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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 AND CONNECTED TRANSACTIONS

The Directors announce that the Group had extended certain loans to the Connected Persons of the Company during the period between February 2006 and December 2006. As the percentage ratios of the Loans to Connected Persons are less than 25% and the total loans extended to such Connected Persons of the Company is less than HK\$10,000,000, the loan transactions with the Connected Persons of the Company are accordingly only subject to the reporting and announcement requirements under Rule 20.45 to 20.47 of the GEM Listing Rules and are exempt from independent shareholders' approval requirements under Rule 20.48 of the GEM Listing Rules for the purpose of connected transactions.

Moreover, since the assets ratio and the consideration ratio of the Loans to Connected Persons amounted to 5% or more, but less than 25%, the Loans to Connected Persons constitute discloseable transaction of the Company for the purpose of the GEM Listing Rules. A circular containing details of the Loans to Connected Persons will be dispatched to the shareholders as soon as practicable and in any event within 21 days after publication of this announcement.

VARIOUS LOANS EXTENDED BY THE GROUP TO THE CONNECTED PERSONS OF THE COMPANY

LOANS EXTENDED TO JIEFENG AIR-CON

Principal terms of the loans

(a) *First loan agreement (“Jiefeng Air-Con First Loan”)*

Date of loan agreement : 8 February 2006

Amount of loan : RMB1,000,000 (equivalent to approximately HK\$990,099)

Administrative charges : 6.2232% per annum

Repayment date : on or before 28 February 2006.

(b) *Second loan agreement (“Jiefeng Air-Con Second Loan”)*

Date of loan agreement : 6 March 2006

Amount of loan : RMB1,500,000 (equivalent to approximately HK\$1,485,148.51)

Administrative charges : 6.2232% per annum

Repayment date : on or before 30 June 2006.

(c) *Third loan agreement (“Jiefeng Air-Con Third Loan”)*

Date of loan agreement : 11 May 2006

Amount of loan : RMB1,000,000 (equivalent to approximately HK\$990,099)

Administrative charges : 6.1380% per annum

Repayment date : on or before 31 May 2006.

Jiefeng Air-Con First Loan, Jiefeng Air-Con Second Loan and Jiefeng Air-Con Third Loan had been fully repaid to the Group on 14 February 2006, 8 March 2006 and 17 May 2006 respectively.

LOANS EXTENDED TO JIEFENG FAN

(a) *First loan agreement (“Jiefeng Fan First Loan”)*

Date of loan agreement : 13 November 2006

Amount of loan : RMB1,592,414.66 (equivalent to approximately HK\$1,576,648.18)

Administrative charges : 6.4350% per annum

Repayment date : on or before 27 November 2006.

(b) *Second loan agreement (“Jiefeng Fan Second Loan”)*

Date of loan agreement : 5 December 2006

Amount of loan : RMB2,400,000 (equivalent to approximately HK\$2,376,237.62)

Administrative charges : 6.4350% per annum

Repayment date : on or before 31 December 2006.

Jiefeng Fan First Loan and Jiefeng Fan Second Loan had been fully repaid to the Group on 27 November 2006 and 28 December 2006 respectively.

LOAN EXTENDED TO ACR (“ACR LOAN”)

Date of loan	:	29 August 2006
Amount of loan	:	HK\$1,000,000
Administrative charges	:	6% per annum

Although there was no written agreement entered into for ACR Loan, it was the intention of ACR to repay the ACR Loan within 3 months from the date of ACR Loan, i.e. 29 August 2006. In fact, ACR Loan was repaid to the Group by three instalments. The first instalment of HK\$800,000 was repaid on 14 September 2006, the second instalment of HK\$118,500 was repaid on 26 October 2006 and the third instalment of HK\$81,500 was repaid on 6 November 2006.

Jiefeng Air-Con First Loan, Jiefeng Air-Con Second Loan, Jiefeng Air-Con Third Loan, Jiefeng Fan First Loan, Jiefeng Fan Second Loan and ACR Loan are, where applicable, collectively referred to as “**Loans to the Connected Persons**”.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in the manufacture and sale of furnishings and home products and accessories primarily used in kitchens and bathrooms mainly with stainless steel as raw materials. With an aim to control the cost of production, the Group monitors the market price of stainless steel regularly and analyses the price movements. As the price of stainless steel fluctuates, it is the internal policy of the Group that the PRC subsidiaries of the Group will purchase additional stocks of stainless steel, steel and particle board when there are favourable prices. During the financial year ended 31 December 2006, the Group had made certain purchases of raw materials to minimize the risk and better control the impact of price fluctuation of the raw materials on the cost and gross profit margin of the Group’s products. It was anticipated that short term loans might be required from the Connected Person(s) and/or Related Party(ies) of the Company when imminent additional cash flow is required for such purchases. Based on such consensus, short term loans were extended between the Group and the Connected Persons and the Related Parties of the Company. During the financial year ended 31 December 2006, short term loans of a total sum of RMB8 million (“**Loans to the Group**”) had been extended to the Group by the Connected Persons and Related Party of the Company. The Directors considered that since all of the Loans to the Group were extended to the Group without administrative charges, interests payment, security over assets and/or any other condition(s) that is/are prejudicial to the Group, the terms of the Loan to the Group is extended with terms better than normal commercial terms. As the Loans to the Group were provided by the Connected Persons of the Company on the basis set out in Rule 20.65(4) of the GEM Listing Rules, i.e. on terms better to the Group and no security over the assets of the Company is granted in respect of the Loans to the Group, the Loans to the Group were exempt from the reporting, announcement and independent shareholders’ approval requirements under the GEM Listing Rules.

In return, the Group gave certain financial supports to the Connected Persons of the Company which were mainly for the purpose of bridging the gap of bank loans available to Jiefeng Air-Con and Jiefeng Fan and to facilitate purchases made by ACR. Based on the consensus between the parties, short term loans were extended to the Connected Persons of the Company as disclosed in this announcement. The loans extended to each of Jiefeng Air-Con, Jiefeng Fan and ACR and Loans to the Group are connected transactions. As the loans arrangement extended based on the consensus between the Group and the Connected Persons of the Company resolved imminent need of additional cash by the Group and the Group received administrative charges for the extension of Loans to Connected Persons, the loans arrangement for which the Loans to Connected Persons form parts is beneficial to the Group. The Directors, including the independent non-executive Directors, consider that (i) the terms of the loans extended to each of Jiefeng Air-Con, Jiefeng Fan and ACR were arrived at after arm's length negotiations and have been conducted on normal commercial terms; and (ii) the terms of the Loans to the Connected Persons are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE CONNECTED PERSONS

Jiefeng Air-Con

Jiefeng Air-Con is a Sino-foreign equity joint venture established in the PRC which equity interest is owned ultimately as to approximately 27.42% by Mr Yan and as to 18.28% by Mr Leung. The then ultimate shareholdings of Mr Yan and Mr Leung in Jiefeng Air-Con were held through their indirect shareholdings in Better Asia. Jiefeng Air-Con is therefore a Connected Person of the Company. The principal business of Jiefeng Air-Con is the manufacture and sale of air-conditioning facilities, machineries and heat exchangers as well as related installation, maintenance and after sale services.

Jiefeng Fan

Jiefeng Fan is a Sino-foreign equity joint venture established in the PRC with equity interests owned as to 60% by an Independent Third Party and 40% by Better Asia. As the issued share capital of Better Asia is owned as to 60% by Mr Yan and as to 40% by Mr Leung, hence, Jiefeng Fan is a Connected Person of the Company. The principal business of Jiefeng Fan is the manufacture of air-conditioner ventilation facilities and main accessories and installation of air-conditioners.

ACR

ACR is a company incorporated in Hong Kong which issued share capital is held as to 30% by Mr Yan, as to 30% by Madam Mak Man Lee, Manly, spouse of Mr Yan, and as to 40% by Mr Leung. ACR is therefore a Connected Person of the Company. The principal business of ACR is the trading of engineering machineries and equipment.

DISCLOSEABLE AND CONNECTED TRANSACTIONS

As each of Jiefeng Air-Con, Jiefeng Fan and ACR is an Associate of Mr Yan and Mr Leung, each of Jiefeng Air-Con, Jiefeng Fan and ACR is a Connected Person of the Company. The extension of loans to each of Jiefeng Air-Con, Jiefeng Fan and ACR constitutes connected transactions of the Company under the GEM Listing Rules. As the percentage ratios of the Loans to Connected Persons in aggregate are less than 25% and the total amount of the loans extended to each of Jiefeng Air-Con, Jiefeng Fan and ACR is less than HK\$10,000,000, the relevant loans extended to each of Jiefeng Air-Con, Jiefeng Fan and ACR are accordingly only subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules and are exempted from independent shareholders' approval requirements under Rule 20.48 of the GEM Listing Rules. Moreover, since the assets ratio and the consideration ratio of the Loans to Connected Persons, amounted to 5% or more, but less than 25% respectively, the Loans to Connected Persons constitute discloseable transaction of the Company for the purpose of the GEM Listing Rules. A circular containing details of the Loans to Connected Persons will be dispatched to the shareholders as soon as practicable and in any event within 21 days after publication of this announcement.

As the loans extended to each of Jiefeng Air-Con, Jiefeng Fan and ACR are connected transactions and, when aggregated, are discloseable transactions, to comply with requirements under the GEM Listing Rules, relevant compliance procedures, i.e. issue of announcement and dispatch of circular to shareholders should have been undertaken by the Company as soon as the loans to each of the Connected Persons of the Company occurred. Due to the inadvertence of the accounting staff of the Group, the announcement and the circular to shareholders in relation to the Loans to the Connected Persons had not been made in a timely manner in accordance with the GEM Listing Rules. In order to avoid similar incidence in the future, the Board will formulate and implement series of proactive measures, including but not limited to strengthening internal reporting and monitoring systems so as to ensure proper and timely compliance procedures pursuant to the GEM Listing Rules in the future. The Board intends to strengthen the internal reporting and monitoring systems of the Group by way of (i) lecturing each level of accounting staff on the benchmark of the notifiable transactions and its relevant calculations under the GEM Listing Rules; (ii) convening weekly meetings amongst the members of the accounting department for the purpose of reviewing cash flow and any unusual and extraordinary transactions; and (iii) scheduling additional Board meetings to review reports from the accounting department.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“ACR”	A.C.R. Equipment Supplies Limited, a company incorporated in Hong Kong and a Connected Person of the Company;
“Associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Better Asia”	Better Asia Limited, a company incorporated in the BVI which issued share capital is owned as to 60% by Mr Yan and 40% by Mr Leung. 45.7% of equity interests in Jiefeng Air-Con and 40% of equity interests in Jiefeng Fan are held by Better Asia;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;

“Company”	JF Household Furnishings Limited (捷豐家居用品有限公司), a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on GEM;
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Director(s)”	the directors of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties”	independent third parties who are not Connected Persons of the Company;
“JF BVI”	JF Household Furnishings (BVI) Limited, a company incorporated in the BVI and a wholly owned subsidiary of the Company;
“Jiefeng Air-Con”	餘姚捷豐空調設備有限公司 (Yuyao Jiefeng Air-Conditioning Equipment Company Limited), a Sino-foreign equity joint venture established in PRC and a Connected Person of the Company;
“Jiefeng Fan”	餘姚捷豐空調風機有限公司 (Yuyao Jiefeng Fan and Air-Conditioning Equipment Company Limited), a Sino-foreign equity joint venture established in PRC and a Connected Person of the Company;
“Mr Leung”	Mr Leung Kwok Yin, an executive Director;
“Mr Yan”	Mr Yan Siu Wai, an executive Director;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region of PRC and Taiwan;
“Related Party”	has the meaning specified under Hong Kong Accounting Standard 24;
“Shareholder(s)”	the holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;

“RMB”

Renminbi, the lawful currency of the PRC;

“%”

per cent.

LIST OF ALL DIRECTORS OF THE COMPANY AS AT THE DATE OF THIS ANNOUNCEMENT

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

By Order of the Board

Yan Siu Wai

Chairman

Hong Kong, 4 April 2007

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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