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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 2012

FINANCIAL SUMMARY

	2008 *HK$*	2009 *HK$*	2010 *HK$*	2011 *HK$*	**2012** ***HK$***
Results					
Revenue	403,056,696	368,474,160	438,243,822	401,798,257	**243,069,464**
Profit/(loss) attributable to owners of the Company	22,805,673	21,504,073	18,372,980	18,252,678	**(28,300,227)**
Assets and Liabilities					
Total assets	271,867,371	279,792,346	485,931,337	197,774,990	**166,998,556**
Total liabilities	129,991,671	95,091,695	273,010,403	149,262,560	**116,564,701**
Equity attributable to owners of the Company	141,875,700	184,700,651	212,920,934	48,512,430	**50,433,855**
Earnings/(loss) per share					
Basic	0.13	0.12	0.09	0.08	**(0.12)**
Diluted	0.13	0.11	0.08	0.08	**(0.12)**

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 2012, together with the comparative audited figures for the year ended 31 December 2011 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 2012

	Note	**2012** **HK$**	2011 *HK$*
CONTINUING OPERATIONS			
REVENUE	*3*	**243,069,464**	341,282,154
Cost of goods sold		**(236,935,305)**	(296,379,737)
Gross profit		**6,134,159**	44,902,417
Other income	*4*	**1,925,707**	2,284,126
Distribution costs		**(1,243,327)**	(1,939,732)
Administrative expenses		**(31,842,847)**	(17,968,304)
Other operating expenses		**(10,022,777)**	(21,822)
(LOSS)/PROFIT FROM OPERATIONS		**(35,049,085)**	27,256,685
Finance costs	*5*	**(4,187,872)**	(3,804,933)
Gain on disposal of non-current assets held for sale		**19,157,086**	–
(LOSS)/PROFIT BEFORE TAX		**(20,079,871)**	23,451,752
Income tax expense	*6*	**(8,220,356)**	(8,547,723)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(28,300,227)**	14,904,029
DISCONTINUED OPERATIONS			
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	*7*	**–**	3,348,649
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*	**(28,300,227)**	18,252,678
(LOSS)/EARNINGS PER SHARE	*10*		
From continuing and discontinued operations			
– basic		**(0.12)**	0.08
– diluted		**(0.12)**	0.08
From continuing operations			
– basic		**(0.12)**	0.07
– diluted		**(0.12)**	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$	*HK$*
(Loss)/profit for the year	**(28,300,227)**	18,252,678
Other comprehensive income/(loss):		
Exchange differences on translating foreign operations	**1,197,812**	3,348,875
Exchange differences reclassified to income statement on disposal of subsidiaries	**–**	(16,910,891)
Other comprehensive income/(loss) for the year, net of tax	**1,197,812**	(13,562,016)
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(27,102,415)**	4,690,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Note	2012 HK$	2011 HK$
Non-current assets			
Property, plant and equipment		**17,119,828**	18,621,605
Current assets			
Inventories		**54,913,259**	98,638,467
Trade receivables	*11*	**20,795,572**	30,439,962
Due from related companies		**5,323,088**	5,033,734
Deposits, other receivables and prepayments		**20,564,728**	12,817,063
Restricted cash and bank balances		**12,022,361**	1,069,594
Cash and bank balances		**36,259,720**	19,522,388
		149,878,728	167,521,208
Non-current assets held for sale		**–**	11,632,177
		149,878,728	179,153,385
Current liabilities			
Trade and bills payables	*12*	**34,480,458**	36,392,511
Other payables and accruals		**29,997,019**	34,559,594
Current tax liabilities		**6,324,433**	4,688,641
Bank borrowings		**44,046,822**	71,905,845
		114,848,732	147,546,591
NET CURRENT ASSETS		**35,029,996**	31,606,794
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,149,824**	50,228,399
Non-current liabilities			
Deferred tax liabilities		**1,715,969**	1,715,969
NET ASSETS		**50,433,855**	48,512,430
CAPITAL AND RESERVES			
Share capital		**2,392,890**	2,236,890
Reserves		**48,040,965**	46,275,540
TOTAL EQUITY		**50,433,855**	48,512,430

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Rooms 2410-2411, 24/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its principal subsidiaries are the manufacture and sales of stainless steel furnishings and home products.

In the opinion of the directors of the Company, as at 31 December 2012, Power Ocean Holdings Limited, a company incorporated in the British Virgin Islands, is the immediate parent of the Company and Mr. Chau Cheok Wa and Mr. Cheng Ting Kong are the ultimate controlling parties of the Company.

2. 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 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; 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.

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.

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

3. REVENUE AND 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 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 2012			
Revenue from external customers	**243,069,464**	**–**	**243,069,464**
Intersegment revenue	**–**	**–**	**–**
Segment results	**(4,445,242)**	**–**	**(4,445,242)**
Interest revenue	**177,340**	**–**	**177,340**
Interest expense	**4,187,872**	**–**	**4,187,872**
Depreciation	**3,077,835**	**–**	**3,077,835**
Income tax expense	**8,220,356**	**–**	**8,220,356**
Additions to segment non-current assets	**239,420**	**–**	**239,420**
Other material non-cash item:			
– Allowance for inventories	**4,237,279**	**–**	**4,237,279**
As at 31 December 2012			
Segment assets	**136,330,344**	**–**	**136,330,344**
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

Reconciliations of reportable segment revenue, results and assets:

	2012 *HK$*	2011 *HK$*
Revenue		
Total revenue of reportable segments	**243,069,464**	401,798,257
Elimination of intersegment revenue	**–**	–
Elimination of discontinued operations	**–**	(60,516,103)
Consolidated revenue	**243,069,464**	341,282,154
Results		
Total results of reportable segments	**(4,445,242)**	20,911,080
Gain on disposal of subsidiaries	**–**	12,227,897
Unallocated finance costs	**–**	(14,102)
Unallocated corporate income	**5,993**	141,535
Unallocated corporate expenses	**(23,860,978)**	(15,013,732)
Elimination of discontinued operations	**–**	(3,348,649)
Consolidated (loss)/profit for the year from continuing operations	**(28,300,227)**	14,904,029
Assets		
Total assets of reportable segments	**136,330,344**	182,248,319
Unallocated corporate assets	**30,668,212**	15,526,671
Consolidated total assets	**166,998,556**	197,774,990

Geographical information:

Geographical information about the Group's revenues from external customers and non-current assets are as follows:

	Revenue		**Non-current assets**	
	2012 ***HK$***	2011 *HK$*	**2012** ***HK$***	2011 *HK$*
Hong Kong	**213,169,818**	337,650,153	**1,251,170**	24,570
PRC excluding Hong Kong	**29,899,646**	64,148,104	**15,868,658**	18,597,035
Discontinued operations	**–**	(60,516,103)	**–**	–
Total	**243,069,464**	341,282,154	**17,119,828**	18,621,605

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

Revenue from major customer:

	2012	2011
	HK$	*HK$*
Stainless steel furnishings segment		
Customer A	**237,701,390**	330,254,577
Wooden furnishings segment (discontinued operations)		
Customer A	**–**	60,516,103

4. OTHER INCOME

	2012	2011
	HK$	*HK$*
Government grants	**144,308**	840,752
Interest income	**182,255**	654,370
Gain on disposal of property, plant and equipment	**–**	146
Write back of trade and other payables	**713,388**	191,115
Others	**33,259**	53,641
Net exchange gain	**–**	1,084,323
Rental income	**852,497**	587,477
	1,925,707	3,411,824
Representing:		
Continuing operations	**1,925,707**	2,284,126
Discontinued operations *(note 7)*	**–**	1,127,698
	1,925,707	3,411,824

5. FINANCE COSTS

	2012	2011
	HK$	*HK$*
Interest on bank loans and overdrafts	**4,187,872**	5,848,911
Representing:		
Continuing operations	**4,187,872**	3,804,933
Discontinued operations *(note 7)*	**–**	2,043,978
	4,187,872	5,848,911

6. INCOME TAX EXPENSE

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

	2012 HK$	2011 HK$
Current tax – PRC enterprise income tax		
Provision for the year	**115,388**	6,535,983
Under-provision in prior years	**171,118**	–
	286,506	6,535,983
Current tax – PRC land appreciation tax	**7,933,850**	–
Deferred tax – Withholding tax on dividend – PRC	**–**	5,805,728
	8,220,356	12,341,711
Representing:		
Continuing operations	**8,220,356**	8,547,723
Discontinued operations *(note 7)*	**–**	3,793,988
	8,220,356	12,341,711

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2011: 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 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 (2011: 12.5%).

The relevant tax holiday for the other operating PRC subsidiary of the Company, 寧波捷豐家居用品有限公司 (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% (2011: 25%).

In 2011, 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 in 2011 (note 7), 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.

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

	2012	2011
	HK$	*HK$*
(Loss)/profit before tax	**(20,079,871)**	30,594,389
Tax at PRC enterprise income tax rate of 25%	**(5,019,968)**	7,648,597
Tax effect of income that is not taxable	**(1,875,869)**	(19,280,846)
Tax effect of expenses that are not deductible	**5,132,231**	19,094,794
Tax effect of income tax on concession	**(115,388)**	(226,166)
Tax effect of unrecognised tax losses	**53,717**	–
Effect of different tax rates of subsidiaries	**1,940,665**	(700,396)
Tax effect of withholding tax on dividend	**–**	5,805,728
Tax effect of PRC land appreciation tax	**7,933,850**	–
Under-provision in prior years	**171,118**	–
Income tax expense	**8,220,356**	12,341,711
Representing:		
Continuing operations	**8,220,356**	8,547,723
Discontinued operations *(note 7)*	**–**	3,793,988
	8,220,356	12,341,711

7. 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 of 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. 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:

	2012	2011
	HK$	HK$
Loss of discontinued operations	–	(8,879,248)
Gain on disposal of discontinued operations	–	12,227,897
	–	3,348,649

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:

	2012	Period from 1 January 2011 to 10 June 2011
	HK$	*HK$*
Revenue	–	60,516,103
Cost of goods sold	–	(58,085,404)
Gross profit	–	2,430,699
Other income	–	1,127,698
Distribution costs	–	(144,398)
Administrative expenses	–	(6,452,212)
Other operating expenses	–	(3,069)
Loss from operations	–	(3,041,282)
Finance costs	–	(2,043,978)
Loss before tax	–	(5,085,260)
Income tax expense	–	(3,793,988)
Loss for the period	–	(8,879,248)

During the year ended 31 December 2011, the disposed subsidiaries received approximately HK$75,562,000 in respect of operating activities, received approximately HK$76,090,000 in respect of investing activities and paid approximately HK$156,860,000 in respect of financing activities.

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

8. (LOSS)/PROFIT FOR THE YEAR

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

	2012	2011
	HK$	*HK$*
Auditors' remuneration	**550,000**	580,000
Cost of inventories sold	**236,935,305**	354,465,141
Depreciation	**3,374,926**	4,687,165
Allowance for inventories (included in other operating expenses)	**4,237,279**	–
Research and development expenditure	**56,380**	3,704,943
Staff costs (including directors' emoluments)		
Fees	**322,044**	319,572
Basic salaries, bonuses, allowances and benefits in kind	**31,374,727**	33,283,228
Retirement benefits scheme contributions	**2,432,639**	3,370,753
Operating lease – buildings	**2,709,225**	786,011
Net exchange losses/(gains)	**133,828**	(1,084,323)

Cost of inventories sold includes staff costs and depreciation of approximately HK$24,032,000 (2011: HK$30,030,000) which are included in the amounts disclosed separately above.

9. DIVIDEND

	2012	2011
	HK$	*HK$*
Special dividend		
– HK$Nil (2011: HK$0.75998) per ordinary share	**–**	169,999,166

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share are based on the following:

	2012	2011
	HK$	*HK$*
(Loss)/earnings		
Continuing and discontinued operations		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(28,300,227)**	18,252,678
Continuing operations		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(28,300,227)**	14,904,029
Number of shares		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	**236,561,131**	223,467,082
Effect of share options	**–**	124,964
Weighted average number of ordinary shares used in diluted (loss)/earnings per share calculation	**236,561,131**	223,592,046

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2012.

From discontinued operations

For the year ended 31 December 2011, basic earnings per share from the discontinued operations is HK1.5 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 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

11. TRADE RECEIVABLES

	2012	2011
	HK$	*HK$*
Trade receivables	**20,795,572**	30,439,962

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:

	2012	2011
	HK$	HK$
0 – 30 days	**19,298,450**	29,942,570
31 – 60 days	**1,336,002**	496,741
61 – 90 days	**–**	–
Over 90 days	**161,120**	651
	20,795,572	30,439,962

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2012	2011
	HK$	HK$
RMB	**3,252,192**	3,770,189
USD	**17,543,380**	26,669,773
	20,795,572	30,439,962

12. TRADE AND BILLS PAYABLES

	2012	2011
	HK$	*HK$*
Trade payables	**12,582,312**	36,392,511
Bills payables	**21,898,146**	–
	34,480,458	36,392,511

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:

	2012 HK$	2011 HK$
0 – 30 days	**6,407,042**	19,041,000
31 – 60 days	**3,972,181**	9,597,773
61 – 90 days	**1,912,133**	4,057,120
Over 90 days	**290,956**	3,696,618
	12,582,312	36,392,511

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2012 HK$	2011 HK$
RMB	**34,419,949**	26,848,675
USD	**60,509**	9,543,836
	34,480,458	36,392,511

The bills payable were secured by the guaranteed deposits of the Group and legal charge on leasehold land and buildings owned by a third party.

13. EVENT AFTER THE REPORTING PERIOD

On 21 January 2013, the shareholders of the Company at the extraordinary general meeting approved the increase in authorised share capital of the Company from HK$5,000,000 divided into 500,000,000 ordinary shares of HK$0.01 each ("Shares") to HK$50,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,500,000,000 new Shares. The new Shares shall rank pari passu with the existing Shares upon issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group completed the state-owned land use rights transfer agreement in relation to the disposal of a parcel of land and six buildings in Yuyao City, Zhejiang Province, PRC (the "Disposal"). The Disposal was satisfied by cash consideration of approximately HK$30.8 million and the associated gain of the Disposal of amounted to approximately HK$19.2 million. The Disposal was completed on 29 December 2012.

During the year of 2012, with the increases in manufacturing costs, gross margin was severe impacted. Also the rising labour costs and the appreciation of the Renminbi currency continued to have adverse impact on the export manufacturers in the PRC. We continued our focus to enhance our core competence, such as better production efficiency and further integration in order to strengthen our Group competitiveness. In the efforts of fighting against the cost increases, we continuous work on cost improvement, such as bargaining for lower price of raw materials to lessen the impact of price increases. We targeted to maintain our stainless steel business to be a strong competitive position.

OUTLOOK AND FUTURE PROSPECTS

Manufacturers in the PRC will continue to tackle difficulties as they face higher commodity prices worldwide, rising 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, as the Group has maintained a key customer under the difficult environment.

Looking forward to 2013, our management tries to find another investment projects to diversify its business base, leaving only the core business of the Group. This can effectively reduce operation risks, maximize the returns on the Company to its shareholders and enable the Group to make adjustments according to market changes.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2012, the Group reported a turnover of approximately HK$243.1 million, representing a decrease of approximately 28.8% from that of the fiscal year of 2011. The decrease in turnover is due to the European economy continued to worsen during the year.

Gross profit margin dropped from 13.2% in 2011 to 2.5% in 2012 as suffered from lower export tax refund, higher RMB exchange rate, and higher labour costs.

Other income decreased from approximately HK$2.3 million in 2011 to approximately HK$1.9 million in 2012, mainly due to the decrease in exchange gains, government grants and interest income during the year.

Distribution costs dropped from approximately HK$1.9 million in 2011 to approximately HK$1.2 million in 2012 due to the decrease of transportation cost and declaration charge during the year.

Administrative expenses increased from approximately HK$18.0 million in 2011 to approximately HK$31.8 million in 2012, mainly due to increase in expenses on potential project identification and assessment.

Other operating expenses increased approximately HK$10.0 million compared with 2011. It mainly contributed to allowance for inventories of approximately HK$4.2 million and tax paid of approximately HK$5.7 million related to transfer of entire issued share capital of JF Ningbo. The share transfer agreement was signed between JF BVI, a former wholly-owned subsidiary of the Company and Keylink Technology Limited, a wholly-owned subsidiary of the Company in May 2011.

Finance costs increased slightly from approximately HK$3.8 million in 2011 to approximately HK$4.2 million in 2012, as the average interest rate increased.

Gain on disposal of non-current assets held for sale represented gain on disposal of state-owned land use rights and six buildings in PRC during the year.

Income tax expenses decreased from approximately HK$8.5 million in 2011 to approximately HK$8.2 million in 2012, mainly due to decrease of profit and its mainly contributed by PRC land appreciation tax from disposal of land and buildings during the year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2012, the Group had cash and bank balances of approximately HK$36.3 million (2011: HK$19.5 million) and net current assets of approximately HK$35.0 million which was HK$3.4 million higher than approximately HK$31.6 million recorded in 2011, due to increase of cash and bank balances as sales proceeds from disposal of land use right and buildings during the year.

The Group total bank borrowings of approximately HK$44.0 million as at 31 December 2012 (2011: HK$71.9 million). All bank borrowings were repayable within one year. The Group's bank borrowings carried interests at fixed and floating interest rate.

As at 31 December 2012, the Group had current liabilities of approximately HK$114.8 million, which was lower than the closing balance for 2011 of approximately HK$147.5 million. The decrease in current liabilities was mainly due to the decrease of bank borrowings and deposit received in other payables and accruals.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2012, bank borrowings of approximately HK$17.4 million were secured by leasehold land and certain buildings owned by a third party and pledged deposits of the Group.

GEARING RATIO

The Group's gearing ratio, which was derived from the total bank borrowings to total assets, decreased to 26.4% in 2012 from 36.4% in 2011, as the Group decreased its bank borrowings by approximately 27.9 million.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities (2011: HK$ Nil).

EXPOSURE TO FLUCTATION IN EXCHANGE RATES AND RELATED HEDGES

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 2012, the Group employed approximately 496 staff in the PRC and Hong Kong, representing an decrease of 164 staff from 31 December 2011. The Group's remuneration to employees, including Directors' emoluments, decreased by approximately HK$2.8 million to approximately HK$34.1 million for the fiscal year of 2012.

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.

TREASURY POLICIES AND CAPITAL STRUCTURE

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

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 DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2012, the interests and short positions of the Directors 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 (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

	Number of shares				Percentage of aggregate interests to total number
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**of shares in issue %**
Mr. Cheng Ting Kong	–	–	179,407,488 (L)	179,407,488 (L)[1]	74.98%

Notes:

1. The letter "L" represents the Director's interests in the Shares and underlying Shares or, as the case may be, the equity interest of the Company or its associated corporations.

2. This represents interests held by Mr. Cheng Ting Kong through Power Ocean Holdings Limited ("Power Ocean"), which holds 179,407,488 shares of the Company. Mr. Cheng Ting Kong has 50% interest in Power Ocean, he is therefore deemed to be interested in 179,407,488 shares of the Company.

Save as disclosed above, as at 31 December 2012, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

No options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are still outstanding. No options granted under the New Share Option Scheme since its adoption on 26 November 2008 are still outstanding.

SHARE OPTION SCHEME

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 Growth Enterprises Market ("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.

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. Save as disclosed below, the Group complied with the code provisions of the Code on Corporate Governance Practices (the "Former Code", formerly set out in Appendix 14 to the Listing Rules) during the period from 1 January 2012 to 31 March 2012 and of the Corporate Governance Code and Corporate Governance Report (the "New Code", the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering the period after 1 April 2012) during the period from 1 April 2012 to 31 December 2012. The Group periodically reviews its corporate governance practices to ensure its continuous compliance.

Since 5 October 2012, Dr. Liu Yongping, Mr. Wu Chi Keung and Mr. Wang Siyong have been resigned as independent non-executive director and appointed Mr. Tse Ting Kwan and Mr. Fung Tze Wa as independent non-executive director to replace their vacancies. Following the changes, the Group has two independent non-executive Directors, which falls below the minimum number required under rule 3.10(1) of the Listing Rules; the Audit Committee comprises two members, which falls below the minimum number required under rule 3.21 of the Listing Rules; and the Remuneration Committee is not chaired by an independent non-executive Director, which does not meet the requirement of rule 3.25 of the Listing Rules. Since 31 October 2012, Mr. Ting Wong Kacee appointed as independent non-executive Director. Upon the appointment of Mr. Ting Wong Kacee as an independent non-executive Director, the requirements (i) of the number of the independent non-executive Directors under Rule 3.10 of the Listing Rules; (ii) of the number of the members of the audit committee of the Company under Rule 3.21 of the Listing Rules; and (iii) that the remuneration committee of the Company shall be chaired by an independent non-executive Director pursuant to Rule 3.25 of the Listing Rules have been fulfilled.

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 2012.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference as suggested under the Code Provision under the Code. The audit committee comprises the following three members, all independent non-executive Directors:

(i) Mr. Fung Tze Wa, Chairman of Audit Committee

(ii) Mr. Ting Wong Kacee

(iii) Mr. Tse Ting Kwan

The terms of reference of audit committee are aligned with the code provision set out in the CG Code Provision. Given below are the main duties of the audit committee:

(i) to make recommendations with respect to the appointment, reappointment and removal of the Company's external auditor, and to evaluate their independence, objectivity and effectiveness of the audit process;

(ii) to review and monitor the interim and annual financial statements, reports and accounts of the Company, and to review significant and judgemental financial reporting issues contained therein;

(iii) to review the Company's financial controls, internal controls and risk management systems; and

(iv) to discuss with the management the system of internal controls, and to ensure that the management has discharged its duties and responsibilities in implementing an effective internal control system.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the financial statements for the year ended 31 December 2012, including the accounting principles and practice adopted by the Group, in conjunction with the Company's external auditors.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

The Directors do not recommend payment of any final dividend for the year ended 31 December 2012.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (http://www.776.hk) 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
Cheng Ting Kong
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the executive Directors are Mr Cheng Ting Kong, Ms Yeung So Lai, Mr Lui Man Wah, Mr Leung Ming Ho and Mr Leung Kwok Yin; and the independent non-executive Directors are Mr Fung Tze Wa, Mr Ting Wong Kacee and Mr Tse Ting Kwan.