31 December 2005	7,167,268	4,243,812	333,444	789,384	3,340,697	15,874,605
Accumulated depreciation						
At 1 January 2004	387,515	1,488,048	24,880	78,947	—	1,979,390
Charge for the year	206,145	331,574	21,034	104,934	—	663,687
Disposals	—	(1,597,044)	(5,183)	—	—	(1,602,227)
At 31 December 2004 and 1 January 2005	593,660	222,578	40,731	183,881	—	1,040,850
Charge for the year	322,787	308,524	59,438	147,489	—	838,238
Disposals	—	—	—	(18,900)	—	(18,900)
Exchange difference	11,417	4,280	783	3,536	—	20,016
At 31 December 2005	927,864	535,382	100,952	316,006	—	1,880,204
Net book value						
At 31 December 2005	6,239,404	3,708,430	232,492	473,378	3,340,697	13,944,401
At 31 December 2004	6,438,377	2,298,700	172,008	678,911	—	9,587,996

The Group's buildings are situated in the PRC. At 31 December 2005, the Group's buildings with carrying value of approximately HK$5,516,000 (2004: HK$5,811,000) were pledged as security to a bank for the Group's banking facilities.

9. LAND USE RIGHTS

	HK$
Cost	
At 1 January 2004, 31 December 2004 and 1 January 2005	1,395,780
Exchange difference	26,842
At 31 December 2005	1,422,622
Accumulated amortisation	
At 1 January 2004	307,072
Charge for the year	25,941
At 31 December 2004 and 1 January 2005	333,013
Charge for the year	28,452
Exchange difference	6,405
At 31 December 2005	367,870
Net book value	
At 31 December 2005	1,054,752
At 31 December 2004	1,062,767

The Group's land use rights are situated in the PRC under medium term leases of 50 years expiring in 2043 and pledged as security to a bank for the Group's banking facilities.

10. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

At 31 December 2005 the Group paid HK$15,553,308 (2004: HK$Nil) as the consideration for acquisition of the land use rights of a parcel of land located in the PRC for a term of 50 years commencing from the date of issue of the State-owned Land Use Rights Certificate. The Group is in the process of obtaining the relevant State-owned Land Use Rights Certificate.

11. INVENTORIES

	2005	2004
	HK$	*HK$*
Raw materials	**19,532,738**	17,242,376
Work in progress	**12,326,220**	9,568,322
Finished goods	**1,085,965**	1,251,359
	32,944,923	28,062,057

At 31 December 2005 all inventories stated at cost.

12. TRADE RECEIVABLES

	2005	2004
	HK$	*HK$*
Trade receivables	**23,913,826**	13,122,323
Trade receivables from a related company	**7,291,698**	5,774,704
	31,205,524	18,897,027

Particulars of the trade receivables from a related company are as follows:

	2005	2004
	HK$	*HK$*
浙江帥康電器股份有限公司 (Zhejiang Shuaikang Electric Stock Co. Ltd.)	**7,291,698**	5,774,704

The Group normally granted customers with credit terms of 30 to 90 days. The ageing analysis of the Group's trade receivables is as follows:

	2005	2004
	HK$	*HK$*
0 - 30 days	**18,507,628**	10,739,604
31 - 60 days	**10,946,081**	3,134,465
61 - 90 days	**1,751,815**	2,638,971
Over 90 days	**—**	2,383,987
	31,205,524	18,897,027

The Directors consider that the carrying amount of trade receivables approximates its fair value.

13. TRADE PAYABLES

The credit terms of trade payables varies according to terms of different suppliers which generally ranging from letter of credit at sight to 90 days. The ageing analysis of trade payables is as follows:

	2005	2004
	HK$	*HK$*
0 - 30 days	**5,759,646**	7,963,327
31 - 60 days	**2,562,711**	2,515,194
61 - 90 days	**2,141,831**	69,661
Over 90 days	**4,389,851**	2,012,893
	14,854,039	12,561,075

The Directors consider that the carrying amount of the trade payables approximates its fair value

14. SHARE CAPITAL

		Ordinary shares of HK$0.01 each	
		Number of shares	**Par value**
	Note		*HK$*
Authorised:			
Upon incorporation on 19 January 2005 of HK$0.01 each	*(i)*	20,000,000	200,000
Increase in authorised share capital	*(iii)*	480,000,000	4,800,000
At 31 December 2005		500,000,000	5,000,000
Issued and fully paid:			
Allotted and issued nil-paid on 23 February 2005	*(ii), (iv)*	1,000,000	—
Arising from Corporate Reorganisation	*(iv)*	1,000,000	10,000
Shares credit as fully paid	*(ii), (iv)*	—	10,000
Issue of shares by capitalisation of share premium account	*(v)*	124,000,000	1,240,000
New issue on placing	*(vi)*	42,000,000	420,000
At 31 December 2005		168,000,000	1,680,000

Note

(i) The Company was incorporated in the Cayman Islands on 19 January 2005 with an authorised share capital of HK$200,000 divided into 20,000,000 shares of HK$0.01 each.

(ii) On 23 February 2005, one share of HK$0.01 was allotted and issued nil-paid. On the same date, 999,999 shares of HK$0.01 was allotted and issued nil-paid.

(iii) On 8 September 2005, written resolutions of all shareholders of the Company were passed pursuant to which the authorised share capital of the Company was increased from HK$200,000 to HK$5,000,000 by the creation of an additional 480,000,000 ordinary shares of HK$0.01 each.

(iv) Pursuant to the Corporate Reorganisation (a) 1,000,000 ordinary shares of HK$0.01 each allotted and issued credited as fully paid and (b) 1,000,000 ordinary shares of HK$0.01 each issued nil paid, as mentioned in point (ii) above were credited as fully paid, in consideration for transfer the entire issued shares in JF Asia to the Company.

(v) Pursuant to a resolution of all shareholders of the Company passed on 8 September 2005, 124,000,000 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HK$0.01 each to the holders of the share of the Company whose names appear on the register of members of the Company at the close of business on 8 September 2005 in proportion as nearly as possible without involving fractions to their then existing shareholdings in the Company. Such allotment and capitalisation were conditional on the share premium account of the Company being credited as a result of conditional placing of new shares as mentioned in the prospectus of the Company dated 5 October 2005.

(vi) On 12 October 2005, 42,000,000 shares of the Company were issued on placing at a premium of HK$0.79 for cash totalling HK$33,600,000. The excess of the issued price over the par value of the shares, net of share issue expenses, was credited to the share premium account of the Company.

15. COMPARATIVE FIGURES

Certain comparative figures in these financial statements have been restated to comply with the disclosure requirement of HKAS 1 and HKFRS 5 for the discontinued operation of the Group in 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and sales of furnishings and home products and accessories primarily used in kitchens and bathrooms.

For the financial year ended 31 December 2005, the Group recorded a turnover of approximately HK$199.6 million, representing an increase of 37.3% over that of 2004. The growth was mainly due to the increasing demand on existing products and the successful expansion of the Group's product offering to the market in 2005.

In 2005, the Group's profit attributable to equity shareholders was approximately HK$23.7 million, representing a growth of 25.3% as compared to that of 2004. The Group's gross profit margin in 2005 was 20.4%, representing an increase from 20.0% in 2004. The slight increase in the gross profit margin mainly came from the overall reduction in price of stainless steel during the year.

OUTLOOK AND FUTURE PROSPECTS

Year 2006 will begin a new phase for the Group. With the successful listing of the Company on GEM of the Stock Exchange in October 2005, the Group has obtained additional financial resources and acquired additional land for production scale expansion. In February 2006, the Group's management office in the PRC has moved to a newly completed building inside the existing factory. In sum, the management of the Company (the "Management") believes that the Company is now in a better position to face new challenges and opportunities in the years to come, as follows:

1. Transforming from a local factory into a public listed company with increasing demand for better internal controls and corporate governance;

2. Transforming from a few product lines that use mainly stainless steel materials to a range of product lines that use a diverse group of steel and wood materials; and

3. Transforming from a mainly single customer base business to a diverse clientele base of international retailers from Europe, North America and Asia.

In order to further expand the growing market opportunities, the Group has started developing new products for its potential customers. Currently, new products such as garden tools and library cabinets based on carbon steel are being developed. Although there may be a greater difference in product style as a result of the greater diversity in customer base the Management believes that the Group are prepared and have taken new measures to adapt to these new environments.

As part of the Group's long term strategy to attract and retain of major retailers in North America and Europe, the Group is working on further strengthening its overall structure to meet the increasing challenges arising from its future expansion. The Group has set up a separate team within its business department to focus on potential customers from these regions. Currently, the Management has started discussions with at least seven furniture retailers and providers from Europe and North America, and the Group is cautiously optimistic that it will win significant orders from some of these prospective customers.

Apart from manufacturing the steel based products, the Group has also purchased a new production line for timber products from Italy as the Group has been qualified to bid for wood based products by a major existing client. Currently, the said production lines has been used for making wood components for the existing door panel products. Our Management is hopeful that the Group will be able to obtain orders for the Group's wood based products in the latter part of year 2006.

The potential appreciation of Renminbi continued to affect the costs for the Company. Assuming that the course of appreciation follows the trend in 2005, the Management believes that the impact to the bottom line will be minimal.

With additional resources available to the Group, the Management understands that it is their responsibility to utilise those resources wisely and effectively. However, the Management also would not understate the challenges facing by the Groups, including the uncertainty of stainless steel prices, the difference in production methodology of the new products, and the cultural difference of potential customers from various parts of the world.

It is the Board's intention to achieve sustainable and long term growth for the Group. The Directors are prudently optimistic about the opportunities ahead and committed to creating sustainable value for the Company's shareholders in the future.

RESULTS OF OPERATIONS

For the financial year ended 31 December 2005, the Group reported turnover of approximately HK$199.6 million, representing an increase of 37.3% over that of year 2004. Gross profit margin reached 20.4%, which is slightly higher than that of 20.0% achieved last year, as the overall price of stainless steel dropped in 2005.

Distribution costs increased to HK$1.5 million or by 50.1%, which is higher than the extent of increase in turnover and is mainly attributable to higher container transportation cost amid higher oil price, as well as the Group's effort on expansion into overseas markets.

Administrative expenses increased significantly from HK$5.3 million in 2004 to HK$10.8 million which is mainly resulted from the Group's listing exercise and expansion in scale of operation, and comprises of increases in entertainment expenses of HK$0.5 million, listing related expenses of HK$0.2 million, director and senior management salary and expenses of HK$0.7 million, audit fees of HK$0.4 million, exchange loss of HK$0.5 million and a charge of HK$2.4 million for share options granted during the year.

Exchange loss increased to approximately HK$617,000 for 2005 from HK$160,000 for 2004, as a result of appreciation of Reminbi against the US dollars during the year.

Finance charges did not increase in line with the level of the Group's activities since the Group reduced its bank borrowings following its listing on GEM of the Stock Exchange.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group continued to improve its financial resources and liquidity position. As at 31 December 2005, the Group had bank and cash balances of approximately HK$13.6 million (2004: approximately HK$12.6 million) and net current assets of approximately HK$44.6 million, representing a twofold increase from that of approximately HK$14.7 million of last year. Non-current assets increased by approximately HK$20.0 million to approximately HK$30.6 million in year 2005. The increase was mainly due to the completion of a new factory building and the acquisition of a new parcel of land in Yuyao, the PRC.

As at 31 December 2005, the Group had current liabilities of approximately HK$41.4 million, representing a decrease of HK$18.1 million as the Group reduced its bank borrowings and payables given the Group has obtained additional funding from its listing on GEM of the Stock Exchange.

CHARGE ON GROUP ASSETS

Land use rights and certain buildings owned by the Group and located in the PRC are pledged as security to a bank for the Group's banking facilities.

A charge over deposits dated 1 November 2005 was created by Standard Chartered Bank (Hong Kong) Ltd against JF Household Furnishings (BVI) Ltd., a company incorporated in the British Virgin Islands with limited liability on 21 October 2004 and a wholly owned subsidiary of the Company.

GEARING RATIO

The Group's gearing ratio, which was derived from the total borrowings to total assets, decreased to 13.6% from that of 27.0% in 2004, as the Group reduced its debt and payable level with the additional funding obtained from its listing.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in this announcement and the Company's prospectus dated 5 October 2005 ("Prospectus"), the Company had no material acquisition or capital expenditure plan as of 31 December 2005.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for those set out in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 31 December 2005, the Directors were not aware of any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in Renminbi, Hong Kong dollars and US dollars. In view of the stability of the exchange rates of Renminbi, the Directors do not consider that the Group is significantly exposed to foreign exchange risk. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, the Group employed a total of approximately 621 staff in the PRC and Hong Kong, representing an increase of 316 staff from that of last year. The increase in staff was mainly attributable to the Group's expansion in operations in the PRC. Accordingly, the Group's remuneration to employees, including directors' emoluments, increased by approximately HK$7.1 million to approximately HK$17.5 million for the current financial year. The Group reviews employee remuneration annually and rewards its employee with reference to length of services and performance. The Group also provides share options and bonuses to employees of the Group at the discretion of the Directors based on the financial performance of the Group.

CAPITAL STRUCTURE

The Company was listed on GEM of the Stock Exchange on 13 October 2005 by way of placing of a total of 42,000,000 new shares. The net proceeds from this offering, after deduction for relevant expenses, are approximately HK$23.3 million.

Since the listing of the Company's shares on GEM of the Stock Exchange, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

In compliance with the GEM Listing Rules, the Company sets out below a summary of actual business progress as measured against the business objectives set out in the Prospectus for the period from 13 October 2005 to 31 December 2005 (the "Relevant Period").

Business Objectives for the Relevant Period as stated in the Prospectus	Actual Business Progress
Expand production plant and facilities	
• Complete construction of the new production plant of 5,000 sq.m. at the Group's existing production facilities	The new production plant of 5,000 sq.m. at the Group's existing production facilities had been completed and in use.
• Complete the purchase of land for the Group's expansion with total gross floor area of approximately 40,000 sq.m.	Successfully secured and completed the purchase a new parcel of land with total gross floor area of approximately 44,105 sq.m.
Product diversification	
• Establish a new research and development team to cater for the development of furnishings and home products and accessories using other types of steel	A new development team under the leadership of the Technical Director had been set up and started operation.
• Improve existing research and development facilities	New machineries including a bending machine and an edge banding machine have been in place. Orders have been placed for a machine for automatic loading of panels and a compact drilling machine.
Explore new business opportunities	
• Expand marketing department to promote the Group's furnishings and home products and accessories to new customers	A separate business department has been set up to handle new customers group. The Group has started discussion with more than seven furniture retailers and providers in North America and across Europe, including UK, Germany and Italy
• Expand sales department to handle the expanding PRC market	Recruited an experienced marketing officer to handle enquiries in respect of the Group's export business and added 2 staff to support sales enquiries
Improve the overall management systems	
• Improve existing control procedures and policies	Completed a new operation manual based on recommendations from compliance adviser and implemented most of the procedures set out in the new mannual. A network linking all computers in the Group's factory in Yuyao had been set up

USE OF PROCEEDS

The Group raised approximately HK$23.3 million from the issue of 42,000,000 new shares of the Company at HK$0.80 per share in October 2005. The Company's shares were successfully listed on GEM for expansion of the Stock Exchange with effect from 13 October 2005. Up to the date of this announcement, the Group has applied part of the proceeds totaling approximately HK$7.43 million for the following purposes:

(i) approximately HK$6.5 million for the expansion of production capacity;

(ii) approximately HK$0.637 million for product diversification;

(iii) approximately HK$0.179 million for exploring new business opportunities and expansion of the sales and marketing team; and

(iv) approximately HK$0.116 million for improving the Group's management system.

PURCHASE, SALE OR REDEMPTION OF SHARES

Since the listing of the Company's shares on GEM on 13 October 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES

Directors' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

The Directors who held office at 31 December 2005 had the following interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by the Directors on the listing of the Shares:

(a) Aggregate long positions in shares of the Company

	Ordinary shares of HK$0.01 each			
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**
Mr. Yan Siu Wai	12,600,000	—	63,000,000	75,600,000 *(Note 1)*
Mr. Leung Kwok Yin	15,120,000	—	35,280,000	50,400,000 *(Note 2)*

Notes:

1. Among these 75,600,000 Shares, (i) 34,020,000 Shares were registered in the name of Excel Strength Investments Limited ("**Excel Strength**") and (ii) 28,980,000 Shares were registered in the name of Willhero Investments Limited ("**Willhero**"); and (iii) the remaining 12,600,000 Shares were registered in the name of Mr. Yan Siu Wai directly. Each of Excel Strength and Willhero is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Yan Siu Wai. By virtue of the SFO, Mr. Yan Siu Wai was deemed to be interested in 63,000,000 Shares through his shareholdings in Excel Strength and Willhero.

2. Among these 50,400,000 Shares, (i) 22,680,000 Shares were registered in the name of Hero Talent Investments Limited ("**Hero Talent**") and (ii) 12,600,000 Shares were registered in the name of Joyday Consultants Limited ("**Joyday**"); and (iii) the remaining 15,120,000 Shares were registered in the name of Mr. Leung Kwok Yin directly. Each of Hero Talent and Joyday is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Leung Kwok Yin. By virtue of the SFO, Mr. Leung Kwok Yin was deemed to be interested in 35,280,000 Shares through his shareholdings in Hero Talent and Joyday.

(b) Aggregate long positions in equity derivatives in, or in respect of, underlying Shares

As at 31 December 2005, three executive Directors have been granted options to subscribe for shares, details of which are set out as follows:

Name of Director	Number of Underlying Shares	Date of Grant	Exercise Period *(Note)*	Exercise price per share
Mr. Yan Siu Wai	4,435,200	8 September 2005	13 April 2006 to 12 October 2010	HK$0.80
Mr. Leung Kwok Yin	2,956,800	8 September 2005	13 April 2006 to 12 October 2010	HK$0.80
Mr. Bao Jisheng	3,360,000	8 September 2005	13 April 2006 to 12 October 2010	HK$0.80

Note:

The exercise of the options by the Directors is, however, subject to a moratorium period of 12 months. Please see details set out in paragraph headed "Share Options" below.

Substantial Shareholders

As at 31 December 2005, other than the interests disclosed above in respect of certain Directors, the Directors were not aware of any other persons who had an interests or a short positions in the Shares or the underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Share Options

By written resolutions passed on 8 September 2005, the then shareholders of the Company approved and adopted a share option scheme entitling the board of Directors to grant Share options at its discretion before the listing of the Shares(the "Pre-IPO Share Option Scheme"), and conditionally adopted a post-IPO share option scheme(the "Post-IPO Share Option Scheme"). Details of the Share options granted on 8 September 2005 pursuant to the Pre-IPO Share Option Scheme and remained outstanding as at 31 December 2005 are as follows:

		Options held as at 8 September 2005	Options held as at 31 December 2005	Exercise price *(HK$)*	Exercisable in April 2006	Exercisable in September 2006 *(Note)*
(A)	Employees	2,688,000	2,688,000	0.80	2,688,000	
		6,720,000	6,720,000	0.56	6,720,000	
(B)	Directors					
	Mr. Yan Siu Wai	4,435,200	4,435,200	0.80		4,435,200
	Mr. Leung Kwok Yin	2,956,800	2,956,800	0.80		2,956,800
	Mr. Bao Jisheng	3,360,000	3,360,000	0.80		3,360,000
		20,160,000	20,160,000		9,408,000	10,752,000

Note:

Taking into account the moratorium period of 12 months, the Directors may only exercise the options in September 2006.

Save as disclosed above, no options had been granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. None of the Share options granted were exercised as at 31 December 2005.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year save and except for the agreements as stated in section headed "Connected transactions" in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF SHARES

Since the listing of the Company's shares on GEM on 13 October 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Rules since the Group was listed on 13 October 2005 to the end of year 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("**Code on CG Practices**") throughout the year ended 31 December 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with and pursuant to Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing internal control procedures of the Group.

The audit committee comprises the three independent non-executive Directors, namely, Mr. Kwan Kai Cheong *(Chairman)*, Mr. Garry Alides Willinge and Mr. Yu Hon Wing, Allan.

The Committee members possess diversified industry experience. Two of the Committee members are qualified accountants and the Chairman is an expert on financial and auditing matters. The Committee meets four times each year. During 2005, the Audit Committee considered the external auditors' projected audit fees; discussed with the external auditors their independence and the nature and scope of the audit; reviewed the quarter, interim and annual financial statements; and reviewed the external auditors' management letter and management's response. As a result, they recommended the Board to adopt the unaudited quarterly results for the nine months ended 30 September 2005 and the annual report for the year ended 31 December 2005.

COMPLIANCE ADVISER'S INTEREST

As at 31 December 2005, neither Deloitte & Touche Corporate Finance Ltd. ("DTCFL") nor its directors, employees or associates, as defined in the GEM Listing Rules, had any interest in the securities of the Company or right to subscribe for or to nominate person to subscribe for securities of the Company.

Pursuant to the compliance adviser agreement dated 5 October 2005 entered into between the Company and DTCFL, DTCFL has been appointed as the compliance adviser to the Company as required under the GEM Listing Rules at a fee for the period commencing from 13 October 2005 until the agreement is terminated upon the terms and conditions set out therein.

COMPETING INTEREST

None of the Directors, management shareholders or their respective associates (as defined in the GEM Listing Rules), had any interests in any business which compete or may compete with the Company or any other conflicts of interest which any such person may have with the Company.

By Order of the Board
JF Household Furnishings Limited
Yan Siu Wai
Chairman

Hong Kong, 22 March 2006

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this announcement are *Mr. Yan Siu Wai (Chairman), Mr. Leung Kwok Yin, Mr. Bao Jisheng.*

Independent non-executive directors of the Company as at the date of this announcement are *Mr. Kwan Kai Cheong, Mr. Garry Alides Willinge, Mr. Yu Hon Wing, Allan.*

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.