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 2010

FINANCIAL HIGHLIGHTS

	2006	2007	2008	2009	**2010**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Results					
Turnover	193,902,367	353,755,842	403,056,696	368,474,160	**438,243,822**
Profit attributable to owners of the Company	20,662,883	27,656,969	22,805,673	21,504,073	**18,372,980**
Assets and Liabilities					
Total assets	132,972,559	231,706,985	271,867,371	279,792,346	**485,931,337**
Total liabilities	43,448,295	115,376,003	129,991,671	95,091,695	**273,010,403**
Equity attributable to owners of the Company	89,524,264	116,330,982	141,875,700	184,700,651	**212,920,934**
Earnings per share					
Basic	0.12	0.16	0.13	0.12	**0.09**
Diluted	0.12	0.16	0.13	0.11	**0.08**

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 2010, together with the comparative audited figures for the year ended 31 December 2009 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 2010

	Note	**2010** *HK$*	2009 *HK$*
REVENUE	*3*	**438,243,822**	368,474,160
Cost of goods sold		**(377,794,418)**	(312,120,927)
Gross profit		**60,449,404**	56,353,233
Other income	*4*	**903,972**	2,188,126
Distribution costs		**(2,228,451)**	(4,130,560)
Administrative expenses		**(24,561,660)**	(21,398,430)
Other operating expenses		**(893,851)**	(671,520)
PROFIT FROM OPERATIONS		**33,669,414**	32,340,849
Finance costs	*6*	**(3,910,680)**	(2,430,099)
PROFIT BEFORE TAX		**29,758,734**	29,910,750
Income tax expense	*7(a)*	**(11,385,754)**	(8,406,677)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*	**18,372,980**	21,504,073
EARNINGS PER SHARE	*10*		
Basic		**0.09**	0.12
Diluted		**0.08**	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$	*HK$*
Profit for the year	**18,372,980**	21,504,073
Other comprehensive income:		
Exchange differences on translating foreign operations	**9,615,303**	(77,364)
Other comprehensive income for the year, net of tax	**9,615,303**	(77,364)
Total comprehensive income for the year attributable to owners of the Company	**27,988,283**	21,426,709

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	31 December 2010	31 December 2009	1 January 2009
		HK$	*HK$* (restated)	*HK$* (restated)
Non-current assets				
Property, plant and equipment		**194,727,430**	118,060,331	116,740,871
Available-for-sale financial assets		**2,000,000**	2,000,000	2,000,000
		196,727,430	120,060,331	118,740,871
Current assets				
Inventories		**128,915,041**	85,713,658	80,695,507
Trade and bills receivables	*11*	**67,517,484**	33,030,243	46,161,939
Deposits, other receivables and prepayments		**27,700,073**	9,172,272	3,743,696
Restricted cash and bank balances		**21,339,517**	2,201,986	1,064,958
Cash and bank balances		**32,572,820**	29,613,856	21,460,400
		278,044,935	159,732,015	153,126,500
Non-current assets held for sale		**11,158,972**	–	–
		289,203,907	159,732,015	153,126,500
Current liabilities				
Trade and bills payables	*12*	**72,433,233**	29,152,081	30,854,456
Other payables and accruals		**30,011,390**	9,155,889	9,723,559
Current tax liabilities		**9,333,650**	4,837,895	7,492,310
Bank borrowings		**160,008,863**	49,272,038	80,899,548
		271,787,136	92,417,903	128,969,873
NET CURRENT ASSETS		**17,416,771**	67,314,112	24,156,627

	31 December		1 January
	2010	2009	2009
	HK$	*HK$*	*HK$*
		(restated)	(restated)
TOTAL ASSETS LESS CURRENT LIABILITIES	**214,144,201**	187,374,443	142,897,498
Non-current liabilities			
Deferred tax liabilities	**1,223,267**	2,673,792	1,021,798
NET ASSETS	**212,920,934**	184,700,651	141,875,700
CAPITAL AND RESERVES			
Share capital	**2,226,890**	2,088,540	1,739,950
Reserves	**210,694,044**	182,612,111	140,135,750
TOTAL EQUITY	**212,920,934**	184,700,651	141,875,700

Notes:

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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; 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) Classification of a Term Loan that contains a Repayment on Demand Clause

In November 2010 the HKICPA issued Hong Kong Interpretation 5 "Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 "Presentation of Financial Statements". It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of Hong Kong Interpretation 5 on the consolidated statement of financial position:

	At 31 December		**At 1 January**
	2010	2009	2009
	HK$	*HK$*	*HK$*
Increase/(decrease) in			
Current liabilities			
Bank borrowings	**14,237,274**	1,616,379	2,541,579
Non-current liabilities			
Bank borrowings	**(14,237,274)**	(1,616,379)	(2,541,579)

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

(b) Classification of Land Leases

Amendments to HKAS 17 "Leases" deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	At 31 December		**At 1 January**
	2010	2009	2009
	HK$	*HK$*	*HK$*
Increase in property, plant and equipment	**51,823,762**	50,976,388	50,700,545
Decrease in land use rights	**(51,823,762)**	(50,976,388)	(50,700,545)

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 issued by the HKICPA, 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 revenue represented the net invoiced value of goods sold to customers, after allowances for trade discounts and returns.

	2010	2009
	HK$	*HK$*
Sales of goods	**438,243,822**	368,474,160

4. OTHER INCOME

	2010	2009
	HK$	*HK$*
Government grants	**363,975**	1,026,295
Interest income	**193,820**	47,325
Gain on disposal of property, plant and equipment	**64,059**	–
Write back of trade payables	**91,466**	783,194
Others	**190,652**	331,312
	903,972	2,188,126

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 business 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	**Wooden furnishings**	**Total**
	HK$	*HK$*	*HK$*
Year ended 31 December 2010			
Revenue from external customers	**310,669,826**	**127,573,996**	**438,243,822**
Intersegment revenue	**32,630**	**–**	**32,630**
Segment results	**32,484,428**	**(4,491,133)**	**27,993,295**
Interest revenue	**30,058**	**54,695**	**84,753**
Interest expense	**1,648,032**	**1,677,877**	**3,325,909**
Depreciation	**2,188,828**	**4,852,109**	**7,040,937**
Income tax expense	**9,691,748**	**1,694,006**	**11,385,754**
Additions to segment non-current assets	**3,453,758**	**86,804,550**	**90,258,308**
As at 31 December 2010			
Segment assets	**209,120,306**	**266,686,298**	**475,806,604**
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	2,264,819	4,432,037	6,696,856
Income tax expense	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

5. **SEGMENT INFORMATION *(CONTINUED)***

Reconciliations of reportable segment revenue, results and assets:

	2010	2009
	HK$	*HK$*
Revenue		
Total revenue of reportable segments	**438,276,452**	379,984,048
Elimination of intersegment revenue	**(32,630)**	(11,509,888)
Consolidated revenue	**438,243,822**	368,474,160
Results		
Total results of reportable segments	**27,993,295**	29,304,919
Unallocated finance costs	**(584,771)**	(878,112)
Unallocated corporate income	**157,300**	31,457
Unallocated corporate expenses	**(9,192,844)**	(6,954,191)
Consolidated profit for the year	**18,372,980**	21,504,073
Assets		
Total assets of reportable segments	**475,806,604**	275,254,309
Available-for-sale financial assets	**2,000,000**	2,000,000
Unallocated corporate assets	**8,124,733**	2,538,037
Consolidated total assets	**485,931,337**	279,792,346

Geographical information:

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

	Revenue		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**361,706,078**	317,986,660	**–**	–
PRC except Hong Kong	**76,537,744**	50,487,500	**194,727,430**	118,060,331
Total	**438,243,822**	368,474,160	**194,727,430**	118,060,331

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

5. SEGMENT INFORMATION *(CONTINUED)*

Revenue from major customer:

	2010	2009
	HK$	*HK$*
Stainless steel furnishings segment		
Customer A	**303,290,244**	235,447,236
Wooden furnishings segment		
Customer A	**127,127,846**	126,675,739

6. FINANCE COSTS

	2010	2009
	HK$	*HK$*
Interest on bank loans and overdrafts	**3,910,680**	2,430,099

7. INCOME TAX EXPENSES

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

	2010	2009
	HK$	*HK$*
Current tax – PRC enterprise income tax	**9,942,293**	6,187,483
Deferred tax – Withholding tax on dividend – PRC	**1,443,461**	2,219,194
	11,385,754	8,406,677

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2009: HK$Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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 existing tax holiday 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, JF Metal and JF Furniture are subject to the PRC enterprise income tax rate of 12.5% in the current year (2009: Nil).

The relevant tax holiday for the other operating PRC subsidiary of the Company, JF Ningbo, had expired. Hence, JF Ningbo is subject to the PRC enterprise income tax rate of 25% (2009: 25%).

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

	2010	2009
	HK$	*HK$*
Profit before tax	**29,758,734**	29,910,750
Tax at PRC enterprise income tax rate of 25%	**7,439,684**	7,477,688
Tax effect of income that is not taxable	**(26,267,332)**	(15,492,591)
Tax effect of expenses that are not deductible	**28,986,739**	16,471,201
Tax effect of unrecognised temporary difference	**(18,348)**	(18,105)
Tax effect of income tax on concession	**(447,760)**	(2,250,710)
Tax effect of unrecognised tax losses	**160,499**	–
Effect of different tax rates of subsidiaries	**88,811**	–
Tax effect of withholding tax on dividend	**1,443,461**	2,219,194
Income tax expense	**11,385,754**	8,406,677

8. PROFIT FOR THE YEAR

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

	2010	2009
	HK$	*HK$*
Auditors' remuneration	**653,065**	640,475
Cost of inventories sold	**377,794,418**	312,120,927
Depreciation	**7,042,837**	6,698,332
Loss on disposal of property, plant and equipment	**–**	1,582
Write-off of property, plant and equipment	**164,854**	–
Allowance for inventories (included in other operating expenses)	**862,177**	–
Research and development expenditure	**4,200,854**	575,757
Staff costs (including directors' emoluments)		
Fees	**320,000**	320,000
Basic salaries, bonuses, allowances and benefits in kind	**30,965,052**	26,144,836
Equity-settled share-based payments	**–**	217,000
Retirement benefits scheme contributions	**3,079,343**	2,428,024
Operating lease – buildings	**1,026,435**	699,788
Net exchange losses	**1,079,333**	2,158,989

9. DIVIDEND

	2010	2009
	HK$	*HK$*
Proposed final dividend		
— HK$ Nil (2009: HK5 cents) per ordinary share	**–**	10,501,200

The previously recorded final dividend for the year ended 31 December 2009 was HK$10,442,700. The additional amount of HK$58,500 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:

	2010	2009
	HK$	*HK$*
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**18,372,980**	21,504,073
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**212,744,726**	185,948,767
Effect of share options	**7,073,224**	3,931,357
Weighted average number of ordinary shares used in diluted earnings per share calculation	**219,817,950**	189,880,124

11. TRADE AND BILLS RECEIVABLES

	2010	2009
	HK$	*HK$*
Trade receivables	**51,940,021**	33,030,243
Bills receivables	**15,577,463**	–
	67,517,484	33,030,243

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:

	2010	2009
	HK$	*HK$*
0 — 30 days	**45,981,698**	32,466,416
31 — 60 days	**4,932,868**	563,228
61 — 90 days	**–**	–
Over 90 days	**1,025,455**	599
	51,940,021	33,030,243

12. TRADE AND BILLS PAYABLES

	2010	2009
	HK$	*HK$*
Trade payable	**45,041,147**	29,152,081
Bills payable	**27,392,086**	–
	72,433,233	29,152,081

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:

	2010	2009
	HK$	*HK$*
0 — 30 days	**29,911,934**	24,507,986
31 — 60 days	**11,544,022**	4,310,649
61 — 90 days	**2,142,350**	12,132
Over 90 days	**1,442,841**	321,314
	45,041,147	29,152,081

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Year 2010 was a year of many challenges for the Group. Rising labour costs and the appreciation of the Renminbi currency continued to have adverse impact on the export manufacturers in the PRC. However, the Group's businesses were able to grow strongly as the worldwide economic started to recover and the Group's stainless steel business maintained a strong competitive position.

During the year, labour supply continued to be tight all over the PRC, and the Group had to turndown some orders during certain periods of the year due to insufficient labour power. At the same time, the PRC currency, the Renminbi, started to rise slowly again, which increased pressure on the gross margin as the rise in the currency increased the settlement costs for the Group.

In February 2010, the Group successfully concluded a five year sales volume agreement on the Board on Frame ("BOF") series with the Group's key customer, which contemplated to give the Group specified amount of orders for five consecutive years commenced from 2010.

Trial production for the BOF series started in the second half of 2010. The products categories were still under adjustment which increased the research and development costs. Further, the unique machineries for the BOF series were continuously adjusted and under trial which also increased capital expenditure. The progress of development was therefore delayed. Hence, the Group did not achieve the scheduled sales plan for 2010 agreed with the key customer.

OUTLOOK AND FUTURE PROSPECTS

With the global financial situation improving, worldwide economic prospects is expected to move in the positive directions. The improved economic environment will continue to benefit the manufacturing industry in the PRC.

However, manufacturers in the PRC will continue to tackle difficulties as they face higher commodity prices worldwide, rising land and labour costs in the PRC , and the ever stronger pressure for the appreciation of Renminbi.

As a result of efforts of the Group in the past years, the management is confident that the Group is in a strong competitive position to secure more businesses and achieve better results in the stainless steel division, as some competitors may choose to discontinue their businesses with the Group's key customer under the difficult environment.

In order to support the development of the BOF products, the Group had begun to construct the new 53,000 sq.m. BOF production plant which is expected to be completed in mid 2011.

Businesses for the BOF series will be the main challenge for the management in 2011, as the Group sets up the new facilities in the new BOF production plant, and is expected to spend a lot of extra costs and effort for the development of the BOF series.

Looking ahead, the management is confident about the future growth and development of stainless steel division. Although the management expects that the Group's net profit will inevitably be affected by the initial set up and investment costs for the BOF series, the management believe that if the start up difficulties of the BOF products can be overcome, the timber division will retrieve its profitability.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2010, the Group reported a turnover of approximately HK$438.2 million, representing an increase of approximately 18.9% from that of the fiscal year of 2009. The increase in turnover came mainly from the stainless steel division, which went up around 28.7%, from approximately HK$241.3 million in 2009 to approximately HK$310.7 million in 2010 as the worldwide economic stabilized. Turnover for the timber division increased only slightly from approximately HK$127.2 million for the year ended 31 December 2009 to approximately HK$127.6 million for the year ended 31 December 2010.

Overall gross profit margin dropped from 15.3% in the year 2009 to 13.8% in 2010, mainly due to the drop in the gross profit margin of the timber division.

Gross profit margin for the stainless steel division dropped slightly from 17.5% in 2009 to 16.7% in 2010 as selling prices were downward adjusted due to the shift of payment obligation on the land transportation costs for containers from the Group to the key customer.

Gross profit margin for the timber division dropped from 11.2% in 2009 to 6.7% in 2010, as extra costs were spent in the trial production for the new BOF products.

Total expenses (including distribution and administration expenses) increased from approximately HK$25.5 million in 2009 to approximately HK$26.8 million in 2010. Total expenses increased by around HK$1.3 million for the year 2010, mainly due to the additional costs incurred for the development of new BOF products.

Distribution costs dropped from approximately HK$4.1 million in 2009 to around HK$2.2 million in 2010 due to the shift of payment obligation on the land transportation costs for containers from the Group to the key customer.

Administrative expenses increased by HK$3.2 million from approximately HK$21.4 million in 2009 to approximately HK$24.6 million in 2010, mainly due to additional product development costs, about HK$2.5 million from the new BOF series and HK$1.1 million from stainless steel division.

Interest costs rose significantly from approximately HK$2.4 million in 2009 to approximately HK$3.9 million in 2010, as the average bank borrowings increased from approximately HK$56.0 million to around HK$100.4 million, mainly because of the new investment associated with the new land, the construction of new production plant and the purchase of new equipment, all related to the new BOF series.

Income tax expenses increased from approximately HK$8.4 million in 2009 to approximately HK$11.4 million in 2010, mainly due to the significant higher profit from JF Ningbo. Besides, the Group paid tax of about HK$1.0 million for the profit resulting from the transfer of land from JF Ningbo to JF Furniture.

Net profit in 2010 was approximately HK$18.4 million, representing a decline of approximately 14.6% as compared to that of 2009. The decline in net profit mainly came from lower gross margin from the timber division and the higher total expenses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group's overall financial position tightened as the Group expanded its scope of business and invested significantly in the new BOF production plants and equipment.

As at 31 December 2010, the Group had cash and bank balances of approximately HK$32.6 million (2009: approximately HK$29.6 million) and net current assets of approximately HK$17.4 million which was HK$49.9 million less than approximately HK$67.3 million recorded in 2009, again due to the increased borrowing requirement for the new BOF investment.

As at 31 December 2010, the Group had current liabilities of approximately HK$271.8 million, which was higher than the closing balance for 2009 of approximately HK$92.4 million. The increase in current liabilities was mainly due to the increase of bank borrowings by approximately HK$110.7 million.

GEARING RATIO

The Group's gearing ratio, which was derived from the total bank borrowings to total assets, increased to 32.9% in 2010 from 17.6% in 2009, as the Group increased its bank borrowings by around HK$110.7 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 2010.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities (2009: Nil).

SUBSEQUENT EVENTS

On 29 January 2011, JF Household Furnishings (Asia) Ltd. ("JF Asia"), a wholly-owned subsidiary of the Company (as vendor), entered into a disposal agreement ("Disposal Agreement") with First Priority Inc. ("First Priority") (as purchaser) pursuant to which JF Asia agreed to dispose and First Priority agreed to acquire 100 shares of US$1.00 each of JF Household Furnishings (BVI) Ltd. ("JF BVI") (being the entire issued shares of JF BVI) at a consideration of HK$102,060,703 subject to certain disposal consideration adjustments. Details of the Disposal Agreement had been disclosed in an announcement jointly issued by the Company and Bounty Wealth Limited, an independent third party ("Joint Announcement") on 3 March 2011.

Further, as disclosed in the Joint Announcement, the Board proposed a distribution of special dividend of not more than HK$170,000,000 (subject to full declaration and finalization of the proposed special distribution) ("Proposed Special Distribution") and a reduction of share premium account ("Reduction of Share Premium") to facilitate the Proposed Special Distribution. Details of the Proposed Special Distribution and the Reduction of Share Premium were also set out in the Joint Announcement.

Save as disclosed in this announcement, no subsequent events occurred after 31 December 2010 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, Euro 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 2010, the Group employed approximately 1,060 staff in the PRC and Hong Kong, representing an increase of 260 staff from 31 December 2009, as the Group expanded its business lines. The Group's remuneration to employees, including Directors' emoluments, increased by approximately HK$5.3 million to approximately HK$34.4 million for the fiscal year of 2010. 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 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 2010, 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	17,035,200	—	63,000,000	80,035,200 *(Note 1)*	35.94%
Mr. Leung Kwok Yin	18,076,800	—	12,600,000	30,676,800 *(Note 2)*	13.78%
Mr. Bao Jisheng	3,360,000	—	22,680,000	26,040,000 *(Note 3)*	11.69%

Notes:

1. Among these 80,035,200 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 17,035,200 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 30,676,800 shares, (i) 12,600,000 shares were registered in the name of Joyday Consultants Limited ("Joyday"); and (ii) the remaining 18,076,800 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 26,040,000 shares, (i) 22,680,000 shares were registered in the name of Hero Talent Investments Limited ("Hero Talent"); and (ii) the remaining 3,360,000 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 2010, none of the Directors have options to subscribe for shares in the Company.

As at 31 December 2010, 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 2010, 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 which had been exercised or lapsed during the year ended 31 December 2010 are as follows:

		Share options held as at 1 January 2010	Share options exercised during the year ended 31 December 2010	Share options lapsed during the year ended 31 December 2010	Share options held as at 31 December 2010	Exercise price
						HK$
(A)	Employees	2,688,000	(2,688,000)	–	–	0.80
		1,675,000	(1,395,000)	(280,000)	–	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
		14,115,000	(13,835,000)	(280,000)	–	

Details of the share options granted pursuant to the New Share Option Scheme and remained outstanding as at 31 December 2010 are as follows:

		Share options held as at 1 January 2010	Share options granted during the year ended 31 December 2010	Share options exercised during the year ended 31 December 2010	Share options held as at 31 December 2010	Exercise price
						HK$
(A)	Employees	1,000,000	—	—	1,000,000	0.90
(B)	Directors	—	—	—	—	—
		1,000,000	—	—	1,000,000	

SHARE OPTION SCHEME

No options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are still outstanding. Save as disclosed above, 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 under review or any time during the year under review 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 2010 to 31 December 2010 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 2010.

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 2010, 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 report and annual report for 2010.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the financial statements for the year ended 31 December 2010, 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 Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong, on Thursday, 19 May 2011 at 2:00 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 Directors do not recommend payment of any final dividend for the year ended 31 December 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, 31 March 2011

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.