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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)

**CONTINUING CONNECTED TRANSACTIONS**

On 21 April 2008, JF Ningbo and Jiefeng Air-Con entered into the Lease for the 4th Floor pursuant to which Jiefeng Air-Con as landlord agreed to construct the 4th Floor of the Factory Building of approximately 7,000 sq.m. and granted a lease of the 4th Floor to JF Ningbo for a term of three years at a monthly rental of RMB8.00 (equivalent to approximately HK\$8.94) per sq.m.. Accordingly, the total rental for three years will amount to RMB2,016,000 (equivalent to approximately HK\$2,252,537.28). The total rental for three years will be paid in advance by way of stage payment in accordance with the progress of the construction of the 4th Floor. Jiefeng Air-Con had undertaken that the rental to be prepaid will be applied to fund the construction of the 4th Floor.

In addition, JF Ningbo and Jiefeng Air-Con had entered into the Existing Leases, i.e. the 2nd Floor Lease and the 3rd Floor Lease, on 30 November 2007 and 1 January 2008 for the lease of portions of the 2nd Floor and the 3rd Floor of the Factory Building, both for a term of 2 years commenced from 11 September 2007 and 1 January 2008 respectively, both at a monthly rental of RMB10.00 (equivalent to approximately HK\$11.17) per sq.m..

As Jiefeng Air-Con is an Associate of Mr Yan and Mr Leung, Jiefeng Air-Con is a Connected Person of the Company. The transactions contemplated under the Lease for the 4th Floor and the Existing Leases constitute continuing connected transactions of the Company under the GEM Listing Rules. Further, as the Lease for the 4th Floor and the Existing Leases were all entered into between same parties, i.e. JF Ningbo as tenant and Jiefeng Air-Con as landlord, and all such leases relate to various parts of a property situated in the same location, the transactions under the Lease for the 4th Floor and the Existing Leases constitute a series of transactions pursuant to Rule 20.25 of the GEM Listing Rules. Accordingly, the rental payable under the Lease for the 4th Floor and the Existing Leases would be aggregate for the purpose of calculating the relevant percentage ratios under the GEM Listing Rules. The annual rental payable under the Lease for the 4th Floor will be RMB672,000 (equivalent to approximately HK\$750,845.76). The aggregate annual rental payable under the Lease for the 4th Floor and the Existing Leases will be approximately RMB1,099,672.80 (equivalent to approximately HK\$1,228,697.41). As the relevant percentage ratios of the aggregate annual rental under the Lease for the 4th Floor and the Existing Leases is less than 2.5% on an annual basis, the transactions under the Lease for the 4th Floor and the Existing Leases constitute non-exempt continuing connected transactions under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules and the annual review requirements under Rules 20.37 to 20.40 of the GEM Listing Rules. Further announcement will be made upon renewal of any of the Existing Leases and the Lease for the 4th Floor.

## LEASE FOR THE 4TH FLOOR

### Principal terms of the Lease for the 4th Floor

- Date : 21 April 2008
- Tenant : JF Ningbo
- Landlord : Jiefeng Air-Con
- Property : the 4th Floor of the Factory Building of approximately 7,000 sq.m. to be constructed and leased to JF Ningbo for use as production workshop. As at the date of this Announcement, Jiefeng Air-Con is in the process of applying the necessary construction commencement permit (建築工程施工許可証) and has not commenced the construction.
- Term of Lease : Three years from the Commencement Date, i.e. the date of delivery of the 4th Floor to JF Ningbo by Jiefeng Air-Con for use after the lawful completion of the final examination (which will not be later than 31 October 2008 unless otherwise agreed by JF Ningbo)
- Rent : A monthly rental of RMB8.00 (equivalent to approximately HK\$8.94) per sq.m. which total rental for each year amounting to RMB672,000 (equivalent to approximately HK\$750,845.76) and total rental for three years amounting to RMB2,016,000 (equivalent to approximately HK\$2,252,537.28). The total rental for three years will be paid in advance by way of stage payment in accordance with the progress of the construction of the 4th Floor in the following manner:
- (1) payment of RMB302,400 (equivalent to approximately HK\$337,880.59) within 3 working days upon the issue of the construction commencement permit (建築工程施工許可証);
  - (2) payment of RMB705,600 (equivalent to approximately HK\$788,388.05) upon the completion of 50% of the construction of the 4th Floor;
  - (3) payment of RMB604,800 (equivalent to approximately HK\$675,761.18) upon the completion of 80% of the construction of the 4th Floor;
  - (4) payment of RMB403,200 (equivalent to approximately HK\$450,507.46) upon the delivery of the 4th Floor to JF Ningbo for use as a production workshop after the lawful completion of the final examination; and

Jiefeng Air-Con had undertaken that the rental to be prepaid will be applied to fund the construction of the 4th Floor.

- Other terms : (1) If the actual area of the 4th Floor is surveyed to be 3% above or 3% below 7,000 sq.m., JF Ningbo will pay to the Jiefeng Air-Con additional rental, or otherwise, Jiefeng Air-Con will refund to JF Ningbo rental calculated in accordance with the actual area of the 4th Floor within 30 days of the Commencement Date.
- (2) Jiefeng Air-Con shall be fully responsible for the construction of the 4th Floor in accordance with the specifications and standards of workshop for industrial use and must ensure that the construction of the 4th Floor satisfies all relevant rules and regulations and is safe for use.
- (3) Jiefeng Air-Con agrees to complete all final examination works of the 4th Floor on or before 31 October 2008 and deliver possession of the 4th Floor to JF Ningbo, for its safe and legal use before that date.
- (4) Jiefeng Air-Con agrees to promptly inform JF Ningbo in writing of any government notices and/or any adverse notices and/or any formal or informal notices in relation to the legality of the construction and continuing use of the 4th Floor during the construction period and the continuance of the term.
- (5) Any changes to the ownership of the 4th Floor during the term of lease shall not affect the validity of the Lease for the 4th Floor. JF Ningbo shall have the right of pre-emption to acquire the ownership of the 4th Floor on the same terms and conditions. Jiefeng Air-Con shall give JF Ningbo reasonable notice of such intention.
- (6) Notwithstanding sub-clause (5) above, Jiefeng Air-Con unconditionally undertakes, warrants and represents that during the period of construction of the 4th Floor and the term of lease, Jiefeng Air-Con shall not sell, transfer or mortgage any right of the 4th Floor to any third party without the written consent of JF Ningbo and shall not perform any acts which may interfere with the performance of the terms and obligations under the Lease for the 4th Floor, or enter into any terms and obligations similar to those of the Lease for the 4th Floor.
- (7) If Jiefeng Air-Con is unable, for any reason, to deliver possession of the 4th Floor to JF Ningbo on or before 31 October 2008, unless JF Ningbo shall agree other date of delivery of possession, Jiefeng Air-Con shall within 14 days of the receipt of notice on termination, refund all rental and interests (calculated at a rate of 8% per annum) accrued from such rental paid by JF Ningbo. Such interests shall be accrued from the date of first payment of such rental up to the date of repayment of such rental to JF Ningbo.

- (8) During the term of lease, if the right of usage of the 4th Floor is affected or threatened by any governmental actions or regulations (including the resumption of the land on which the 4th Floor is erected and/or other governmental orders), JF Ningbo shall be entitled to terminate the Lease for the 4th Floor by giving Jiefeng Air-Con one month's written notice of such termination, whereupon, Jiefeng Air-Con shall refund to JF Ningbo upon the termination of the lease all relevant portion of rental not yet amortised and pay all interests (calculated at a rate of 8% per annum) accrued from the date of first payment of the rental up to the date of repayment of such rental to JF Ningbo.
- (9) If Jiefeng Air-Con resumes the possession of the 4th Floor or terminates the lease without reasonable ground during the term of lease, Jiefeng Air-Con shall compensate JF Ningbo for all actual losses (including but not limited to the rental not yet amortised and interests calculated at a rate of 10% per annum accrued from the date of first payment of rental up to the date of repayment of such rental to JF Ningbo, which shall be paid to JF Ningbo when the rental is repaid and the possession is delivered by JF Ningbo). If JF Ningbo requests to continue the remaining term of the lease, Jiefeng Air-Con shall be obliged to duly perform the remaining term of the lease in so far as it is legal.
- (10) In case of force majeure which leads to the impossibility of performing the lease or part of the lease, both parties shall not hold the other party liable and shall mutually agree to amend or terminate the lease (as appropriate) provided that Jiefeng Air-Con shall refund all rental not yet amortised together with interests calculated at a rate of 8% per annum. Such interests shall be accrued from the date of first payment of rental up to the date of repayment of such rental simultaneously with the repayment of rental and the delivery of possession by JF Ningbo.
- (11) JF Ningbo has the right to give Jiefeng Air-Con a written notice of 30 days before the expiration of the existing term, requesting Jiefeng Air-Con, based on the same terms and conditions (including the term of renewal), to extend the term of lease for a period of 3 years. The rental of the extended term shall be determined with reference to the prevailing market rental and shall be appraised by independent valuer to ensure the reasonableness of the rental. The relevant expenses incurred in this respect shall be borne by the parties in equal shares.

## **INFORMATION OF THE EXISTING LEASES**

### **Principal terms of the 2nd Floor Lease signed on 30 November 2007**

Tenant	:	JF Ningbo
Landlord	:	Jiefeng Air-Con
Property	:	A portion of the 2nd Floor of the Factory Building of 813.94 sq.m. which consists of a production workshop of 760.44 sq.m. and an electrical room of 53.5 sq.m.

Term of lease : Two years commenced from 11 September 2007 and expiring on 10 September 2009 which term will be automatically renewed for a period of one year unless either party shall oppose to the automatic renewal not less than two months before the expiration of the existing term.

Rent : A monthly rental of RMB10.00 (equivalent to approximately HK\$11.17) per sq.m., amounting to total monthly rental of RMB8,139.40 (equivalent to approximately HK\$9,094.40), is payable on a half year basis and will be settled by internal resources.

### **Principal terms of the 3rd Floor Lease signed on 1 January 2008**

Tenant : JF Ningbo

Landlord : Jiefeng Air-Con

Property : A portion of the 3rd Floor of approximately 2,750 sq.m. which consists of a production workshop of 2,725 sq.m. and a toilet of 25 sq.m..

Term of lease : Two years commenced from 1 January 2008 and expiring on 31 December 2009 which term will be automatically renewed for a period of one year unless either party shall oppose to the automatic renewal not less than two months before the expiration of the existing term.

Rent : A monthly rental of RMB10.00 (equivalent to approximately HK\$11.17) per sq.m., amounting to total monthly rental of RMB27,500 (equivalent to approximately HK\$30,726.58), is payable on a half year basis and will be settled by internal resources.

### **PRICING BASIS**

The rental and other terms and conditions under the Lease for the 4th Floor and the Existing Leases were determined on an arm's length basis between JF Ningbo and Jiefeng Air-Con. The rental under the 2nd Floor Lease and the 3rd Floor Lease were determined with reference to the prevailing market rentals of the production plant of similar nature in the region at the material time. According to a confirmation issued by an independent valuer in Hong Kong, the market rental of production workshop of similar nature in the region is RMB12.00 (equivalent to approximately HK\$13.40) as at the date of the Lease for the 4th Floor. Taking into account of the prepayment of the rental of the 4th Floor, the Directors are of the opinion that the reduced rate of rental of RMB8.00 (equivalent to approximately HK\$8.94) per sq.m. payable under the Lease for the 4th Floor had been negotiated for the best interest of the Group. The Directors consider that the monthly rental paid and payable under each of the 2nd Floor Lease, 3rd Floor Lease and the Lease for the 4th Floor is fair and reasonable. The Directors (including the independent non-executive Directors) also consider that (i) the terms of the Lease for the 4th Floor and the Existing Leases were arrived at after arm's length negotiations and have been conducted on normal commercial terms; and (ii) the terms of the Lease for the 4th Floor and the Existing Leases are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## REASONS FOR THE TRANSACTIONS

The Group is principally engaged in the manufacture and sale of (i) furnishings and home products and accessories primarily used in kitchens and bathrooms with stainless steel as raw materials; and (ii) wooden panel furniture. JF Ningbo, being a wholly owned subsidiary of the Company and the sales and manufacturing arm of stainless steel products of the Group, is in a continuous process of diversification of its product range. Hence, the production capacity for the stainless steel production consistently reaches upper limit. To prepare for the expansion and to meet the demand for additional production capacity in the near future, production space should be identified to house the production line of the stainless steel products in the proximity of the Group's owned production plant located at Yuli Road, Yuyao Industrial Development Zone B, Yuyao City, Zhejiang Province, the PRC. Hence, JF Ningbo and Jiefeng Air-Con had entered into the 2nd Floor Lease and the 3rd Floor Lease by the end of 2007 and early 2008 respectively with a view to support the imminent need of production space for stainless steel products of the Group.

To further cope with the rapid growth of the stainless steel business of the Group and in order to capture the advantage of economic scale in production, it is in the interests of the Group that additional production space should be prepared for the stainless steel production, in particular, in the proximity of its existing production plant. At the request of JF Ningbo, Jiefeng Air-Con which possesses with an approval to extend its existing production plant agreed to construct the 4th Floor and agreed to grant a lease on the 4th Floor to JF Ningbo subject to the terms and conditions under the Lease for the 4th Floor. Assuming the 2nd Floor Lease and the 3rd Floor Lease will be renewed upon their expiry on 29 November 2009 and 31 December 2009, the annual caps of the Lease for the 4th Floor and the Existing Leases for each of the four years ending 31 December 2011 will be as follows:

### Annual caps for the year ending 31 December 2011

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>(RMB/HK\$)</i>	<i>(RMB/HK\$)</i>	<i>(RMB/HK\$)</i>	<i>(RMB/HK\$)</i>
The 2nd Floor Lease	97,672.80/ 109,132.80	97,672.80/ 109,132.80 <i>(Note 2)</i>	97,672.80/ 109,132.80 <i>(Note 2)</i>	81,394.00/ 90,944.00 <i>(Note 2)</i>
The 3rd Floor Lease	330,000.00/ 368,718.90	330,000.00/ 368,718.90	330,000.00/ 368,718.90 <i>(Note 2)</i>	275,000.00/ 307,265.75 <i>(Note 2)</i>
The Lease for the 4th Floor	112,000.00/ 125,141.00 <i>(Note 1)</i>	672,000.00/ 750,845.76	672,000.00/ 750,845.76	560,000.00/ 625,704.80 <i>(Note 3)</i>
Total:	<u>539,672.80/</u> <u>602,992.70</u>	<u>1,099,672.80/</u> <u>1,228,697.46</u>	<u>1,099,672.80/</u> <u>1,228,697.46</u>	<u>916,394.00/</u> <u>1,023,914.55</u>

*Notes:*

1. Assuming the possession of the 4th Floor is delivered to the Group on 1 November 2008, the rental payable for the 4th Floor in 2008 is RMB112,000.00 (equivalent to approximately HK\$125,141.00).
2. According to a confirmation issued by Jiefeng Air-Con, Jiefeng Air-Con will not oppose to the renewal of the term of the 2nd Floor Lease and the 3rd Floor Lease up to 31 December 2011. The Group also has the intention to renew the 2nd Floor Lease and the 3rd Floor Lease up to 31 December 2011. The figures are calculated on the basis that the term of the 2nd Floor Lease and the 3rd Floor Lease will both operate until 31 October 2011.
3. The figures are calculated on the assumption that the term of the Lease for the 4th Floor commences from 1 November 2008 and expires on 31 October 2011.

The Company will satisfy the stage payments under the Lease for the 4th Floor by internal resources.

### **INFORMATION OF 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 ultimate shareholdings of Mr Yan and Mr Leung in Jiefeng Air-Con are held through their shareholdings in Better Asia which hold 45.7% equity interest in Jiefeng Air-Con. 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.

### **CONTINUING CONNECTED TRANSACTIONS**

As Jiefeng Air-Con is an Associate of Mr Yan and Mr Leung, Jiefeng Air-Con is a Connected Person of the Company. The transactions contemplated under the Lease for the 4th Floor and the Existing Leases constitute continuing connected transactions of the Company under the GEM Listing Rules. Further, as the Lease for the 4th Floor and the Existing Leases were all entered into between same parties, i.e. JF Ningbo as tenant and Jiefeng Air-Con as landlord, and all such leases relate to various parts of a property situated in the same location, the transactions under the Lease for the 4th Floor and the Existing Leases constitute a series of transactions pursuant to Rule 20.25 of the GEM Listing Rules. Accordingly, the rental payable under the Lease for the 4th Floor and the Existing Leases would be aggregate for the purpose of calculating the relevant percentage ratios under the GEM Listing Rules. The annual rental payable under the Lease for the 4th Floor will be RMB672,000 (equivalent to approximately HK\$750,845.76). The aggregate annual rental payable under the Lease for the 4th Floor and the Existing Leases will be approximately RMB1,099,672.80 (equivalent to approximately HK\$1,228,697.41). As the relevant percentage ratios of the aggregate annual rental under the Lease for the 4th Floor and the Existing Leases is less than 2.5% on an annual basis, the transactions under the Lease for the 4th Floor and the Existing Leases constitute non-exempt continuing connected transactions under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules and the annual review requirements under Rules 20.37 to 20.40 of the GEM Listing Rules. Further announcement will be made upon renewal of any of the Existing Leases and the Lease for the 4th Floor.

## DEFINITIONS

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

“2nd Floor Lease”	a lease (in Chinese) dated 30 November 2007 entered into between JF Ningbo as tenant and Jiefeng Air-Con as landlord in respect of the leasing of a portion of the 2nd Floor of the Factory Building of approximately 813.94 sq.m. for a term of 2 years commenced from 11 September 2007 and expiring on 10 September 2009;
“3rd Floor Lease”	a lease (in Chinese) dated 1 January 2008 entered into between JF Ningbo as tenant and Jiefeng Air-Con as landlord in respect of the leasing of a portion of the 3rd floor of the Factory Building of approximately 2,750 sq.m. for a term of 2 years commenced from 1 January 2008 and expiring on 31 December 2009;
“4th Floor”	the 4th Floor of the Factory Building of approximately 7,000 sq.m. to be constructed by Jiefeng Air-Con and leased to JF Ningbo for use as production workshop;
“Announcement”	this continuing connected transactions announcement dated 28 April 2008;
“Associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Better Asia”	Better Asia Limited, a company incorporated in the BVI with limited liability which issued share capital is owned as to 60% by Mr Yan and 40% by Mr Leung;
“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;
“Commencement Date”	the date of delivery of the 4th Floor to JF Ningbo by Jiefeng Air-Con for use after the lawful completion of the final examination (which will not be later than 31 October 2008 unless otherwise agreed by JF Ningbo);
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Director(s)”	the directors of the Company;
“Existing Leases”	the 2nd Floor Lease and the 3rd Floor Lease;
“Factory Building”	a factory building erected on No.57 Yuli Road, Yuyao Industrial Development Zone B, Yuyao City, PRC, owned by Jiefeng Air-Con;
“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;
“JF Ningbo”	寧波捷豐家居用品有限公司 (JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd.), a wholly foreign owned enterprise established in the PRC on 30 December 1992 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 the PRC and a Connected Person of the Company;
“Lease for the 4th Floor”	a lease dated 21 April 2008 entered into between JF Ningbo as tenant of the one part and Jiefeng Air-Con as landlord of the other part in respect of the construction and the leasing of the 4th Floor of the Factory Building for a term of three years commencing from the Commencement Date;
“Mr Leung”	Mr Leung Kwok Yin, an executive Director and a substantial shareholder of the Company;
“Mr Yan”	Mr Yan Siu Wai, an executive Director and the controlling shareholder of the Company;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan;
“Shareholder(s)”	the holder(s) of the share(s) of the Company;
“sq.m.”	square meter;
“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 Yu Hon Wing Allan  
Mr Garry Alides Willinge  
Mr Chu Kwok Man

*Non-executive Director:*

Mr Kwan Kai Cheong

By Order of the Board

**Yan Siu Wai**

*Chairman*

Hong Kong, 28 April 2008

*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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