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 2007

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

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The Stock Exchange takes no responsibility for the contents of this announcement, 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 announcement. This report, for which the directors ("Directors") of JF Household Furnishings Limited ("Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("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.

HIGHLIGHTS

Turnover for the year ended 31 December 2007 amounted to approximately HK$353.8 million (2006: Approximately HK$193.9 million), representing an increase of approximately 82.4% as compared with preceding year.

Net profit attributable to equity holders of the Company for the year ended 31 December 2007 amounted to approximately HK$27.7 million (2006: approximately HK$20.7 million).

Basic and diluted earnings per share for the year ended 31 December 2007 amounted to approximately HK16 cents and HK16 cents respectively. Basic and diluted earnings per share for the year ended 31 December 2006 amounted to approximately HK12 cents and HK12 cents respectively.

THE FINANCIAL STATEMENTS

The Directors are pleased to announce the audited consolidated results of the Company and its subsidiaries collectively, the ("Group") for the year ended 31 December 2007, together with the comparative audited figures for the year ended 31 December 2006 which have been reviewed and approved by the Audit Committee as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	**2007**	2006
		HK$	*HK$*
REVENUE	*3*	**353,755,842**	193,902,367
Cost of goods sold		**(304,886,077)**	(158,504,600)
Gross profit		**48,869,765**	35,397,767
Other income	*3*	**4,567,934**	4,149,471
Distribution costs		**(4,252,584)**	(2,448,438)
Administrative expenses		**(13,257,393)**	(11,493,403)
PROFIT FROM OPERATIONS	*4*	**35,927,722**	25,605,397
Finance costs	*5*	**(3,127,637)**	(1,079,321)
PROFIT BEFORE TAX		**32,800,085**	24,526,076
Income tax expense	*6*	**(5,143,116)**	(3,863,193)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**27,656,969**	20,662,883
DIVIDEND	*7*	**8,547,000**	8,309,665
EARNINGS PER SHARE	*8*		
Basic		**0.16**	0.12
Diluted		**0.16**	0.12

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	**2007** *HK$*	2006 *HK$*
Non-current assets			
Property, plant and equipment		**56,946,256**	29,451,777
Land use rights		**18,072,369**	1,056,784
Deposit paid for acquisition of land use rights		**—**	16,015,287
		75,018,625	46,523,848
Current assets			
Inventories		**92,507,698**	42,326,566
Trade receivables	*9*	**35,731,827**	26,527,951
Deposits, other receivables and prepayments		**5,600,919**	5,941,961
Due from a related company		**—**	19,241
Financial assets at fair value through profit or loss		**2,288,887**	—
Pledged bank deposits		**2,085,047**	2,235,712
Bank and cash balances		**18,473,982**	9,397,280
		156,688,360	86,448,711
Current liabilities			
Trade payables	*10*	**29,980,551**	11,451,980
Other payables and accruals		**6,979,265**	4,196,345
Due to directors		**540,000**	540,000
Current tax liabilities		**3,011,352**	1,735,248
Bank borrowings		**68,679,413**	25,524,722
Finance lease payable		**1,903,207**	—
		111,093,788	43,448,295
NET CURRENT ASSETS		**45,594,572**	43,000,416
TOTAL ASSETS LESS CURRENT LIABILITIES		**120,613,197**	89,524,264
Non-current liabilities			
Finance lease payable		**4,282,215**	—
NET ASSETS		**116,330,982**	89,524,264
CAPITAL AND RESERVES			
Share capital		**1,709,400**	1,695,850
Reserves		**114,621,582**	87,828,414
TOTAL EQUITY		**116,330,982**	89,524,264

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

		Reserve								
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Capital reserve	General reserve	Employee share-based compensation reserve	Retained profits	Proposed final dividend	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2006	1,680,000	21,593,529	7,358,082	567,597	131,901	8,138,302	2,350,190	23,845,880	9,488,920	75,154,401
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	1,897,017	—	—	—	—	—	1,897,017
Net income recognised directly in equity	—	—	—	1,897,017	—	—	—	—	—	1,897,017
Profit for the year	—	—	—	—	—	—	—	20,662,883	—	20,662,883
Total recognised income and expense for the year	—	—	—	1,897,017	—	—	—	20,662,883	—	22,559,900
Share issue on exercise of share options	15,850	1,249,539	—	—	—	—	(377,789)	—	—	887,600
Recognition of share-based payment	—	—	—	—	—	—	411,283	—	—	411,283
Dividend paid	—	—	—	—	—	—	—	—	(9,488,920)	(9,488,920)
Transfers	—	—	—	—	814,931	2,162,027	—	(2,976,958)	—	—
2006 proposed final dividend	—	—	—	—	—	—	—	(8,309,665)	8,309,665	—
At 31 December 2006	1,695,850	22,843,068	7,358,082	2,464,614	946,832	10,300,329	2,383,684	33,222,140	8,309,665	89,524,264
At 1 January 2007	1,695,850	22,843,068	7,358,082	2,464,614	946,832	10,300,329	2,383,684	33,222,140	8,309,665	89,524,264
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	6,700,614	—	—	—	—	—	6,700,614
Net income recognised directly in equity	—	—	—	6,700,614	—	—	—	—	—	6,700,614
Profit for the year	—	—	—	—	—	—	—	27,656,969	—	27,656,969
Total recognised income and expense for the year	—	—	—	6,700,614	—	—	—	27,656,969	—	34,357,583
Share issue on exercise of share options	13,550	1,068,217	—	—	—	—	(322,967)	—	—	758,800
Dividend paid	—	—	—	—	—	—	—	—	(8,309,665)	(8,309,665)
Transfers	—	—	—	—	—	3,196,660	—	(3,196,660)	—	—
2007 proposed final dividend	—	—	—	—	—	—	—	(8,547,000)	8,547,000	—
At 31 December 2007	1,709,400	23,911,285	7,358,082	9,165,228	946,832	13,496,989	2,060,717	49,135,449	8,547,000	116,330,982

Note:

1. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its result of operations and financial position.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group's turnover represented the net invoiced value of goods sold to customers, after allowances for trade discounts and returns.

	2007	2006
	HK$	*HK$*
Revenue		
Sales of goods	**353,755,842**	193,902,367
Other income		
Fair value gain on financial assets at fair value through profit or loss	**2,288,887**	—
Government grants	**502,960**	2,410,901
Interest income	**229,230**	216,374
Tax refund on re-investment	**1,545,718**	—
Write off of trade payables	**—**	1,107,244
Others	**1,139**	414,952
	4,567,934	4,149,471

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.

(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.

	The PRC		Hong Kong		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:						
Sales to external customers	**72,058,537**	40,305,064	**281,697,305**	153,597,303	**353,755,842**	193,902,367
Segment results	**7,826,545**	2,899,298	**32,674,947**	24,863,946	**40,501,492**	27,763,244
Other income					**4,567,934**	4,149,471
Unallocated expenses					**(9,141,704)**	(6,307,318)
Profit from operations					**35,927,722**	25,605,397
Finance costs					**(3,127,637)**	(1,079,321)
Profit before tax					**32,800,085**	24,526,076
Income tax expense					**(5,143,116)**	(3,863,193)
Profit for the year					**27,656,969**	20,662,883
Segment assets	**4,919,473**	8,146,282	**30,818,490**	18,389,166	**35,737,963**	26,535,448
Unallocated assets					**195,969,022**	106,437,111
Total assets					**231,706,985**	132,972,559
Segment liabilities	**—**	1,065,033	**—**	—	**—**	1,065,033
Unallocated liabilities					**115,376,003**	42,383,262
Total liabilities					**115,376,003**	43,448,295
Other segment information:						
Unallocated depreciation					**2,895,250**	1,021,559
Unallocated capital expenditure					**28,466,892**	16,065,772

(B) GEOGRAPHIC 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

The following table presents revenue, assets and capital expenditure information for the Group's business segments.

	Manufacturing and sale of stainless steel furnishings and home products		Manufacturing and sale of wooden furnishings and home products		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue	**285,039,513**	182,154,311	**68,716,329**	11,748,056	**353,755,842**	193,902,367
Segment assets	**138,528,911**	97,580,974	**90,184,822**	32,730,640	**228,713,733**	130,311,614
Unallocated assets					**2,993,252**	2,660,945
					231,706,985	132,972,559
Capital expenditure	**3,151,567**	5,094,725	**25,315,325**	10,971,047	**28,466,892**	16,065,772

4. PROFIT FROM OPERATIONS

The Group's profit from operations is stated after charging the following:

	2007	2006
	HK$	*HK$*
Cost of inventories sold	**304,886,077**	158,504,600
Depreciation	**2,895,250**	1,021,559

5. FINANCE COSTS

	2007	2006
	HK$	*HK$*
Finance lease charges	**395,600**	—
Interest on bank loans	**3,140,844**	1,220,745
Amount capitalised	**(408,807)**	(141,424)
	3,127,637	1,079,321

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.16% per annum (2006: 6.12%).

6. INCOME TAX EXPENSE

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

	2007	2006
	HK$	*HK$*
Current tax — PRC enterprise income tax	**5,143,116**	3,879,904
Over-provision in prior year	**—**	(16,711)
	5,143,116	3,863,193

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2006: HK$Nil).

(b) The reconciliation between the income tax expense and the product of profit before tax multipled by the PRC enterprise income tax rate is as follows:

	2007	2006
	HK$	*HK$*
Profit before tax	**32,800,085**	24,526,076
Tax at PRC enterprise income tax rate of 33% (2006: 33%)	**10,824,028**	8,093,605
Effect of preferential tax rate	**(6,494,417)**	(4,856,163)
Tax effect of income that is not taxable	**(222,963)**	(106,750)
Tax effect of expenses that are not deductible	**944,517**	707,866
Tax effect of tax losses not recognised	**99,759**	41,346
Tax effect of unrecognised temporary difference	**(7,808)**	—
Over-provision in prior year	**—**	(16,711)
Income tax expense	**5,143,116**	3,863,193

7. DIVIDEND

	2007	2006
	HK$	*HK$*
Proposed final dividend — HK5 cents (2006: HK4.9 cents) per ordinary share	**8,547,000**	8,309,665

The final dividend proposed after the balance sheet date have not been recognised as a liability at the balance sheet date. The dividend of HK5 cents per share amounting to HK$8,547,000 in respect of year ended 31 December 2007 has been proposed by the directors and is subject to approval by the equity shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the following:

	2007	2006
	HK$	*HK$*
Earnings		
Profit attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation	**27,656,969**	20,662,883
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**170,017,754**	168,922,054
Effect of share options	**2,931,726**	1,635,318
Weighted average number of ordinary shares used in diluted earnings per share calculation	**172,949,480**	170,557,372

9. TRADE RECEIVABLES

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:

	2007	2006
	HK$	*HK$*
0 — 30 days	**34,475,494**	23,594,740
31 — 60 days	**1,139,943**	1,521,422
61 — 90 days	**—**	1,376,771
Over 90 days	**116,390**	35,018
	35,731,827	26,527,951

10. TRADE PAYABLES

The credit terms of the Group's 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 the Group's trade payables is as follows:

	2007	2006
	HK$	*HK$*
0 — 30 days	**23,013,291**	7,784,539
31 — 60 days	**3,747,698**	2,315,599
61 — 90 days	**583,753**	579,442
Over 90 days	**2,635,809**	772,400
	29,980,551	11,451,980

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Year 2007 represents a remarkable turnaround for the Group. Notwithstanding the Group faced certain operating difficulties and risks during the year, such as increasing costs of raw materials and labour, imposition and change of PRC governmental policies, the appreciation of RMB and the reduction of the rate of import tax refund from 13% in 2006 to 5% in the 2nd half of 2007, the management had successfully delivered over 33% profit growth for the Group in year 2007. The management had during the fiscal year taken effective steps to minimize the adverse impact arising from such operating difficulties and risks, such as taking hedging contracts and liaising with key customers for price adjustments. Leveraging on the close and strong working relationship with the key customer of the Group, the management had managed to offset certain additional costs and secured a significant profit growth in year 2007.

During the year under review, the Group's core stainless steel business returned to a strong growing path with its turnover increased by more than 56.5%. Production capacity for the stainless steel production lines again reached its upper limits, hence, the Group had leased additional production space of about 760 square meters to house the production line of pedal bins, its signature stainless steel product. Apart from the continuous diversification of the product range of the stainless steel products, the management had also paid efforts in resourcing and actualising semi-automatic production line for certain stainless steel products.

The completion of the new 30,000 square meters timber production plant in June of 2007 started a new phase for the Group. Turnover attributed by the sales of timber products since July 2007 amounted to over HK$50 million. Operation has quickly reached satisfactory level and the Group had been requested by its key customer to plan for further increase in the timber plant capacity.

During the year, the Group entered into negotiation with its key customer for the feasibility of establishing a stainless steel distribution centre. The cooperation between the Group and its key customer in the stainless steel distribution centre, if proceeded, will expand the scope of business of the Group and provide additional source of income for the Group.

Further, the Group also entered into discussion with its key customer to manufacture a new furniture series, an environmentally-friendly and low-cost products, which could have breakthrough implication for the Group.

OUTLOOK AND FUTURE PROSPECTS

In the year 2007, a strong foundation for the future growth of the Group had been established. The completion of the 30,000 square meters new production plant for timber products in June 2007 was a significant milestone for the Group in developing timber related businesses.

Growth in the timber business will come from several directions as follows:

1. since the operation of the production lines of timber products in the new production plant only began in the second half of 2007, the management expected that orders for existing timber products will increase substantially in 2008;

2. the Group will continue to liaise for the production of additional models of timber products with the customers, and it is expected that numbers of new products will bring in significant sales for the Group; and

3. as the production for the existing model of timber products has been highly satisfactory, the Groups is in negotiation for the production of a new series of timber products. The management trusts that the new project, once actualised, will again stimulate the growth of the Group's timber related business.

The management believes that the learning curve for the timber production is behind us, and the Group will generate a reasonable profit margin with further improvement of workflow and a more efficient use of materials.

In regard to the stainless steel division, the management is confident that the growth for stainless steel products will continue as the product line diversifies and increases continuously. The stainless steel distribution centre, if established, will also provide synergetic effect to the Group's business of stainless steel products.

To prepare for the expansion and the demand for additional space for production, the management had leased additional production space of about 2,725 square meters for the stainless steel production in February 2008, and is also considering the lease of another 7,000 square meters of production space by the Group to meet further requirements for production capacity in the near future.

The appreciation of RMB continued to affect the costs for the Group. The management had tried out certain hedging strategies and is confident that the costs associated with the appreciation of RMB can be minimized.

Looking ahead, the management is optimistic that the Group is in a strong position to deliver sustainable profit growth for the shareholders, through the continuing growth in the stainless steel division and the new substantial profit to be generated by the timber division in the year 2008.

The Company is considering the possibility of alternative listing ("Alternative Listing") of the Shares on the Main Board of the Stock Exchange. Although there is no assurance that the application for the Alternative Listing will proceed and succeed, the management is of the view that the successful Alternative Listing will further uplift the Group's profile and is beneficial to the Company and its shareholders as a whole.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2007, the Group reported a turnover of approximately HK$353.8 million, representing an increase of 82.4% from that of the fiscal year of 2006. The increase of turnover came from the growth of the stainless steel division and the new timber division. Turnover for the stainless steel division increased by HK$102.9 million during the year to HK$285.0 million, representing 56.5% increase. Turnover for the timber division increased from HK$11.7 million in 2006 to HK$68.7 million in 2007, as the Group moved from the pilot production mode to a full production mode when the new timber plant was completed and commenced to operate in June 2007.

Overall gross profit margin dropped significantly from 18.3% in the year 2006 to 13.8% in 2007, mainly due to the drop of the percentage in refund of import tax, and the generally lower profit margin of the timber products in the first year of operation.

Gross profit margin for the stainless steel division dropped from 19.2% in 2006 to 16.1% in 2007 mainly because of the reduction of import tax refund and the rise in stainless steel prices.

The shift of policy by the Chinese government to lessen its reliance on export growth has increased costs for the Group's products as the import tax refund percentage reduced from 13% to the current rate of 5%, contributing higher costs of RMB11.2 million for the Group.

Stainless steel prices continued its steep rise during the first half of 2007 and stabilized during the second half of 2007. The price of type 304 ("Type 304") steel increased from an average of RMB25,560 per ton for the full year 2006 to RMB30,040 per ton for the full year 2007. In order to avoid significant increase of costs in the future, the management will continue to strive for prices adjustment with the key customer based on the fluctuation of price in raw materials.

Gross profit margin for new timber division was a mere of 4.3% as the full operation of the division started only in the second half of the year and the management is still on the learning curve. By the end of the year, operations ran smoothly with monthly turnover exceeding RMB10 million per month.

The Group started to benefit from the economy of scale with ratio of total expenses (selling and administration) as a percentage of turnover dropped from 7.2% in 2006 to 5.0% in 2007.

Selling and distribution costs increased to approximately HK$4.3 million or 73.7% mainly in line with the rise in turnover, despite the increase of fuel prices and the appreciation of RMB.

Administrative expenses of approximately HK$13.3 million increased only slightly by 15.3% over that of 2006, mainly because lower exchange losses in 2007 and no share option benefits were charged in 2007 (HK$411,000 was charged in 2006).

Excluding the exchange losses and the option benefit charges, the administrative expenses increased by HK$4.0 million, or 45.1% over that of 2006. The increase was mainly due to higher salary costs of HK$878,000, higher commission fees of HK$521,000, and the higher general expenses due to overall higher turnover achieved by the Group and the operation of the new timber plant that increased depreciation of equipment and land use rights (HK$419,000), various local taxes (HK$338,000) and audit fees and bank charges (HK$504,000).

Finance costs rose to approximately HK$3.1 million or 189.8% from the relatively low level of approximately HK$1.1 million mainly due to the rise in bank borrowing to finance the new timber plant and to finance higher working capital requirement due to increase in turnover.

Income tax expenses increased from HK$3.9 million in 2006 to HK$5.1 million in 2007, with the average tax rate of 15.7% in 2007, the same level with the 15.8% level in 2006.

Net profit in 2007 was approximately HK$27.7 million, representing a 33.8% increase as compared to that of 2006. The significant increase in net profit mainly came from the stainless steel division, as the sales attributed by the stainless steel division increased by 56.5%.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group's overall financial position was affected by two main factors: the 82.4% increase in turnover which increased the working capital requirement, and the completion of the new timber plant and installation of new timber equipment in mid 2007, which increased the fixed assets. The increases were financed by concrete support from banks.

As at 31 December 2007, the Group had bank and cash balances of approximately HK$18.5 million (2006: HK$9.4 million) and net current assets of approximately HK$45.6 million which show a slight increase over the approximately HK$43.0 million recorded in 2006. Non-current assets continue to increase, by approximately HK$28.5 million to approximately HK$75.0 million in the current year. The increase was mainly due to the new timber plant.

As at 31 December 2007, the Group had current liabilities of approximately HK$111.1 million, a significantly higher level than the 2006 year end balance of approximately HK$43.4 million. The higher position consisted mainly of the increase of trade payables by HK$18.5 millions and increase of bank borrowings by HK$43.2 million, again due to the new timber plant and the higher working capital.

GEARING RATIO

The Group's gearing ratio, which was derived from the total borrowings to total assets, increased to 32.3% up from 19.2% in 2006, as the Group had increased its borrowing to finance the additional working capital and the new timber plant.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in this report and the Company's Prospectus dated 5 October 2005 ("Prospectus"), the Company had no material acquisition or capital expenditure plan as of 31 December 2007.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Group did not have any acquisitions and disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

All transactions of the Group are denominated in RMB, Hong Kong dollars or US dollars. As RMB has continued to appreciate, the Group had purchased currency forward contract to hedge some of the risks associated with the RMB appreciation. The Group has also shifted more of its borrowings in Hong Kong dollars, which form a natural hedge with US dollars.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, the Group employed approximately 940 staff in the PRC and Hong Kong, representing an increase of 227 staff from 31 December 2006. The increase in staff was mainly attributable to the Group's completion of the new timber plant and the installation of new equipment. Accordingly, the Group's remuneration to employees, including Directors' emoluments, increased by approximately HK$7.2 million to approximately HK$23.8 million for the current fiscal year. The Group reviews employee remuneration annually and rewards its employee with reference to the length of services and performance. The Group also has the liberty to grant 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

Since the listing of the Company's shares on GEM of the Stock Exchange on 13 October 2005, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

COMPARISON OF THE BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 1 January 2007 to 30 June 2007 (the "First Relevant Period").

Business Objectives for the First Relevant Period as stated in the Prospectus	Actual Business Progress
Expansion of production plant and facilities	
• Construction of the 2nd phase of the new production plant with total gross floor area of approximately 15,000 m^2 on the new piece of land.	The new production plant with 30,000 m^2 (1st and 2nd phase) had been completed and officially opened in June 2007.
Product diversification	
• Continuing to conduct research and development and introduction of new furnishings and home products and accessories using other types of steel	A new 200 ton hydraulic press machine has been bought to expand the production of steel and other metal base products.
Explore new business opportunities	
• Setting up representative offices overseas to explore new business opportunities	An agent has been appointed in the USA to identify potential customers for the Group's products
Improve the overall management systems	
• Full implementation of enterprise resources planning system for better information sharing and improve operational efficiency	ERP system acquired earlier has been implemented. Eight additional PCs have been acquired to support the implementation

COMPARISON OF THE BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the period from 1 July 2007 to 30 December 2007 (the "Second Relevant Period").

Business Objectives for the Second Relevant Period as stated in the Prospectus	Actual Business Progress
Expansion of production plant and facilities	
• Purchase of new facilities for the 2nd phase production plant which include power supplies, fire prevention facilities, and office renovation.	— The construction of the new 30,000 square meters production plant was completed with installation of equipment within 2007
• Setting up automatic production facilities	New equipment had been ordered
Product diversification	
• Improvement of production workflow and working environment in order to increase production volume of furnishings and home products and accessories using both stainless steel and other types of steel	— New facilities for the new steel table production lines and the tooling workshop had been bought during the year.
Explore new business opportunities	
• Further strengthening the sales department	— Continue to source new customers and promote the Group's products in the USA through the USA agent.
Improve the overall management systems	
• Full implementation of enterprise resource planning system for better information sharing and improve operation efficiency	— Further refined ERP system and its implementation, adding equipment such as IBN server, switches and a number of personal computers
• Purchase of new computer hardware and software to facilitate better internal control	— Adding equipment such as IBN server, switches and a number of personal computers

APPLICATION OF PROCEEDS FROM CAPITAL RAISING

The Group raised approximately HK$23.30 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 with effect from 13 October 2005. Up to the date of this report, the Group has applied the proceeds totaling approximately HK$23.30 million for the following purposes:

(i) approximately HK$17.80 million for the expansion of production capacity;

(ii) approximately HK$3.71 million for product diversification;

(iii) approximately HK$0.90 million for strengthening the sales and marketing team; and

(iv) approximately HK$0.89 million for improving overall management system.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2007, the interests and short positions 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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:

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)*	44.2%
Mr Leung Kwok Yin	15,120,000	—	35,280,000	50,400,000 *(Note 2)*	29.5%

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.

Interests in underlying shares of the Company

As at 31 December 2007, three executive Directors have been granted options to subscribe for shares, pursuant to the Pre-IPO Share Option Scheme) as defined in the paragraph headed "Share Options" below), 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 was subject to a moratorium period of 12 months from the date of listing which had expired on 12 October 2006.

Save as disclosed above, as at 31 December 2007, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, other than the interests disclosed above in respect of certain Directors, the Directors were not aware of any other persons who had interests or 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 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 2007 are as follows:

		Options held as at 1 January 2007	Options exercised during the year ended 31 December 2007	Options held as at 31 December 2007	Exercise price *(HK$)*
(A)	**Employees**	2,688,000	—	2,688,000	0.80
		5,135,000	(1,355,000)	3,780,000	0.56
(B)	**Directors**				
	Yan Siu Wai	4,435,200	—	4,435,200	0.80
	Leung Kwok Yin	2,956,800	—	2,956,800	0.80
	Bao Jisheng	3,360,000	—	3,360,000	0.80
		18,575,000	(1,355,000)	17,220,000	

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 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 transactions disclosed as connected and/or related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

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 GEM Listing Rules for the year ended 31 December 2007.

CODE OF BEST PRACTICE

The Group is committed to ensuring high standards of corporate governance and business practices. The Group has complied throughout the period from 1 January 2007 to 31 December 2007 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with 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 and the Chairman is an expert on financial and auditing matters. The Committee meets four times each year. During 2007, 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 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 quarterly, the interim and annual reports for 2007.

COMPLIANCE ADVISER'S INTEREST

As at 31 December 2007, neither Tanrich Capital Limited ("TCL") 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 15 September 2006 which was entered into between the Company and TCL, TCL 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 15 September 2006 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 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.

CLOSURE OF REGISTER OF MEMBER

The register of members will be closed from 23 April 2008 to 25 April 2008, both days inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited at Level 26, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on 22 April 2008.

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

Hong Kong, 25 March 2008

DIRECTORS OF THE COMPANY

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

Independent non-executive Directors 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.