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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: 776)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

	2007 *HK$*	2008 *HK$*	2009 *HK$*	2010 *HK$*	**2011** ***HK$***
Results					
Revenue	353,755,842	403,056,696	368,474,160	438,243,822	**401,798,257**
Profit attributable to owners of the Company	27,656,969	22,805,673	21,504,073	18,372,980	**18,252,678**
Assets and Liabilities					
Total assets	231,706,985	271,867,371	279,792,346	485,931,337	**197,774,990**
Total liabilities	115,376,003	129,991,671	95,091,695	273,010,403	**149,262,560**
Equity attributable to owners of the Company	116,330,982	141,875,700	184,700,651	212,920,934	**48,512,430**
Earnings per share					
Basic	0.16	0.13	0.12	0.09	**0.08**
Diluted	0.16	0.13	0.11	0.08	**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 2011, together with the comparative audited figures for the year ended 31 December 2010 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 2011

	Note	**2011** ***HK$***	2010 *HK$* (Restated)
CONTINUING OPERATIONS			
REVENUE	3	**341,282,154**	310,669,826
Cost of goods sold		**(296,379,737)**	(260,718,855)
Gross profit		**44,902,417**	49,950,971
Other income	4	**2,284,126**	370,259
Distribution costs		**(1,939,732)**	(1,774,998)
Administrative expenses		**(17,968,304)**	(14,503,647)
Other operating expenses		**(21,822)**	(45,912)
PROFIT FROM OPERATIONS		**27,256,685**	33,996,673
Finance costs	6	**(3,804,933)**	(1,648,032)
PROFIT BEFORE TAX		**23,451,752**	32,348,641
Income tax expense	7 (a)	**(8,547,723)**	(9,691,748)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**14,904,029**	22,656,893
DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	8	**3,348,649**	(4,283,913)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	9	**18,252,678**	18,372,980
EARNINGS PER SHARE			
From continuing and discontinued operations			
— basic	11	**0.08**	0.09
— diluted		**0.08**	0.08
From continuing operations			
— basic		**0.07**	0.11
— diluted		**0.07**	0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$	*HK$*
Profit for the year	**18,252,678**	18,372,980
Other comprehensive income:		
Exchange differences on translating foreign operations	**3,348,875**	9,615,303
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**(16,910,891)**	—
Other comprehensive income for the year, net of tax	**(13,562,016)**	9,615,303
Total comprehensive income for the year attributable to owners of the Company	**4,690,662**	27,988,283

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	Note	2011 HK$	2010 HK$
Non-current assets			
Property, plant and equipment		**18,621,605**	194,727,430
Available-for-sale financial assets		**—**	2,000,000
		18,621,605	196,727,430
Current assets			
Inventories		**98,638,467**	128,915,041
Trade and bills receivables	12	**30,439,962**	67,517,484
Due from related companies		**5,033,734**	—
Deposits, other receivables and prepayments		**12,817,063**	27,700,073
Restricted cash and bank balances		**1,069,594**	21,339,517
Cash and bank balances		**19,522,388**	32,572,820
		167,521,208	278,044,935
Non-current assets held for sale		**11,632,177**	11,158,972
		179,153,385	289,203,907
Current liabilities			
Trade and bills payables	13	**36,392,511**	72,433,233
Other payables and accruals		**34,559,594**	30,011,390
Current tax liabilities		**4,688,641**	9,333,650
Bank borrowings		**71,905,845**	160,008,863
		147,546,591	271,787,136
NET CURRENT ASSETS		**31,606,794**	17,416,771
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,228,399**	214,144,201
Non-current liabilities			
Deferred tax liabilities		**1,715,969**	1,223,267
NET ASSETS		**48,512,430**	212,920,934
CAPITAL AND RESERVES			
Share capital		**2,236,890**	2,226,890
Reserves		**46,275,540**	210,694,044
TOTAL EQUITY		**48,512,430**	212,920,934

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 2011. 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) Related Party Disclosures

HKAS 24 (Revised) "Related Party Disclosures" revises the definition of a related party and provides a partial exemption of disclosing related party transactions for government-related entities.

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

HKAS 24 (Revised) has been applied retrospectively and did not result in any significant changes in the consolidated amounts disclosed in the financial statements.

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.

	2011	2010
	HK$	*HK$*
Sales of goods	**401,798,257**	438,243,822
Representing:		
Continuing operations	**341,282,154**	310,669,826
Discontinued operations *(note 8)*	**60,516,103**	127,573,996
	401,798,257	438,243,822

4. OTHER INCOME

	2011	2010
	HK$	*HK$*
Government grants	**840,752**	363,975
Interest income	**654,370**	193,820
Gain on disposal of property, plant and equipment	**146**	64,059
Write back of trade payables	**191,115**	91,466
Others	**53,641**	190,652
Net exchange gain	**1,084,323**	—
Rental income	**587,477**	—
	3,411,824	903,972
Representing:		
Continuing operations	**2,284,126**	370,259
Discontinued operations *(note 8)*	**1,127,698**	533,713
	3,411,824	903,972

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 (discontinued operations)

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 gain on disposal of subsidiaries, 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.

Information about reportable segment revenue, results and assets:

	Stainless steel furnishings *HK$*	**(Discontinued operations) Wooden furnishings** *HK$*	**Total** *HK$*
Year ended 31 December 2011			
Revenue from external customers	**341,282,154**	**60,516,103**	**401,798,257**
Intersegment revenue	—	—	—
Segment results	**25,262,420**	**(4,351,340)**	**20,911,080**
Interest revenue	**580,109**	**20,092**	**600,201**
Interest expense	**3,804,933**	**2,029,876**	**5,834,809**
Depreciation	**2,459,924**	**2,221,683**	**4,681,607**
Income tax expense	**6,506,955**	**29,028**	**6,535,983**
Additions to segment non-current assets	**1,231,750**	**14,671,962**	**15,903,712**
As at 31 December 2011			
Segment assets	**182,248,319**	—	**182,248,319**

5. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment revenue, results and assets: ***(continued)***

	Stainless steel furnishings *HK$*	(Discontinued operations) Wooden furnishings *HK$*	Total *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

Reconciliations of reportable segment revenue, results and assets:

	2011 ***HK$***	2010 *HK$* (Restated)
Revenue		
Total revenue of reportable segments	**401,798,257**	438,276,452
Elimination of intersegment revenue	**—**	(32,630)
Elimination of discontinued operations	**(60,516,103)**	(127,573,996)
Consolidated revenue	**341,282,154**	310,669,826
Results		
Total results of reportable segments	**20,911,080**	27,993,295
Gain on disposal of subsidiaries	**12,227,897**	—
Unallocated finance costs	**(14,102)**	(584,771)
Unallocated corporate income	**141,535**	157,300
Unallocated corporate expenses	**(15,013,732)**	(9,192,844)
Elimination of discontinued operations	**(3,348,649)**	4,283,913
Consolidated profit for the year from continuing operations	**14,904,029**	22,656,893
Assets		
Total assets of reportable segments	**182,248,319**	475,806,604
Available-for-sale financial assets	**—**	2,000,000
Unallocated corporate assets	**15,526,671**	8,124,733
Consolidated total assets	**197,774,990**	485,931,337

5. SEGMENT INFORMATION (CONTINUED)

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	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
		(Restated)		
Hong Kong	**337,650,153**	361,706,078	**24,570**	—
PRC except Hong Kong	**64,148,104**	76,537,744	**18,597,035**	194,727,430
Discontinued operations	**(60,516,103)**	(127,573,996)	**—**	—
Total	**341,282,154**	310,669,826	**18,621,605**	194,727,430

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

Revenue from major customer:

	2011	2010
	HK$	*HK$*
Stainless steel furnishings segment		
Customer A	**330,254,577**	303,290,244
Wooden furnishings segment (discontinued operations)		
Customer A	**60,516,103**	127,127,846

6. FINANCE COSTS

	2011	2010
	HK$	*HK$*
Interest on bank loans and overdrafts	**5,848,911**	3,910,680
Representing:		
Continuing operations	**3,804,933**	1,648,032
Discontinued operations *(note 8)*	**2,043,978**	2,262,648
	5,848,911	3,910,680

7. INCOME TAX EXPENSE

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

	2011	2010
	HK$	*HK$*
Current tax–PRC enterprise income tax	**6,535,983**	9,942,293
Deferred tax–Withholding tax on dividend — PRC	**5,805,728**	1,443,461
	12,341,711	11,385,754
Representing:		
Continuing operations	**8,547,723**	9,691,748
Discontinued operations *(note 8)*	**3,793,988**	1,694,006
	12,341,711	11,385,754

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2010: 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.

寧波捷豐金屬製品有限公司 (Ningbo JF Metal Products Co., Ltd.) ("JF Metal"), a subsidiary 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 commenced on 1 January 2008. Hence, JF Metal is subject to the PRC enterprise income tax rate of 12.5% in the current year (2010: 12.5%).

寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co., Ltd.) ("JF Furniture"), a former subsidiary of the Company operating in Zhejiang Province, the PRC, which had been disposed by the Group during the year (note 8), was 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 Furniture commenced on 1 January 2008. Hence, JF Furniture was subject to the PRC enterprise income tax rate of 12.5% for the period from 1 January 2011 to the disposal date (2010: 12.5%).

The relevant tax holiday for the other operating PRC subsidiary of the Company, JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd ("JF Ningbo"), had expired. Hence, JF Ningbo is subject to the PRC enterprise income tax rate of 25% (2010: 25%).

7. INCOME TAX EXPENSE (CONTINUED)

(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:

	2011	2010
	HK$	*HK$*
Profit before tax	**30,594,389**	29,758,734
Tax at PRC enterprise income tax rate of 25%	**7,648,597**	7,439,684
Tax effect of income that is not taxable	**(19,280,846)**	(26,267,332)
Tax effect of expenses that are not deductible	**19,094,794**	28,986,739
Tax effect of unrecognised temporary difference	**—**	(18,348)
Tax effect of income tax on concession	**(226,166)**	(447,760)
Tax effect of unrecognised tax losses	**—**	160,499
Effect of different tax rates of subsidiaries	**(700,396)**	88,811
Tax effect of withholding tax on dividend	**5,805,728**	1,443,461
Income tax expense	**12,341,711**	11,385,754
Representing:		
Continuing operations	**8,547,723**	9,691,748
Discontinued operations *(note 8)*	**3,793,988**	1,694,006
	12,341,711	11,385,754

8. DISCONTINUED OPERATIONS

Pursuant to an agreement dated 29 January 2011 and a supplemental agreement dated 11 May 2011 both entered into between a subsidiary of the Company, JF Household Furnishings (Asia) Ltd. ("JF Asia") and a connected person of the Company, First Priority Inc., which is owned by Mr. Leung Kwok Yin, an executive director of the Company, and Mr. Yan Siu Wai and Mr. Bao Jisheng, the former executive directors of the Company, JF Asia disposed 100% interest in two wholly-owned subsidiaries, JF Household Furnishings (BVI) Ltd. ("JF BVI") and JF Furniture.

JF BVI and JF Furniture were engaged in investment holding and the manufacturing and sales of wooden panel furniture respectively during the year. The disposal was completed on 10 June 2011 and the Group discontinued its manufacturing and sales of wooden furnishings and home products business from 10 June 2011.

The profit/(loss) for the year from the discontinued operations is analysed as follows:

	2011	2010
	HK$	*HK$*
Loss of discontinued operations	**(8,879,248)**	(4,283,913)
Gain on disposal of discontinued operations	**12,227,897**	—
	3,348,649	(4,283,913)

8. DISCONTINUED OPERATIONS (CONTINUED)

The results of the discontinued operations for the period from 1 January 2011 to 10 June 2011, which have been included in consolidated profit or loss, are as follows:

	Period from 1 January 2011 to 10 June 2011	Year ended 31 December 2010
	HK$	*HK$*
Revenue	**60,516,103**	127,573,996
Cost of goods sold	**(58,085,404)**	(117,075,563)
Gross profit	**2,430,699**	10,498,433
Other income	**1,127,698**	533,713
Distribution costs	**(144,398)**	(453,453)
Administrative expenses	**(6,452,212)**	(10,058,013)
Other operating expenses	**(3,069)**	(847,939)
Loss from operations	**(3,041,282)**	(327,259)
Finance costs	**(2,043,978)**	(2,262,648)
Loss before tax	**(5,085,260)**	(2,589,907)
Income tax expense	**(3,793,988)**	(1,694,006)
Loss for the period/year	**(8,879,248)**	(4,283,913)

During the year, the disposed subsidiaries received approximately HK$75,562,000 (2010: HK$13,420,000) in respect of operating activities, received approximately HK$76,090,000 (2010: paid HK$133,495,000) in respect of investing activities and paid approximately HK$156,860,000 (2010: received HK$120,053,000) in respect of financing activities.

No tax charge or credit arose on gain on disposal of the discontinued operations.

9. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2011	2010
	HK$	*HK$*
Auditors' remuneration	**580,000**	653,065
Cost of inventories sold	**354,465,141**	377,794,418
Depreciation	**4,687,165**	7,042,837
Write-off of property, plant and equipment	**—**	164,854
Allowance for inventories (included in other operating expenses)	**—**	862,177
Research and development expenditure	**3,704,943**	4,200,854
Staff costs (including directors' emoluments)		
Fees	**319,572**	320,000
Basic salaries, bonuses, allowances and benefits in kind	**33,283,228**	30,965,052
Retirement benefits scheme contributions	**3,370,753**	3,079,343
Operating lease — buildings	**786,011**	1,026,435
Net exchange (gain)/losses	**(1,084,323)**	1,079,333

10. DIVIDEND

	2011	2010
	HK$	*HK$*
Special dividend		
— HK$0.75998 (2010: HK$Nil) per ordinary share	**169,999,166**	—

11. EARNINGS PER SHARE

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

	2011	2010
	HK$	*HK$*
Earnings		
Continuing and discontinued operations		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**18,252,678**	18,372,980
Continuing operations		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**14,904,029**	22,656,893
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**223,467,082**	212,744,726
Effect of share options	**124,964**	7,073,224
Weighted average number of ordinary shares used in diluted earnings per share calculation	**223,592,046**	219,817,950

From discontinued operations

Basic earnings (2010: loss) per share from the discontinued operations is HK1.5 cents per share (2010: HK2.0 cents per share) and diluted earnings per share from the discontinued operations is HK1.5 cents per share, based on the profit for the year from discontinued operations attributable to the owners of the Company of HK$3,348,649 (2010: HK$4,283,913 loss) and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

12. TRADE AND BILLS RECEIVABLES

	2011	2010
	HK$	*HK$*
Trade receivables	**30,439,962**	51,940,021
Bills receivables	**—**	15,577,463
	30,439,962	67,517,484

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:

	2011	2010
	HK$	*HK$*
0–30 days	**29,942,570**	45,981,698
31–60 days	**496,741**	4,932,868
61–90 days	**—**	—
Over 90 days	**651**	1,025,455
	30,439,962	51,940,021

13. TRADE AND BILLS PAYABLES

	2011	2010
	HK$	*HK$*
Trade payables	**36,392,511**	45,041,147
Bills payables	**—**	27,392,086
	36,392,511	72,433,233

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:

	2011	2010
	HK$	*HK$*
0–30 days	**19,041,000**	29,911,934
31–60 days	**9,597,773**	11,544,022
61–90 days	**4,057,120**	2,142,350
Over 90 days	**3,696,618**	1,442,841
	36,392,511	45,041,147

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Year 2011 was a year of restructuring for the Group. As the European debt crisis deepened and the European economy continued to worsen during the year, the Group sold its timber business in June 2011 as it would have taken a longer time for the timber business to ride out its learning curve period and became profitable. After the sale of the timber business, the Group was able to pay a special dividend of HK$0.75998 per share to reward shareholders for their support.

During the year, stainless steel prices continued to rise and labour supply continued to be tight, and the Group had to manage its stainless steel business with caution. At the same time, the PRC currency, the Renminbi ("**RMB**") appreciated by approximately 4.7%, all of which exerted pressure on the gross margin of the Group.

The Group was successful in completing a private placement of around HK$29.95 million in March 2012, which increased the Group's working capital base.

OUTLOOK AND FUTURE PROSPECTS

When the year turn into 2012, the worldwide economy appeared to stabilize as the European Union was able to solve the Greek debt crisis for the year. The management of the Group is beginning to look for investment opportunities to diversify its business base.

It is anticipated that manufacturers in the PRC will continue to face difficulties, as the PRC Government turn their focus from export to domestic consumption. However, the Group expects the stainless steel business to deliver stable results, as the management of the Group will strive to control costs and increase sales volume.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2011, the Group reported a turnover of approximately HK$401.8 million from continuing and discontinued operations, representing a decrease of approximately 8.3% from that of the fiscal year of 2010. The decrease in turnover came mainly from timber division which had been disposed by the Group in June 2011. Turnover for the timber division decreased from approximately HK$127.6 million for the year ended 31 December 2010 to approximately HK$60.5 million for the period from 1 January 2011 to 10 June 2011, as the Group completed the disposal of the timber business on 10 June 2011. For stainless steel division, turnover went up around 9.9%, from approximately HK$310.7 million in 2010 to approximately HK$341.3 million in 2011 as the management continued to use its best efforts in the midst of great uncertainty in worldwide economy.

Overall gross profit margin from continuing and discontinued operations dropped from 13.8% in the year 2010 to 11.8% in 2011, mainly due to the drop in the gross profit margin of the stainless steel division.

Gross profit margin for the stainless steel division dropped from 16.7% in 2010 to 13.3% in 2011 as the division suffered from higher stainless steel prices, higher RMB exchange rate, and higher labour costs.

Gross profit margin for the timber division dropped from 6.7% in 2010 to 3.1% in 2011, as the division was still in the trial production for the Board on Frame products.

Total expenses from continuing and discontinued operations (including distribution and administration expenses) dropped slightly from approximately HK$26.8 million in 2010 to approximately HK$26.5 million in 2011.

Distribution costs from continuing and discontinued operations dropped slightly from approximately HK$2.2 million in 2010 to around HK$2.1 million in 2011 as the timber division was sold in June 2011.

Administrative expenses from continuing and discontinued operations dropped slightly from approximately HK$24.6 million in 2010 to approximately HK$24.4 million in 2011.

Interest costs from continuing and discontinued operations rose significantly from approximately HK$3.9 million in 2010 to approximately HK$5.9 million in 2011, as the average bank borrowings increased from approximately HK$100.4 million to approximately HK$131.8 million, as the Group reduce the reserves from approximately HK$210.7 million at 31 December 2010 to approximately HK$46.3 million at 31 December 2011 due to the payment of a special dividend amounting to approximately HK$170 million during the middle of the year.

Income tax expenses increased from continuing and discontinued operations from approximately HK$11.4 million in 2010 to approximately HK$12.3 million in 2011, as the withholding tax on dividend increased.

Net profit from continuing and discontinued operations in 2011 was approximately HK$18.3 million, representing a decrease of approximately 0.7% as compared to that of 2010. The decrease was mainly due to a one off gain of approximately HK$12.2 million from the disposal of former subsidiaries of the Company, offset by lower total gross profit of approximately HK$13.1 million from both the stainless steel division and the timber division.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

The Group's overall financial position improved significantly as the Group sold its timber business and reduced its bank borrowing significantly.

As at 31 December 2011, the Group had cash and bank balances of approximately HK$19.5 million (2010: approximately HK$32.6 million) and net current assets of approximately HK$31.6 million which was approximately HK$14.2 million higher than approximately HK$17.4 million recorded in 2010, as bank borrowings dropped significantly from approximately HK$160 million as at 31 December 2010 to approximately HK$72 million as at 31 December 2011 after the disposal of the timber division.

As at 31 December 2011, the Group had current liabilities of approximately HK$147.5 million, which was significantly lower than the closing balance for 2010 of approximately HK$271.8 million. The significant decrease is mainly due to the disposal of the timber division which reduced our borrowing requirement significantly.

GEARING RATIO

The Group's gearing ratio, which was derived from the total bank borrowings to total assets, increased to 36.4% in 2011 from 32.9% in 2010, as the Group's total assets dropped from approximately HK$486 million in 2010 to approximately HK$198 million in 2011.

FUTURE PLANS FOR MATERIAL INVESTMENTS

On 22 March 2012, the Group had signed a Memorandum of Understanding ("MOU"), pursuant to which Fast Mind Corporation Limited ("Fast Mind"), a wholly-owned subsidiary of the Company, intends to acquire 65% of the equity interest of 江陰市炙能光熱科技有限公司 (transliterated as Jiangyin Zhineng Guangre Technology Company Limited), which is principally engaged in the design, production and sale of solar thermal equipment. Further details of the MOU had been disclosed in an announcement (the "Announcement") of the Company dated 22 March 2012.

Save as disclosed in this announcement, the Group had no other material acquisition or capital expenditure plan as of 31 December 2011.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any significant contingent liabilities (2010: Nil).

SUBSEQUENT EVENTS

On 5 March 2012, the Group successfully completed a private placement of 15,600,000 shares of the Company at the placing price of HK$1.92 per share, which raised a gross proceeds of around HK$29.95 million and increased the Group's working capital base. Further details of the placing agreement in relation to the placing had been disclosed in an announcement of the Company dated 16 February 2012.

On 22 March 2012, Fast Mind, a wholly-owned subsidiary of the Company, and three independent third parties (the "Vendors") entered into the non-legally binding MOU, pursuant to which (i) Fast Mind intends to acquire (the "Proposed Acquisition") and the Vendors intend to sell 65% of the equity interest in 江陰市炙能光熱科技有限公司 (transliterated as Jiangyin Zhineng Guangre Technology Company Limited) (the "Target Company"); and (ii) subject to the due diligence on 北京天兆聚核科技發展有限公司 (transliterated as Beijing Tian Zhao Ju He Technology Development Company Limited) (the "Beijing Company"), Fast Mind intends to acquire the Beijing Company. Prior to the completion of the Proposed Acquisition, the Target Company will acquire 80% of the equity interest in 深圳市微沃新能源技術有限公司 (transliterated as Shenzhen Weiwo New Energy Technology Company Limited) ("Shenzhen Weiwo") and 95% of the equity interest in 青島聯訊天兆太陽能光熱發電科技有限公司 (transliterated as Qingdao Lianxun Tianzhao Solar Thermal Power Technology Company Limited) ("Qingdao Lianxun" and together with Shenzhen Weiwo, the "Potential Subsidiaries"). The Target Company and the Potential Subsidiaries (the "Target Group") are principally engaged in the design, production and sale of solar thermal equipment. Details of the MOU had been disclosed in the Announcement.

Save as disclosed in this announcement, no other subsequent events occurred after 31 December 2011 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 2011, the Group employed approximately 660 staff in the PRC and Hong Kong, representing an decrease of approximately 400 staff from 31 December 2010, as the Group sold its timber business lines during the year under review. The Group's remuneration to employees, including Directors' emoluments, increased by approximately HK$2.6 million to approximately HK$37.0 million for the fiscal year of 2011.

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 2011, none of the Directors and the chief executives of the Company nor 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 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.

As at 31 December 2011, none of the Directors have options to subscribe for shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following substantial shareholders 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. Other than the interests disclosed below, 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:

Name of Substantial Shareholders	Number of Shares interested in	Capacity	Approximate Percentage of the total issued capital of the Company
Bounty Wealth Limited *(Note 1)*	167,711,000	Beneficial owner	74.98%
Mr. Cheong Jose Vai Chi *(Note 1)*	167,711,000	Interest through a controlled corporation	74.98%
太陽國際財務有限公司 *(Note 2)*	167,711,000	Security interest	74.98%
Eminent Crest Holdings Limited *(Note 3)*	167,711,000	Interest through a controlled corporation	74.98%
Chau Cheok Wa *(Note 3)*	167,711,000	Interest through a controlled corporation	74.98%
Peak Stand Holdings Limited *(Note 4)*	167,711,000	Interest through a controlled corporation	74.98%
Cheng Ting Kong *(Note 4)*	167,711,000	Interest through a controlled corporation	74.98%

Notes:

1. Bounty Wealth Limited is wholly-owned by Mr. Cheong Jose Vai Chi, and Mr. Cheong Jose Vai Chi is therefore deemed to be interested in the shares and underlying shares of the Company held by Bounty Wealth Limited under the SFO.

2. According to the record in the register kept under section 336 of the SFO, 太陽國際財務有限公司 has a security interest in 167,711,000 shares of the Company since 21 September 2011.

3. According to the record in the register kept under section 336 of the SFO, 太陽國際財務有限公司 is owned as to 47.5% by Eminent Crest Holdings Limited, which entire issued share capital is owned by Chau Cheok Wa. Eminent Crest Holdings Limited and Chau Cheok Wa are therefore deemed to be interested in 167,711,000 shares of the Company which 太陽國際財務有限公司 has a security interest in under the SFO of the Company.

4. According to the record in the register kept under section 336 of the SFO, 太陽國際財務有限公司 is owned as to 47.5% by Peak Stand Holdings Limited, which entire issued share capital is owned by Cheng Ting Kong. Peak Stand Holdings Limited and Cheng Ting Kong are therefore deemed to be interested in 167,711,000 shares of the Company which 太陽國際財務有限公司 has a security interest in under the SFO of the Company.

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 pursuant to the New Share Option Scheme and exercised as at 31 December 2011 as follows:

	Share options held as at 1 January 2011	Share options granted during the year ended 31 December 2011	Share options exercised during the year ended 31 December 2011	Share options held as at 31 December 2011	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 2011 to 31 December 2011 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 2011.

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.

During the year under review, the Audit Committee comprised of the three independent non-executive directors, namely, Mr. Yu Hon Wing, Allan (Chairman), Mr. Garry Alides Willinge, Mr. Chu Kwok Man and one non-executive director, Mr. Kwan Kai Cheong, who had resigned from their directorship on 16 August 2011. Mr. Wu Chi Keung (Chairman), Dr. Liu Yongping and Mr. Wang Siyong were appointed as members of the Audit Committee with effect from 16 August 2011. The committee members possess diversified industry experience and the Chairman, Mr. Wu Chi Keung, is an expert on financial and auditing matters. The Audit Committee met two times in the year under review. During 2011, 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 2011.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the financial statements for the year ended 31 December 2011, 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, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong, on Monday, 14 May 2012 at 3:30 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 2011.

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
Zhang Qian
Chairman

Hong Kong, 28 March 2012

As at the date of this announcement, the executive directors of the Company are Ms. Zhang Qian, Mr. Leung Kwok Yin, Mr. He Xianmei, Mr. Niu Jinsheng and Mr. Leung Kwok Pong; and the independent non-executive directors are Dr. Liu Yongping, Mr. Wu Chi Keung and Mr. Wang Siyong.

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.