JF Household Furnishings Limited
捷 豐 家 居 用 品 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 776)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Results					
Turnover	199,625,181	193,902,367	353,755,842	403,056,696	**368,474,160**
Profit attributable to owners of the Company	23,659,231	20,662,883	27,656,969	22,805,673	**21,504,073**
Assets and Liabilities					
Total assets	116,591,011	132,972,559	231,706,985	271,867,371	**279,792,346**
Total liabilities	41,436,610	43,448,295	115,376,003	129,991,671	**95,091,695**
Equity attributable to owners of the Company	75,154,401	89,524,264	116,330,982	141,875,700	**184,700,651**
Earnings per share					
Basic	0.17	0.12	0.16	0.13	**0.12**
Diluted	0.17	0.12	0.16	0.13	**0.11**

THE FINANCIAL STATEMENTS

The board ("Board") of directors ("Directors") of JF Household Furnishings Limited ("Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009, together with the comparative audited figures for the year ended 31 December 2008 which have been reviewed and approved by the audit committee of the Company ("Audit Committee") as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009**	2008
		HK$	*HK$*
REVENUE	*3*	**368,474,160**	403,056,696
Cost of goods sold		**(312,120,927)**	(342,679,886)
Gross profit		**56,353,233**	60,376,810
Other income	*4*	**2,188,126**	4,826,701
Distribution costs		**(4,130,560)**	(4,295,843)
Administrative expenses		**(21,398,430)**	(21,619,548)
Other operating expenses		**(671,520)**	(2,288,887)
PROFIT FROM OPERATIONS		**32,340,849**	36,999,233
Finance costs	*6*	**(2,430,099)**	(5,463,506)
PROFIT BEFORE TAX		**29,910,750**	31,535,727
Income tax expenses	*7(a)*	**(8,406,677)**	(8,730,054)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*	**21,504,073**	22,805,673
EARNINGS PER SHARE	*10*		
Basic		**0.12**	0.13
Diluted		**0.11**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	HK$	*HK$*
Profit for the year	**21,504,073**	22,805,673
Other comprehensive income:		
Exchange differences on translating foreign operations	**(77,364)**	9,405,245
Other comprehensive income for the year, net of tax	**(77,364)**	9,405,245
Total comprehensive income for the year attributable to owners of the Company	**21,426,709**	32,210,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment		**67,083,943**	66,040,326
Land use rights		**50,976,388**	50,700,545
Available-for-sale financial assets		**2,000,000**	2,000,000
		120,060,331	118,740,871
Current assets			
Inventories		**85,713,658**	80,695,507
Trade receivables	*11*	**33,030,243**	46,161,939
Deposits, other receivables and prepayments		**9,172,272**	3,743,696
Pledged bank deposits		**2,201,986**	1,064,958
Bank and cash balances		**29,613,856**	21,460,400
		159,732,015	153,126,500
Current liabilities			
Trade payables	*12*	**29,152,081**	30,854,456
Other payables and accruals		**9,155,889**	9,723,559
Current tax liabilities		**4,837,895**	7,492,310
Bank borrowings		**47,655,659**	78,357,969
		90,801,524	126,428,294
NET CURRENT ASSETS		**68,930,491**	26,698,206
TOTAL ASSETS LESS CURRENT LIABILITIES		**188,990,822**	145,439,077
Non-current liabilities			
Bank borrowings		**1,616,379**	2,541,579
Deferred tax liabilities		**2,673,792**	1,021,798
		4,290,171	3,563,377
NET ASSETS		**184,700,651**	141,875,700
CAPITAL AND RESERVES			
Share capital		**2,088,540**	1,739,950
Reserves		**182,612,111**	140,135,750
TOTAL EQUITY		**184,700,651**	141,875,700

Note:

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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 that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

b. Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving as the starting point for the identification of such segments. HKFRS 8 results in a redesignation of the Group's reportable segments, but has had no impact on the reported results or financial position of the Group. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 5.

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 results of operations and financial position.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

3. REVENUE

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

	2009 HK$	2008 HK$
Sales of goods	**368,474,160**	403,056,696

4. OTHER INCOME

	2009 HK$	2008 HK$
Exchange gain	**—**	2,975,585
Government grants	**1,026,295**	693,356
Interest income	**47,325**	156,792
Write back of trade payables	**783,194**	979,766
Others	**331,312**	21,202
	2,188,126	4,826,701

5. SEGMENT INFORMATION

The Group has two reportable segments as follows:

Stainless steel furnishings — manufacture and sale of stainless steel furnishings and home products

Wooden furnishings — manufacture and sale of wooden panel furniture

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technology and marketing strategies.

Segment results do not include unallocated finance costs and corporate income and expenses. Segment assets do not include available-for-sale financial assets and unallocated corporate assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

5. SEGMENT INFORMATION *(CONTINUED)*

Information about reportable segment revenue, results and assets:

	Stainless steel furnishings *HK$*	**Wooden furnishings** *HK$*	**Total** *HK$*
Year ended 31 December 2009			
Revenue from external customers	**241,313,781**	**127,160,379**	**368,474,160**
Intersegment revenue	**11,509,888**	**—**	**11,509,888**
Segment results	**21,622,723**	**7,682,196**	**29,304,919**
Interest revenue	**26,605**	**19,041**	**45,646**
Interest expense	**1,232,860**	**319,127**	**1,551,987**
Depreciation and amortisation	**2,264,819**	**4,432,037**	**6,696,856**
Income tax expenses	**8,406,677**	**—**	**8,406,677**
Additions to segment non-current assets	**1,478,773**	**6,499,287**	**7,978,060**
As at 31 December 2009			
Segment assets	**109,741,947**	**165,512,362**	**275,254,309**
Year ended 31 December 2008			
Revenue from external customers	287,389,352	115,667,344	403,056,696
Intersegment revenue	3,109,292	177,747	3,287,039
Segment results	25,066,481	8,991,925	34,058,406
Interest revenue	90,028	38,319	128,347
Interest expense	4,209,570	301,757	4,511,327
Depreciation and amortisation	2,175,262	3,222,449	5,397,711
Income tax expenses	8,730,054	—	8,730,054
Additions to segment non-current assets	1,705,900	40,019,005	41,724,905
As at 31 December 2008			
Segment assets	112,737,503	146,704,503	259,442,006

5. SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of reportable segment revenue, results and assets:

	2009	2008
	HK$	*HK$*
Revenue		
Total revenue of reportable segments	**379,984,048**	406,343,735
Elimination of intersegment revenue	**(11,509,888)**	(3,287,039)
Consolidated revenue	**368,474,160**	403,056,696
Results		
Total results of reportable segments	**29,304,919**	34,058,406
Unallocated finance costs	**(878,112)**	(952,179)
Unallocated corporate income	**31,457**	103,048
Unallocated corporate expenses	**(6,954,191)**	(10,403,602)
Consolidated profit for the year	**21,504,073**	22,805,673
Assets		
Total assets of reportable segments	**275,254,309**	259,442,006
Available-for-sale financial assets	**2,000,000**	2,000,000
Unallocated corporate assets	**2,538,037**	10,425,365
Consolidated total assets	**279,792,346**	271,867,371

Geographical information:

Geographical information about the Group's revenue from external customers and non-current assets other than available-for-sale financial assets are as follows:

	Revenue		**Non-current assets**	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**317,986,660**	320,036,560	**—**	—
PRC except Hong Kong	**50,487,500**	83,020,136	**118,060,331**	116,740,871
Total	**368,474,160**	403,056,696	**118,060,331**	116,740,871

In presenting the geographical information, revenue is based on the location of the customers.

5. SEGMENT INFORMATION *(CONTINUED)*

Revenue from the major customer:

	2009	2008
	HK$	*HK$*
Stainless steel furnishings segment		
Customer A	**235,447,236**	275,842,271
Wooden furnishings segment		
Customer A	**126,675,739**	115,563,968

6. FINANCE COSTS

	2009	2008
	HK$	*HK$*
Finance lease charges	**—**	219,572
Interest on bank loans	**2,430,099**	5,243,934
	2,430,099	5,463,506

7. INCOME TAX EXPENSES

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

	2009	2008
	HK$	*HK$*
Current tax — PRC enterprise income tax	**6,187,483**	7,708,256
Deferred tax — Withholding tax on dividend — PRC	**2,219,194**	1,021,798
	8,406,677	8,730,054

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2008: HK$Nil).

Pursuant to the New PRC enterprise income tax law, which is passed by the Tenth National People's Congress on 16 March 2007 and effective from 1 January 2008, the enterprise income tax has various changes. It includes the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%; cancellation of tax holiday originally available to export-oriented enterprises; and enforcement of commencement of the tax holiday ("Enforcement of Tax Holiday") on 1 January 2008 for those Foreign Investment Enterprise which have not commenced their tax holiday due to ongoing tax losses since their commencement of businesses.

7. INCOME TAX EXPENSES *(CONTINUED)*

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

寧波捷豐金屬制品有限公司 (Ningbo JF Metal Products Co., Ltd.) ("JF Metal") and 寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co., Ltd.) ("JF Furniture"), two subsidiaries of the Company operating in Zhejiang Province, the PRC, is entitled to a two-year exemption from enterprise income tax starting from its first profit-making year followed by a 50% reduction for the subsequent three years. Pursuant to the Enforcement of Tax Holiday, tax holiday for JF Metal and JF Furniture commenced on 1 January 2008. Hence, no provision for PRC enterprise income tax has been made for the year ended 31 December 2009 (2008: HK$Nil) as JF Metal and JF Furniture were both in tax holiday.

The relevant tax holiday for the other operating PRC subsidiary of the Company, namely 寧波捷豐家居用品有限公司 (JF A.C.R. Equipment Suppliers (Ningbo) Co., Ltd.) ("JF Ningbo"), had expired. Hence, JF Ningbo is subject to income tax at the rate of 25%.

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

	2009 ***HK$***	2008 *HK$*
Profit before tax	**29,910,750**	31,535,727
Tax at PRC enterprise income tax rate of 25% (2008: 25%)	**7,477,688**	7,883,931
Tax effect of income that is not taxable	**(15,492,591)**	(15,367,518)
Tax effect of expenses that are not deductible	**16,471,201**	17,918,818
Tax effect of unrecognised temporary difference	**(18,105)**	(17,883)
Tax effect of income tax on concession	**(2,250,710)**	(2,709,092)
Tax effect of withholding tax on dividend	**2,219,194**	1,021,798
Income tax expenses	**8,406,677**	8,730,054

8. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2009	2008
	HK$	*HK$*
Auditors' remuneration	**640,475**	615,359
Cost of inventories sold	**312,120,927**	342,679,886
Depreciation	**5,648,330**	4,950,719
Fair value change on financial assets at fair value through profit or loss	**—**	2,288,887
Loss on disposal of property, plant and equipment	**1,582**	—
Research and development expenditure	**575,757**	46,406
Staff costs (including directors' emoluments)		
Fees	**320,000**	303,770
Basic salaries, bonuses, allowances and benefits in kind	**26,144,836**	26,230,369
Equity-settled share-based payments	**217,000**	—
Retirement benefits scheme contributions	**2,428,024**	2,290,432
Operating lease — land and buildings	**1,749,790**	1,096,639
Net exchange losses	**2,158,989**	—

9. DIVIDEND

	2009	2008
	HK$	*HK$*
Proposed final dividend		
— HK5 cents (2008: HK5 cents) per ordinary share	**10,442,700**	8,702,250

The previously recorded final dividend for the year ended 31 December 2008 was HK$8,699,750. The additional amount of HK$2,500 paid was as a result of the exercise of share options prior to approval of final dividend at the annual general meeting.

10. EARNINGS PER SHARE

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

	2009	2008
	HK$	*HK$*
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**21,504,073**	22,805,673
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**185,948,767**	172,748,826
Effect of share options	**3,931,357**	3,066,613
Weighted average number of ordinary shares used in diluted earnings per share calculation	**189,880,124**	175,815,439

11. TRADE RECEIVABLES

The Group normally granted customers with credit terms of 30 to 90 days. The ageing analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	2009	2008
	HK$	*HK$*
0 — 30 days	**32,466,416**	45,913,446
31 — 60 days	**563,228**	123,409
61 — 90 days	**—**	—
Over 90 days	**599**	125,084
	33,030,243	46,161,939

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2009	2008
	HK$	*HK$*
0 — 30 days	**24,507,986**	22,736,917
31 — 60 days	**4,310,649**	6,436,911
61 — 90 days	**12,132**	138,959
Over 90 days	**321,314**	1,541,669
	29,152,081	30,854,456

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Year 2009 continued to be a difficult year for the Group. The worldwide economic downturn inevitably affected the orders significantly during the year. However, the Group benefited from a strong competitive position and had taken over some of the orders from other suppliers of the key customer, following the closing down of their businesses and their discontinuation of shipment for the key customer during the year.

Given the tough operating environment in most of 2009, the management is pleased to report that the Group was able to deliver profit after tax of about HK$21.5 million for the year ended 31 December 2009, representing a slight decline from approximately HK$22.8 million for the year ended 31 December 2008.

The rise of labour costs continued to affect the Group's operations. In order to minimize the impact of increasing labour costs, the management had redesigned production workflow and had subcontracted some of the non-core production steps.

During the year, the Renminbi remained relatively stable, and the Group did not purchase additional hedging contracts in foreign exchange, as it is the Group's policy to minimize transactions in financial markets.

Except for the construction of a new warehouse with gross floor area of 2,789 sq.m. during the year to prepare for the massive production of the "Board on Frame" series, the Group had slowed down its expansion during year 2009 pending a more stable economic environment resurface. The Group's negotiation on the new "Board of Frame" product line with the key customer during the year was fruitful, and the Group was subsequently able to conclude a five-year sales volumes agreement ("Sales Volumes Agreement") with the key customer in relation to the "Board on Frame" products in early February 2010.

Delivery of the new kitchen cabinet series started in the second half of the year of 2009, which boosted the performance of the timber division.

During year 2009, the Group expanded its capital base through a private placement of shares ("Placement of Shares"), which raised a net proceed of approximately HK$29.9 million for the Group, and strengthened the Group's financial position.

OUTLOOK AND FUTURE PROSPECTS

Year 2010 is expected to be a year of recovery. Worldwide economic environment gradually stabilizes, with Chinese exports of manufacturing products coming back to a growing trend. The management is confident that the Group will ride out the current situation better and stronger.

As the Group has taken over some of the orders from other suppliers of the key customer, the management expects the orders for both the stainless steel division and the timber division will improve in year 2010.

However, profit margin will continue to be a challenge to the Group as the management expects that the prices for stainless steel will rise again, and that Renminbi may appreciate by the end of 2010. The Group will strive to maintain the profit margin level by improving and automating certain processes, including the stainless tube production line, stainless desk production line, stainless shelf production line and stainless box production line.

The Group has successfully concluded the negotiation with the key customer for the production of the new "Board on Frame" series. Trial production for the environmentally-friendly timber products has already started in the first quarter of 2010, and it is hopeful that the new series will turn out to be a major growth area for the Group notwithstanding that the Group had incurred and will incur substantial capital expenditure for the purpose of enhancing production capacity for the "Board on Frame" series. In preparation for the massive production in accordance with the Sales Volumes Agreement, the Group has started to plan to construct the first phase of a production plant for "Board on Frame" production lines which is expected to have a total gross floor area of approximately 50,000 sq.m. and is prepared to acquire machineries to build up the production lines of the "Board on Frame" products.

Looking ahead, the management is cautiously optimistic that the Group's performance will resume its growth, and that the Group will generate a satisfactory return for the shareholders.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2009, the Group reported a turnover of approximately HK$368.5 million, representing a decrease of approximately 8.6% from that of the fiscal year of 2008. The decrease in turnover came mainly from the stainless steel division, which dropped around 16.0%, from approximately HK$287.4 million in 2008 to approximately HK$241.3 million in 2009 as a result of the worldwide economic downturn. Turnover for the timber division increased by approximately 9.9% from approximately HK$115.7 million for the year ended 31 December 2008 to approximately HK$127.2 million for the year ended 31 December 2009. The increase in turnover for the timber division was mainly due to the introduction of new products, such as the kitchen cabinet series.

Overall gross profit margin increased from 15.0% in the year 2008 to 15.3% in 2009, mainly due to the improvement in the gross profit margin of the stainless steel division.

Gross profit margin for the stainless steel division increased from 15.6% in 2008 to 17.5% in 2009 as the prices for raw materials were depressed by the worldwide economic turmoil.

Prices for stainless steel continued to drop during the year under review, with the average cost of purchase for type 21CT steel dropped from HK$19.0 per kilogram to HK$15.3 per kilogram. Raw material costs as a percentage of turnover in the stainless steel division declined from 66.1% to 64.4% in 2009.

Gross profit margin for the timber division dropped from 13.4% in 2008 to 11.2% in 2009, as the key customer raised its material standard requirement. As a result, raw material costs as a percentage of turnover increased from 76.4% in 2008 to 78.2% in 2009.

Total expenses (including selling and administration expenses) decreased from approximately HK$25.9 million in 2008 to approximately HK$25.5 million in 2009.

Excluding the one-time expenses of approximately HK$4.2 million for the Transfer of Listing in 2008, total expenses (including selling and administration expenses) increased by around HK$3.8 million for the year 2009, mainly due to the additional costs for the setting up of the new “Board on Frame” products operations and foreign exchange losses.

Selling and distribution costs dropped slightly from approximately HK$4.3 million in 2008 to around HK$4.1 million in 2009 mainly due to lower turnover.

Administrative expenses decreased from approximately HK$21.6 million in 2008 to approximately HK$21.4 million in 2009.

Excluding the one-time expenses of approximately HK$4.2 million incurred for the Transfer of Listing in 2008, the regular administrative expenses increased by approximately HK$4.0 million from approximately HK$17.4 million in 2008 to approximately HK$21.4 million in 2009, mainly due to approximately HK$2.2 million of foreign exchanges losses, additional costs for the setting up of the new “Board on Frame” products operations (which included approximately HK$0.4 million in land taxes and approximately HK$0.6 million of land amortization expenses, and approximately HK$0.5 million in product development).

Interest costs dropped significantly from approximately HK$5.5 million in 2008 to approximately HK$2.4 million in 2009, as the average bank borrowings dropped from approximately HK$86.4 million to around HK$56.0 million, mainly because of the approximately HK$29.9 million net proceed raised by the Group through the Placement of Shares. Average interest rate also dropped from 6.2% in 2008 to around 4.4% in 2009.

Income tax expenses dropped from approximately HK$8.7 million in 2008 to approximately HK$8.4 million in 2009. Average tax rate increased from 27.7% in 2008 to 28.1% in 2009, as the PRC government implemented a withholding tax on dividend distributed by the PRC subsidiaries of the Company.

Net profit in 2009 was approximately HK$21.5 million, representing a 5.7% decline as compared to that of 2008. The decline in net profit mainly came from lower turnover and higher administrative expenses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group's overall financial position improved as the Group raised additional capital through the Placement of Shares to reduce debt and to prepare for expansion.

As at 31 December 2009, the Group had bank and cash balances of approximately HK$29.6 million (2008: HK$21.5 million) and net current assets of approximately HK$68.9 million which was HK$42.2 million higher than the approximately HK$26.7 million recorded in 2008, mainly due to improved cash position subsequent to the Placement of Shares and decreased bank borrowings. Non-current assets increased only by approximately HK$1.3 million to approximately HK$120.1 million in 2009, as the Group slow down its expansion during the year.

As at 31 December 2009, the Group had current liabilities of approximately HK$90.8 million, which was lower than the closing balance for 2008 of approximately HK$126.4 million. The reduction in current liabilities was mainly due to the decrease of bank borrowings by approximately HK$30.7 million.

GEARING RATIO

The Group's gearing ratio, which was derived from the total bank borrowings to total assets, declined to 17.6% in 2009 from 29.8% in 2008, as the Group reduced its bank borrowings by around HK$31.6 million.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in this announcement, the Group had no material acquisition or capital expenditure plan as of 31 December 2009.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities (2008: Nil).

SUBSEQUENT EVENTS

On 12 February 2010, JF Furniture had entered into the Sales Volumes Agreement, an agreement for investment of board on frame (BOF) production and an agreement of knowhow licence with its key customer which details were set out in the announcement of the Company dated 12 February 2010.

On 16 March 2010, JF Furniture had entered into a right of first refusal agreement for assets with its key customer and JF Household Furnishings (BVI) Ltd. had entered into a right of first refusal agreement for shares with its key customer. Details of the right of first refusal agreements were set out in the announcement of the Company dated 16 March 2010.

In preparation for the massive production of the "Board on Frame" series, the Group has started to plan to construct the first phase of a production plant for "Board on Frame" production lines and is prepared to acquire machineries to build up the production lines of the "Board on Frame" products.

Save as disclosed in this announcement, no subsequent events occurred after 31 December 2009 which may have significant effects on the assets and liabilities of future operations of the Group.

FOREIGN EXCHANGE EXPOSURE

All transactions of the Group are denominated in RMB, Hong Kong dollars or US dollars. As RMB may continue to fluctuate in the foreseeable future, the Group will maintain a sizable portion of its borrowings in Hong Kong dollars, which form a natural hedge with the Group's sales denominated in US dollars.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group employed approximately 800 staff in the PRC and Hong Kong, representing a reduction of 20 staff from 31 December 2008. The Group's remuneration to employees, including Directors' emoluments, increased by approximately HK$0.3 million to approximately HK$29.1 million for the fiscal year of 2009. 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 the Growth Enterprise Market ("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.

COMPETING INTEREST

None of the Directors, management shareholders or their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("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.

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

As at 31 December 2009, 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 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 the Model Code for Securities Transactions by Directors of Listed Companies contained in the 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)*	36.20%
Mr. Leung Kwok Yin	15,120,000	—	12,600,000	27,720,000 *(Note 2)*	13.27%
Mr. Bao Jisheng	1,000,000	—	22,680,000	23,680,000 *(Note 3)*	11.34%

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 British Virgin Islands ("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 27,720,000 shares, (i) 12,600,000 shares were registered in the name of Joyday Consultants Limited ("Joyday"); and (ii) the remaining 15,120,000 shares were registered in the name of Mr. Leung Kwok Yin directly. 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 12,600,000 shares through his shareholdings in Joyday.

3. Among these 23,680,000 shares, (i) 22,680,000 shares were registered in the name of Hero Talent Investments Limited ("Hero Talent"); and (ii) the remaining 1,000,000 shares were registered in the name of Mr. Bao Jisheng directly. Hero Talent is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Bao Jisheng. By virtue of the SFO, Mr. Bao Jisheng was deemed to be interested in 22,680,000 shares through his shareholdings in Hero Talent.

Interests in underlying shares of the Company

As at 31 December 2009, 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 the outstanding share options 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	2,360,000	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 of its Shares on GEM which had expired on 12 October 2006.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company and each of their respective associates (as defined under the 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 the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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 on GEM (the "Pre-IPO Share Option Scheme"), and conditionally adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme"). By an ordinary resolution passed on 26 November 2008, the then shareholders of the Company approved (i) the adoption of a new share option scheme ("New Share Option Scheme"), and (ii) the termination of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. Pursuant to the terms of the Pre-IPO Share Option Scheme, the share options previously granted under the Pre-IPO Share Option Scheme but not yet exercised will remain valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and the terms of issue of such options.

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 2009 are as follows:

		Share options held as at 1 January 2009	Share options exercised during the year ended 31 December 2009	Share options held as at 31 December 2009	Exercise price
					HK$
(A)	Employees	2,688,000	—	2,688,000	0.80
		1,725,000	(50,000)	1,675,000	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	2,360,000	—	2,360,000	0.80
		14,165,000	(50,000)	14,115,000	

Details of the share options granted pursuant to the New Share Option Scheme and remained outstanding as at 31 December 2009 are as follows:

		Share options held as at 1 January 2009	Share options granted during the year ended 31 December 2009	Share options exercised during the year ended 31 December 2009	Share options held as at 31 December 2009	Exercise price
						HK$
(A)	Employees	—	1,000,000	—	1,000,000	0.90
(B)	Directors	—	—	—	—	—
			1,000,000		1,000,000	

SHARE OPTION SCHEME

Save as disclosed above, no options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are still outstanding, and no other options have been granted under the New Share Option Scheme since its adoption on 26 November 2008.

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 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.

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 2009 to 31 December 2009 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The Board will continue to commit itself to achieving a high quality of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding Directors' securities transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in Appendix 10 of the Listing Rules for the year ended 31 December 2009.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules. The primary duties of the Audit Committee are to review the Company's interim and annual reports and accounts 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 of the three independent non-executive Directors, namely, Mr. Yu Hon Wing, Allan (Chairman), Mr. Garry Alides Willinge and Mr. Chu Kwok Man, and one non-executive Director, namely, Mr. Kwan Kai Cheong.

The committee members possess diversified industry experience and the Chairman is an expert on financial and auditing matters. The committee met two times last year. During 2009, 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 interim and annual reports for 2009.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the financial statements for the year ended 31 December 2009, including the accounting principles and practice adopted by the Group, in conjunction with the Company's external auditors.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, on Monday, 17 May 2010 at 4:00 p.m. and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the Listing Rules.

FINAL DIVIDEND

The Board recommends the payment of a final dividend for the year ended 31 December 2009 of HK5 cents per share (2008: HK5 cents). Subject to the approval of the 2009 final dividend by the shareholders at the AGM to be held on 17 May 2010, it is expected that those dividends will be paid on 20 May 2010 to the shareholders registered on 17 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 12 May 2010 to 17 May 2010, 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 Registrar, Tricor Investor Services Limited at Level 26, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on 11 May 2010.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (http://www.jffurnishings.com) and the Stock Exchange (http://www.hkexnews.hk/index.htm). The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the aforesaid websites in due course.

APPRECIATION

The Board would like to express sincere appreciation to all of the Group's investors, customers, partners and shareholders for their ongoing support to the Group and would also like to thank the staff of the Group for their invaluable contributions throughout the year.

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

Hong Kong, 12 April 2010

As at the date of this announcement, the executive Directors are Messrs Yan Siu Wai, Leung Kwok Yin and Bao Jisheng; the non-executive Director is Messr Kwan Kai Cheong; and the independent non-executive Directors are Messrs Yu Hon Wing Allan, Garry Alides Willinge and Chu Kwok Man.

This announcement will remain on the Exchange's HKEx news website at http://www. hkexnews. hk/index.htm on the "Latest Information" page for at least seven days from the date of its posting and on the Company's website at http://www.jffurnishings.com.