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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT 2006

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 of the Stock Exchange 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.

The Stock Exchange takes no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the "Directors") of JF HOUSEHOLD FURNISHINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at this date of this document, the Directors of the Company are:

Executive Directors:	*Independent non-executive Directors:*
Mr. Yan Siu Wai	Mr. Kwan Kai Cheong
Mr. Leung Kwok Yin	Mr. Garry Alides Willinge
Mr. Bao Jisheng	Mr. Yu Hon Wing Allan

HIGHLIGHTS

- Turnover of the Group for the three months ended 31 March 2006 amounted to approximately HK$31.8 million (2005: HK43.6 million), representing a decrease of approximately 27.1% as compared to the corresponding period last year.

- Net profit attributable to equity holders of the Company for the three months ended 31 March 2006 amounted to approximately HK$4.35 million (2005: HK$5.58 million), representing a decrease of approximately 21.9% as compared to the corresponding period last year.

- Earnings per share of the Group was approximately HK$2.6 cents (2005: HK$4.43 cents) for the three months ended 31 March 2006.

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH 2006

The board of Directors (the "Board") of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:

		Unaudited Three months ended 31 March	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**31,768**	43,596
Cost of sales		**(26,247)**	(35,084)
Gross Profit		**5,521**	8,512
Other Revenue	*4*	**1,954**	0
Selling and Distribution Costs		**(296)**	(244)
Administrative expenses		**(1,569)**	(1,403)
Profit from Operations		**5,611**	6,866
Finance costs		**(180)**	(340)
Profit before taxation		**5,431**	6,526
Taxation	*5*	**(1,076)**	(949)
Profit attributable to the Equity holders of the Company		**4,355**	5,577
Profit Distributions/Dividend	*6*	**0**	0
Earnings per share (cents)	*7*	**2.59**	4.43

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate reorganisation and basis of preparation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 January 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, further details of which are set out in the paragraph headed "Corporate reorganisation" in the section headed "Further information about the Company" in Appendix V to the prospectus of the Company dated 5 October 2005 ("Corporate Reorganisation"), the Company became the holding company of the subsidiaries of the Group. The shares of the Company are listed on GEM.

The Group resulting from the Corporate Reorganisation is regarded as a continuing entity. Accordingly, the unaudited financial statements of the Group made up to 31 March 2006 and 31 March 2005 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In the opinion of the Directors, the group financial statements prepared on the above basis present fairly the results and the state of affairs of the Group as a whole.

2. Basis of preparation and principal accounting policies

The unaudited quarterly results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention and in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and the disclosure requirements of the Companies Ordinance (Cap 32 of the Laws of Hong Kong).

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

3. Turnover

The Group is principally engaged in manufacturing and sales of furnishings and home products and accessories primarily used in the kitchens and bathroom. Turnover represents invoiced value of goods sold, net of value-added tax, and after allowance for goods returned and trade discounts.

4. Other Revenue

Other revenue include an one-off grant of approximately HK$1.93 million (RMB2.0 million) by the People's Government of Yuyao for encouraging product development of the Group.

5. Taxation

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

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), A.C.R. Equipment Supplies (Ningbo) Co., Ltd. ("JF Ningbo"), 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 Ningbo is entitled to a 50% tax refund in 2007 for the tax paid in 2006, if it, as a foreign-invested enterprise, exports 70% or more of the total sales during a full financial year.

Under this provision, the Group has to pay a 26.4% tax for a full year and the refund of half of that tax (13.2%) from the government will be made normally in the second quarter of the following year. No provision for this refund has been included in the tax calculation for this reporting.

Pursuant to the relevant laws and regulations in the PRC, 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. JF Metal commenced its business in 2005 and is still exempted from enterprise income tax for the second tax year in 2006.

6. Dividends

The Directors do not recommend the payment of dividend for the three months ended 31 March 2006 (2005: Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders during the three month period ended 31 March 2006 of approximately HK$4.35 million (2005: HK$5.58 million) and 168,000,000 ordinary shares of the Company in issue on 13 October 2005, (2005: 126,000,000 ordinary shares of the Company in issue on 9 September 2005, assuming the shares were outstanding for the entire periods).

8. Reserve

	Paid-in Capital	Share Premium	Merger reserve	Foreign exchange translation reserve	Capital reserve	General reserve	Employee share-based compensation reserve	Retained Profits	Total
At 1 January 2005			7,358,082		131,901	5,338,455		12,475,416	25,303,854
Profit for the period								5,577,082	5,577,082
Profit Distributions						—			—
As 31 March 2005			7,358,082	—	131,901	5,338,455	—	18,052,498	30,880,936
At 1 January 2006	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
Profit for the period								4,354,530	4,354,530
Profit Distributions									—
As 31 March 2006	1,680,000	21,593,529	7,358,082	567,597	131,901	8,138,302	2,350,190	37,689,330	79,508,931

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the three months ended 31 March 2006 amounted to HK$31.8 million, representing a drop of 27.1% over the same period of 2005. The drop was mainly due to the shift of ordering procedure from one of the Group's major customer, when this particular customer tried to minimize its inventory level by reducing the order lead time from four weeks to one week. The management believes that the impact was one-off and would not affect the company's full year results significantly.

Gross profit margin of the Group for the three months ended 31 March 2006 was approximately 17.4% (three months ended 31 March 2005: approximately 19.5%) The decrease in gross profit margin was mainly attributable to the drop of prices by an average of about five percent by one of the Group's key customers.

Total expenses increased from approximately HK$1.99 million for the three months ended 31 March 2005 to approximately HK$2.04 million for the three months ended 31 March 2006, representing an increase of only 2.9%.

Tax expenses increased from approximately HK$0.95 million for the three months ended 31 March 2005 to approximately HK$1.07 million for the three months ended 31 March 2006, even though income before taxes dropped from HK$6.52 million to HK$5.43 for the corresponding periods. The tax increase was mainly due to the increase of income tax rate from 13.2% in 2005 to 26.4% in 2006.

For the three months ended 31 March 2006, the Group recorded a net profit attributable to equity holders of Company of approximately HK$4.35 million (three months ended 31 March 2005: approximately HK$5.58 million), representing a drop of approximately 21.9%.

As at 31 March 2006, the Group had bank and cash balances of approximately HK$13.0 million (as at 31 March 2005: approximately HK$12.4 million) and short terms bank borrowings of approximately HK$15.7 million (as at 31 March 2005: approximately HK$25.8 million) respectively.

Business Review

After the Group's successful listing in October 2005, management is in a position to expand the Group's businesses by diversifying its products and expanding its customer base. The Group is actively entertaining enquiries by new customers and is in the final stage of the reviewing process for a few new customers, and it is expected that some substantial orders may be realized in the second half of the year.

A new production line for timber products from Italy has been in place for the first stage of production of timber products. Sample products are being produced and production is expected to begin in the second half of the year.

The new building providing an additional 5,000 square meters of floor space to the Group's production facilities has been completed and the local management office has been moved to the this building.

Outlook

The Group is encouraged as the relationship with the Group's key customer has continued to strengthen and the Group's sales will expand from the metal division to include the timber division for this key customer.

The Group has accelerated its plan for expansion of the production facilities of timber products and production plant in the newly acquired land is expected to be completed in the early part of 2007.

The Group's first quarter results were adversely affected by the shift of order lead time from four weeks to one week by a key customer. However the Group is optimistic that the business will continue to grow healthily as new orders for timber products and from new customers are expected to come in during the second half of the year.

OTHER INFORMATION

1. Interests and Short Positions of Directors and Substantial Shareholders in Shares, Underlying Shares

The Directors who held office at 31 March 2006 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 March 2006, 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	2,956,000	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.

2. Substantial Shareholders

As at 31 March 2006, 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.

3. 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 March 2006 are as follows:

	Options held as at 8 September 2005	Options held as at 31 March 2006	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**	10,752000	10,752,000	0.80		10,752,000
	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 March 2006.

4. Competing Interests

None of the Directors, management shareholders or their respective associates (as defined in 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.

5. Compliance Adviser Interests

As at 31 March 2006, neither Deloitte & Touche Corporate Finance Ltd. ("DTCF") 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 which was entered into between the Company and DTCF, DTCF 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.

6. Audit Committee

The Company has established an audit committee on 8 September 2005 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit.

It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Garry Alides Willinge, Mr. Yu Hon Wing Allan and Mr. Kwan Kai Cheong (chairman).

The unaudited quarterly results for the three months ended 31 March 2006 has been reviewed by the audit committee.

7. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

8. Corporate Governance Practices

The Group is committed to ensuring high standards of corporate governance and business practices. The Group has complied throughout the three months ended 31 March 2006 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. The Board will continue to commit itself to achieving a high quality of corporate governance.

9. 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 for the three months ended 31 March 2006.

By order of the Board
Yan Siu Wai
Chairman

Hong Kong, 11 May 2006

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