
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other appropriate independent professional adviser.

If you have sold or transferred all your shares in JF Household Furnishings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes 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 circular.



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)

DISCLOSEABLE TRANSACTION **ACQUISITION OF MACHINARIES**

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

2 January 2007

CHARACTERISTICS OF GEM

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 of Hong Kong Limited. 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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
— Introduction	3
— The Sales Contract	4
— Machineries to be acquired	4
— Consideration and payment terms	4
— Principal terms of the Sales Contract	4
— Reasons for the Acquisition	5
— Additional information	5
Appendix — General information	6

DEFINITIONS

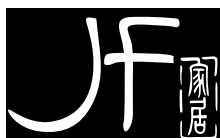
In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Acquisition”	the acquisition of Machinaries pursuant to the Sales Contract
“Announcement”	the announcement dated 12 December 2006 issued by the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Clarification Announcement”	the clarification announcement dated 20 December 2006 issued by the Company
“Company”	JF Household Furnishings Limited 捷豐家居用品有限公司 (Stock Code: 8310), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Independent Third Party”	party who is third party independent of and not connected with the Company and its connected persons within the meaning of the GEM Listing Rules
“JF Ningbo” or “Buyer”	JF A.C.R. Equipment Supplies (Ningbo) Company Limited 寧波捷豐家居用品有限公司, a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Latest Practicable Date”	28 December 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain relevant information contained in this circular
“Machinaries”	machinaries to be acquired, including panel sizing centre, CNC machining centre, edgebanding machine, air floating sliding table, drilling machine, inserter and certain handling equipment and accessories
“PRC”	the People’s Republic of China
“Sales Contract”	sales contract dated 27 November 2006 entered into between JF Ningbo as buyer of the one part and the Seller as seller of the other part
“Seller”	a company incorporated in Singapore, principally engaged in the distribution of machinery and systems for working materials, such as wood, glass and marble. The Directors had confirmed that to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Seller and its ultimate beneficial owner are Independent Third Parties

DEFINITIONS

“Shareholder(s)”	The shareholder(s) of the Company
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Euro”	Euro Dollars, the lawful currency of Europe
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“%”	per centum

LETTER FROM THE BOARD



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)

Executive Directors:

Mr Yan Siu Wai
Mr Leung Kwok Yin
Mr Bao Jisheng

Independent non-executive Directors:

Mr Kwan Kai Cheong
Mr Garry Alides Willinge
Mr Yu Hon Wing, Allan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

15th Floor, EIB Tower
4-6 Morrison Hill Road
Wan Chai
Hong Kong

2 January 2007

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION ACQUISITION OF MACHINARIES

INTRODUCTION

It was announced on 12 December 2006 in the Announcement that the Seller, has entered into a Sales Contract with JF Ningbo on 27 November 2006 to acquire the Machinaries at a consideration of Euro 846,175 (equivalent to approximately HK\$8,657,216).

The Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. The purpose of this circular is to provide Shareholders with further information on the Acquisition of the Machinaries and other information in compliance with the requirements of the GEM Listing Rules.

LETTER FROM THE BOARD

THE SALES CONTRACT

Parties to the Sales Contract dated 27 November 2006

- (i) **Buyer:** JF Ningbo; and
- (ii) **Seller:** the Seller

MACHINARIES TO BE ACQUIRED

The Machinaries include panel sizing centre, CNC machining centre, edgbanding machine, air floating sliding table, drilling machine, inserter and certain handling equipments and accessories.

The Machinaries to be acquired are all brand new equipment which are either manufactured by the parent company of the Seller in Italy or sourced by the Seller for JF Ningbo from manufacturers headquartered in Italy. The Machinaries are systems integrated for wood materials manufacturing.

CONSIDERATION AND PAYMENT TERMS

The consideration (“**Consideration**”) for the Acquisition of the Machinaries is Euro 846,175 (equivalent to approximately HK\$8,657,216). 10% of the Consideration will be paid to the Seller upon the shipment of the Machinaries at Italy by way of telegraphic transfer. The remaining Consideration will be satisfied by irrevocable and confirmed letter of credit, amongst which 85% of the Consideration will be paid to the Seller upon the production of shipping documents, including commercial invoice, packing list, bills of lading, insurance policy certificate, certificate of origin and certificate of quality, etc. and 5% of the Consideration will be retained as quality bond which will only be payable after quality inspection of the Machinaries by JF Ningbo, and within 3 months of their installation and normal operation. The Consideration was arrived at arm’s length negotiations and had been conducted on normal commercial terms. In fact, the Consideration was the current market/retail price of such Machinaries.

As announced in the Clarification Announcement, the Consideration will be funded or financed in the manner set out below:

- (i) 10% of the Consideration, i.e. Euro 84,617.50 (approximately HK\$865,721.60) will be financed by the internal resources of the Group; and
- (ii) 90% of the Consideration, i.e. Euro 761,557.50 (approximately HK\$7,791,494.40) will be financed by way of hire purchase under a lease agreement entered into between JF Ningbo (as lessee) and a third party (as lessor) (“Lessor”) independent of the Company and its connected persons (as defined in the GEM Listing Rules).

The principal business of the Lessor is a restricted license bank.

PRINCIPAL TERMS OF THE SALES CONTRACT

The principal terms of the Sales Contract are, among others, as follows:

1. the Seller will provide all relevant commercial invoice, packing list, full set of clean bill of lading, insurance policy certificate, certificate of origin and certificate of quality issued by the manufacturers of the Machinaries. The Seller will be responsible for extra charges arising from the irregularities of such documents;
2. the Seller will guarantee the good quality of the Machinaries and the compliance of their specifications for a period of 12 months commencing from the date of their installation and commissioning;

LETTER FROM THE BOARD

3. the Seller will send technicians to guide the installation and commissioning of the Machineries and will ensure that the installation and commissioning performed by the Seller will entirely conform to the terms of the Sales Contract;
4. if the quality, specifications or quantity of the Machineries do not conform with the stipulations of the Sales Contract, JF Ningbo can claim for replacement by the production of the inspection certificate issued by the Bureau of Commodity Inspection within 30 days after the arrival of the Machineries at the factory of JF Ningbo. All of the expenses incurred therefrom will be borne by the Seller; and
5. JF Ningbo is responsible for all import duties and value added taxes (if any) and all other charges for custom declaration and clearance in the PRC.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacturing and sales of furnishings and home products and accessories primarily used in the kitchens and bathroom with stainless steel. Leveraging on the expertise and experience of the Group in the manufacturing and sales of furnishings and home products and accessories made in stainless steel for household use, the Directors consider that it would be beneficial to the Group to expand its business horizontally in the home furnishings industry by diversifying products range with wood materials. The Directors are of the view that the manufacturing and sales of wooden furnishings will create synergetic effect to the existing business of the Group. It is expected that the new business element will enable the Group to generate additional revenue in the future.

To facilitate the Group's diversification and expansion into the business of manufacturing and sales of wooden furnishings, the acquisition of a production line integrating efficient production systems for wood processing is fundamental to such new business. The Directors, including the independent non-executive Directors, consider that the terms of the Sales Contract are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The financial effects of the Acquisition are the increase of fixed assets of approximately HK\$8,657,216, the decrease of cash on hands of approximately HK\$865,721.60 and the increase of liabilities of approximately HK\$7,791,494.40. The Acquisition does not have immediate financial effects on the earnings of the Group.

The Directors had confirmed that to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Seller and its ultimate beneficial owner are Independent Third Parties.

ADDITIONAL INFORMATION

Your attention is drawn to the further information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board of
JF Household Furnishings Limited
Yan Siu Wai
Chairman and executive director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of given information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material aspects and not misleading;
- (b) there are no other facts the omission of which would make any statement herein misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company and each of their respective associates (as defined under the GEM Listing Rules), in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of the total issued capital of the Company
Mr Yan Siu Wai	12,600,000	—	63,000,000	75,600,000 (Note 1)	44.6%
Mr Leung Kwok Yin	15,120,000	—	35,280,000	50,400,000 (Note 2)	29.7%

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**”); (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**”); (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.

(ii) Interests in underlying shares of the Company

Name of Director	Number of outstanding share options as at the Latest Practicable Date	Date of Grant	Exercise Period (Note)	Exercise price per share (HK\$)
Mr Yan Siu Wai	4,435,200	8 September 2005	13 April 2006 to 12 October 2010	0.80
Mr Leung Kwok Yin	2,956,800	8 September 2005	13 April 2006 to 12 October 2010	0.80
Mr Bao Jisheng	3,360,000	8 September 2005	13 April 2006 to 12 October 2010	0.80

Note: The exercise of the options by the Directors was subject to a moratorium period of 12 months which had expired on 12 October 2006.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and each of their respective associates (as defined under the GEM Listing Rules) had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were 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 or short positions which the Directors were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, save as disclosed above, no Director is a director or employee of a company which had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the following party (other than a Director or chief executive of the Company or their spouses who are deemed to be interested in the shares of the Company held by them), had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Divisions 2 and 3 of the Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital;

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of the issued share capital of the Company
Excel Strength	Beneficial owner	34,020,000	20.1%
Willhero	Beneficial owner	28,980,000	17.1%
Hero Talent	Beneficial owner	22,680,000	13.4%
Joyday	Beneficial owner	12,600,000	7.4%

4. SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, details of which are set out below:

Name of executive Director	Effective Date of Service Contract	Fixed Terms	Salaries per annum (HK\$) (Note)
Yan Siu Wai	8 September 2005	Three years commenced from 8 September 2005	408,000
Leung Kwok Yin	8 September 2005	Three years commenced from 8 September 2005	216,000
Bao Jisheng	8 September 2005	Three years commenced from 8 September 2005	696,000

Note: Each of the executive Director shall be entitled to a management bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion provided that the total amount of management bonuses payable to all the executive Directors for the time being of the Company in respect of any financial year of the Company shall not exceed 10% of the combined or as the case may be consolidated audited net profit of the Group (after taxation and minority interests and the payment of such bonuses but before extraordinary items) for that financial year.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined under the GEM Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

7. GENERAL

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 15th Floor, EIB Tower, 4-6 Morrison Hill Road, Wanchai, Hong Kong.
- (b) The company secretary as well as the qualified accountant of the Company is Mr Cheung Wai Tak. Mr Cheung is a Certified Public Accountant in the United States and is a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.

- (d) The compliance officer is Mr Yan Siu Wai who is graduated from Hong Kong Polytechnic University (formerly known as the “Hong Kong Polytechnic”) in 1976 with a higher diploma in production engineering. In 1998, he also obtained a master degree in Science (Engineering Business Management) from the University of Warwick, the United Kingdom. Mr Yan is a member of the American Institute of Industrial Engineers and American Society of Heating Refrigerating and Air-conditioning Engineers, Inc..
- (e) The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company’s annual reports and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee comprises the three independent non-executive Directors, namely Mr Kwan Kai Cheong, Mr Garry Alides Willinge and Mr Yu Hon Wing Allan. Mr Kwan Kai Cheong is the chairman of the audit committee. The professional qualifications of each of the members of the audit committee are as follows:

Mr Kwan Kai Cheong, aged 57, graduated from the University of Singapore in 1973 with a degree in Accountancy. Mr Kwan is qualified as a Chartered Accountant in Australia in 1979 and is a member of the Hong Kong Institute of Certified Public Accountants since 1982. He completed the Stanford Executive Program in 1992. He was previously the president and chief operating officer for the Asia Pacific Region of Merrill Lynch & Co. Mr Kwan was appointed as an independent non-executive Director in March 2005. Mr Kwan is the chairman of the audit committee of the Company.

Mr Garry Alides Willinge, aged 57, is a fellow of the Australian Institute of the Company Directors and a fellow of the Hong Kong Institute of Directors. He is also an Adjunct Professor with the Curtin Business School. He graduated from the University of Melbourne, Australia in 1970 with a Bachelor of Science. In 1996, he also obtained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia. Mr Willinge has worked in a number of management roles in a multinational information technology company. Mr Willinge was appointed as an independent non-executive Director in March 2005. Mr Willinge is a member of the audit committee.

Mr Yu Hon Wing, Allan, aged 50, graduated from the Hong Kong Polytechnic University (formerly known as the “Hong Kong Polytechnic”) in 1978 with a higher diploma in Accountancy. Mr Yu is a Certified Public Accountant (Practising) with the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants). He is also a fellow of the Chartered Association of Certified Accountants since 1986. Mr Yu was appointed as an independent non-executive Director in March 2005. Mr Yu is a member of the audit committee.

- (f) In the event of inconsistency, the English language text of this circular shall prevail the Chinese language text.