# JF Household Furnishings Limited
# 捷豐家居用品有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 0776)**

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013, together with the comparative audited figures for the year ended 31 December 2012 which have been reviewed and approved by the audit committee of the Company ("Audit Committee") as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2013*

| | Note | 2013<br>HK$ | 2012<br>HK$ |
|---|---|---|---|
| **REVENUE** | 3 | **159,468,209** | 243,069,464 |
| Cost of goods sold | | **(152,585,516)** | (236,935,305) |
| **Gross profit** | | **6,882,693** | 6,134,159 |
| Other income | 4 | **1,389,739** | 1,925,707 |
| Distribution costs | | **(658,271)** | (1,243,327) |
| Administrative expenses | | **(22,405,001)** | (31,842,847) |
| Other operating expenses | | **(8,041,783)** | (10,022,777) |

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | ***HK$*** | *HK$* |
| **LOSS FROM OPERATIONS** | | **(22,832,623)** | (35,049,085) |
| Finance costs | *5* | **(3,275,136)** | (4,187,872) |
| Gain on disposal of non-current assets held for sale | | **–** | 19,157,086 |
| **LOSS BEFORE TAX** | | **(26,107,759)** | (20,079,871) |
| Income tax expense | *6* | **(915,684)** | (8,220,356) |
| **LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY** | *7* | **(27,023,443)** | (28,300,227) |
| **LOSS PER SHARE** | | | |
| Basic | *9* | **(0.11)** | (0.12) |
| Diluted | | **(0.11)** | (0.12) |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2013*

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Loss for the year** | **(27,023,443)** | (28,300,227) |
| **Other comprehensive income:** | | |
| *Items that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **1,877,977** | 1,197,812 |
| Exchange differences reclassified to profit or loss on disposal of subsidiaries | **(193,446)** | – |
| **Other comprehensive income for the year, net of tax** | **1,684,531** | 1,197,812 |
| **Total comprehensive loss for the year attributable to owners of the Company** | **(25,338,912)** | (27,102,415) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2013*

| | Note | 2013 HK$ | 2012 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **13,509,207** | 17,119,828 |
| Investment properties | | **5,630,000** | – |
| Deposits paid for acquisition of long-term assets | | **5,107,362** | – |
| | | **24,246,569** | 17,119,828 |
| **Current assets** | | | |
| Inventories | | **29,162,402** | 54,913,259 |
| Trade receivables | *10* | **21,914,344** | 20,795,572 |
| Due from related companies | | **5,061,779** | 5,323,088 |
| Deposits, other receivables and prepayments | | **6,322,760** | 20,564,728 |
| Restricted cash and bank balances | | **1,260,615** | 12,022,361 |
| Cash and bank balances | | **23,389,735** | 36,259,720 |
| | | **87,111,635** | 149,878,728 |
| **Current liabilities** | | | |
| Trade and bills payables | *11* | **14,165,255** | 34,480,458 |
| Other payables and accruals | | **33,831,272** | 29,997,019 |
| Current tax liabilities | | **793,912** | 6,324,433 |
| Bank borrowings | | **35,660,853** | 44,046,822 |
| | | **84,451,292** | 114,848,732 |
| **NET CURRENT ASSETS** | | **2,660,343** | 35,029,996 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **26,906,912** | 52,149,824 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **1,715,969** | 1,715,969 |
| **NET ASSETS** | | **25,190,943** | 50,433,855 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **2,393,390** | 2,392,890 |
| Reserves | | **22,797,553** | 48,040,965 |
| **TOTAL EQUITY** | | **25,190,943** | 50,433,855 |

*NOTES:*

## 1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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 are listed on the Main Board of the Stock Exchange.

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

In the opinion of the directors of the Company, as at 31 December 2013, Power Ocean Holdings Limited ("Power Ocean"), a company incorporated in the British Virgin Islands, is the immediate parent and Mr. Chau Cheok Wa and Mr. Cheng Ting Kong are the ultimate controlling parties of the Company.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property which are carried at their fair values.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised 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 2013. 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.

**Amendments to HKAS 1 "Presentation of Financial Statements"**

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has 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.

## 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 |
| Property investment | – | rental income from investment property |

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 profits or losses 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, profit or loss and assets:**

| | Stainless steel furnishings<br>*HK$* | Property investment<br>*HK$* | Total<br>*HK$* |
|---|---|---|---|
| Year ended 31 December 2013 | | | |
| Revenue from external customers | 159,425,829 | 42,380 | 159,468,209 |
| Intersegment revenue | – | – | – |
| Segment loss | (11,848,488) | (1,214,128) | (13,062,616) |
| Interest revenue | 214,733 | – | 214,733 |
| Interest expense | (2,256,145) | – | (2,256,145) |
| Depreciation | (2,987,302) | – | (2,987,302) |
| Income tax expense | (915,684) | – | (915,684) |
| Other material non-cash item: | | | |
| – Allowance for inventories | (5,579,905) | – | (5,579,905) |
| – Fair value loss on investment property | – | (1,252,020) | (1,252,020) |
| Additions to segment non-current assets | 245,216 | – | 245,216 |
| As at 31 December 2013 | | | |
| Segment assets | 93,542,044 | 5,637,838 | 99,179,882 |

| | Stainless steel furnishings<br>*HK$* |
|---|---|
| Year ended 31 December 2012 | |
| Revenue from external customers | 243,069,464 |
| Intersegment revenue | – |
| Segment loss | (4,445,242) |
| Interest revenue | 177,340 |
| Interest expense | (4,187,872) |
| Depreciation | (3,077,835) |
| Income tax expense | (8,220,356) |
| Other material non-cash item: | |
| – Allowance for inventories | (4,237,279) |
| Additions to segment non-current assets | 239,420 |
| As at 31 December 2012 | |
| Segment assets | 136,330,344 |

**Reconciliations of reportable segment revenue, results and assets:**

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Revenue** | | |
| Total revenue of reportable segments | **159,468,209** | 243,069,464 |
| Elimination of intersegment revenue | **–** | – |
| Consolidated revenue | **159,468,209** | 243,069,464 |
| **Profit or loss** | | |
| Total loss of reportable segments | **(13,062,616)** | (4,445,242) |
| Gain on disposal of subsidiaries | **193,447** | – |
| Unallocated finance costs | **(1,018,991)** | – |
| Unallocated corporate income | **29,710** | 5,993 |
| Unallocated corporate expenses | **(13,164,993)** | (23,860,978) |
| Consolidated loss for the year | **(27,023,443)** | (28,300,227) |
| **Assets** | | |
| Total assets of reportable segments | **99,179,882** | 136,330,344 |
| Unallocated corporate assets | **12,178,322** | 30,668,212 |
| Consolidated total assets | **111,358,204** | 166,998,556 |

**Geographical information:**

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

| | **Revenue** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| Hong Kong | **136,227,476** | 213,169,818 | **5,630,000** | 1,251,170 |
| PRC excluding Hong Kong | **23,240,733** | 29,899,646 | **18,616,569** | 15,868,658 |
| Total | **159,468,209** | 243,069,464 | **24,246,569** | 17,119,828 |

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

**Revenue from major customer:**

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Stainless steel furnishings segment | | |
| Customer A | **157,512,793** | 237,701,390 |

## 4. OTHER INCOME

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Government grants | **144,606** | 144,308 |
| Interest income | **218,947** | 182,255 |
| Gain on disposal of subsidiaries | **193,447** | – |
| Write back of trade and other payables | **–** | 713,388 |
| Rental of machinery income | **746,124** | 852,497 |
| Others | **86,615** | 33,259 |
| | **1,389,739** | 1,925,707 |

## 5. FINANCE COSTS

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Interest on bank loans and overdrafts | **2,599,551** | 3,677,879 |
| Interest on other loans | | |
| – Wholly repayable within five years | **675,585** | 509,993 |
| | **3,275,136** | 4,187,872 |

## 6. INCOME TAX EXPENSE

(a) Taxation included in the consolidated statement of profit or loss represents:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Current tax – PRC enterprise income tax | | |
| Provision for the year | **915,684** | 115,388 |
| Under-provision in prior years | **–** | 171,118 |
| | **915,684** | 286,506 |
| Current tax – PRC land appreciation tax | **–** | 7,933,850 |
| | **915,684** | 8,220,356 |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the year (2012: 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 25% in the current year (2012: 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% (2012: 25%).

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Loss before tax | **(26,107,759)** | (20,079,871) |
| Tax at PRC enterprise income tax rate of 25% | **(6,526,940)** | (5,019,968) |
| Tax effect of income that is not taxable | **(55,431)** | (1,875,869) |
| Tax effect of expenses that are not deductible | **6,640,970** | 5,132,231 |
| Tax effect of income tax on concession | **(133,732)** | (115,388) |
| Tax effect of unrecognised tax losses | **3,820** | 53,717 |
| Effect of different tax rates of subsidiaries | **1,360,647** | 1,940,665 |
| Tax effect of PRC land appreciation tax | **–** | 7,933,850 |
| Under-provision in prior years | **–** | 171,118 |
| Tax effect of utilisation of tax losses not previously recognised | **(363,578)** | – |
| Tax effect of temporary differences not recognised | **(10,072)** | – |
| Income tax expense | **915,684** | 8,220,356 |

## 7. LOSS FOR THE YEAR

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Auditor's remuneration | **580,000** | 550,000 |
| Cost of inventories sold | **152,585,516** | 236,935,305 |
| Depreciation | **3,273,638** | 3,374,926 |
| Fair value loss on investment property | **1,252,020** | – |
| Write off of property, plant and equipment | **986,519** | – |
| Write off of deposit and other receivables | **51,115** | – |
| Allowance for inventories (included in other operating expenses) | **5,579,905** | 4,237,279 |
| Research and development expenditure | **–** | 56,380 |
| Staff costs (including directors' emoluments) | | |
| Fees | **360,000** | 322,044 |
| Basic salaries, bonuses, allowances and benefits in kind | **24,955,018** | 31,374,727 |
| Retirement benefits scheme contributions | **2,085,124** | 2,432,639 |
| Operating lease – buildings | **4,740,748** | 2,709,225 |
| Net exchange losses | **1,750,099** | 133,828 |

Cost of inventories sold includes staff costs and depreciation of approximately HK$18,905,000 (2012: HK$24,032,000) which are included in the amounts disclosed separately above.

## 8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2012: HK$Nil).

## 9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Loss** | | |
| Loss for the purpose of calculating basic and diluted loss per share | **(27,023,443)** | (28,300,227) |

| | **2013** | 2012 |
|---|---|---|
| **Number of shares** | | |
| Issued ordinary shares at 1 January | **239,289,000** | 223,689,000 |
| Shares issued on placement | **–** | 12,872,131 |
| Effect of exercise of warrants | **47,671** | – |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | **239,336,671** | 236,561,131 |

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2013 and 2012.

## 10. TRADE RECEIVABLES

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| 0 – 30 days | **17,241,114** | 19,298,450 |
| 31 – 60 days | **4,589,341** | 1,336,002 |
| 61 – 90 days | **–** | – |
| Over 90 days | **83,889** | 161,120 |
| | **21,914,344** | 20,795,572 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Renminbi ("RMB") | **3,981,371** | 3,252,192 |
| United States dollars ("USD") | **17,932,973** | 17,543,380 |
| | **21,914,344** | 20,795,572 |

## 11. TRADE AND BILLS PAYABLES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Trade payables | **13,759,837** | 12,582,312 |
| Bills payables | **405,418** | 21,898,146 |
| | **14,165,255** | 34,480,458 |

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

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| 0 – 30 days | **9,144,076** | 6,407,042 |
| 31 – 60 days | **4,460,849** | 3,972,181 |
| 61 – 90 days | **81,394** | 1,912,133 |
| Over 90 days | **73,518** | 290,956 |
| | **13,759,837** | 12,582,312 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| RMB | **14,104,897** | 34,419,949 |
| USD | **60,358** | 60,509 |
| | **14,165,255** | 34,480,458 |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### *HOUSEHOLD PRODUCTS BUSINESS*

The household products business had continuously recorded losses, due to the overall situation in the international and domestic household products market, such as the global financial crisis including the European debt crisis and intense competition in the household products market. The Group's turnover from the household products business for the year was approximately HK$159,426,000 (2012: approximately HK$243,069,000), representing an annual decrease of 34.4%. The net losses were approximately HK$11,848,000 (2012: approximately HK$4,445,000).

### *PROPERTY INVESTMENT BUSINESS*

In addition to the existing business in the PRC, the Group is actively seeking business opportunities in Hong Kong. During the year, the Group acquired an investment property in Hong Kong for rental income. The Group believes that the acquisition will create an opportunity for exploring in property investment market. The Group's turnover from the property investment business for the year was approximately HK$42,000. The net losses were approximately HK$1,214,000, mainly due to fair value loss on investment property.

### *HOTEL BUSINESS*

The economic development in the PRC will continue to be underpinned by rapid urbanization, continuous wealth accumulation and rising disposable income. It contributed to the growing demand in travelling and the significant increase in mainland Chinese travelers, which has driven the expansion in the tourism industry. According to the World Tourism Organisation ("UNWTO"), a specialised agency of United Nations, worldwide international tourism receipts approximately US$1.3 trillion in 2012. Also, international tourist arrivals grew by 5% in 2013 to 1.087 billion and UNWTO forecasts a growth in international tourist arrivals of between 4% and 4.5% in 2014. In light of the growing prospects of the tourism industry, the Group has been seeking for and considering opportunities for hotel business.

On 31 December 2013, the Group entered into a conditional sale and purchase agreement to acquire commercial properties situated at Jin Xiu Lan Wan, Economic Development Zone, Fushun City, Liaoning Province, the PRC with a total gross floor area of 1,669.54 square metres. The commercial properties will be reconstructed into a quality hotel with completion scheduled in second half of 2014.

On 26 February 2014, the Group entered into the MOU with 撫順恒昇房地產開發有限公司 in relation to the acquisition of the non-residential building which situated at Jin Xiu Lan Wan, Economic Development Zone, Fushun City, Liaoning Province, the PRC with a total gross floor area of approximately 17,076.52 square metres. The Group intends to turn the property into a high-end hotel. The hotel is expected to be commence of business in 2014.

The Group is of the view that the acquisitions of hotel properties would allow the Group to diversify into a new line of business. The Group plans to establish a highly reputable hotel management business in the PRC and other countries and regions of the world and will continue to identify suitable investments in the hotel industry.

The Group shall further review its business strategy on its hotel business. We will expand our management team in respect of hotel management by recruiting more experts from this industry and work with other famous hotel management companies. The Board has been actively seeking opportunities to diversify the business scope and to broaden the revenue base of the Group.

## OUTLOOK AND FUTURE PROSPECTS

The World Economic Outlook projections imply that global growth will strengthen gradually. However, the global economic growth is expected to remain challenging in the immediate future. Downside risks will still continue to dominate the outlook. Household business will continue to tackle difficulties as they face rising labour costs and intense competition in the PRC. So the Group is seeking other business opportunities to diversify the business base.

Looking forward, hotel and tourism industries are currently encountering key opportunities for strategic development. To achieve this strategic development, our business strategies are developing and investing in quality hotels in PRC and other places to maintain long term growth and the profitability of the Company. In the future, the Group shall continue to put resources to strengthen its branding and position in the hotel business and to explore further quality investment opportunities to enhance shareholders' wealth.

## RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2013, the Group reported a turnover of approximately HK$159,468,000, representing a decrease of 34.4% from that of the fiscal year of 2012. The decrease in turnover is due to European economy continued to worsen and intense competition in household products market during the year.

Gross profit margin increased from 2.5% in 2012 to 4.3% in 2013 as mainly due to the change of product mix in which higher proportion of products are with higher profit margin in 2013.

Other income decreased from approximately HK$1,926,000 in 2012 to approximately HK$1,390,000 in 2013, mainly due to the decrease in write back of trade and other payables during the year.

Distribution costs dropped from approximately HK$1,243,000 in 2012 to approximately HK$658,000 in 2013 due to the decrease in turnover and thus decrease in transportation cost and declaration charge during the year.

Administrative expenses decreased from approximately HK$31,843,000 in 2012 to approximately HK$22,405,000 in 2013, mainly due to decrease in expenses on staff cost, other tax and legal and professional fee.

Other operating expenses of approximately HK$8,042,000 which mainly included approximately HK$1,252,000 and approximately HK$5,601,000 in respect of the recognised fair value loss on investment property and impairment loss on inventories and office equipment as a result of typhoon Fitow respectively.

Finance costs decreased from approximately HK$4,188,000 in 2012 to approximately HK$3,275,000 in 2013, as the bank borrowings decreased.

Income tax expense decreased from approximately HK$8,220,000 in 2012 to approximately HK$916,000 in 2013, mainly due to decrease of profit and no PRC land appreciation tax during the year.

## USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company raised its fund by way of a private placement of 47,867,000 shares of the Company at the placing price of HK$3.14 per share on 27 January 2014. Net proceeds from the placing of shares amounted to approximately HK$149,506,000 (after deducting the placing commission and legal and professional expenses). Such net proceeds have been used in the following manner:

| | **Amount raised** *(HK$)* | **Amount used as at the date of this report** *(HK$)* |
|---|---|---|
| General corporate and working capital purpose | 149,506,000 | 100,000,000 |

## MATERIAL ACQUISITIONS AND DISPOSALS

On 31 December 2013, the Group entered into a conditional sale and purchase agreement with an independent third party (the "Vendor"). Pursuant to the agreement, the Vendor agreed to sell and the Group agreed to purchase commercial properties situated at Jin Xiu Lan Wan, Economic Development Zone, Fushun City, Liaoning Province, the PRC at a total cash consideration of approximately HK$13,259,000. Up to the date of this announcement, approximately HK$5,107,000 has been paid for deposit. For details regarding the acquisition, please refer to the announcement of the Company dated 31 December 2013.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2013, the Group had cash and bank balances of approximately HK$23,390,000 (2012: approximately HK$36,260,000) and net current assets of approximately HK$2,660,000 (2012: approximately HK$35,030,000) which was approximately HK$32,370,000 less than approximately HK$35,030,000 recorded in 2012, due to decrease of inventories, prepayments and restricted cash and bank balances.

The Group had bank borrowings of approximately HK$35,661,000 as at 31 December 2013 (2012: approximately HK$44,047,000). All borrowings were repayable within one year. The Group's borrowings carried interests at fixed and floating interest rate.

As at 31 December 2013, the Group had current liabilities of approximately HK$84,451,000 (2012: approximately HK$114,849,000), which was lower than the closing balance for 2012 of approximately HK$114,849,000. The decrease in current liabilities was mainly due to the decrease in bank borrowings and trade and bills payables.

## BANK LOANS

As at 31 December 2013, bank borrowings of approximately HK$19,209,000 (2012: approximately HK$17,373,000) were secured by leasehold land and certain buildings owned by an independent 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, increased from 26.4% in 2012 to 32.0% in 2013, as a result of the decrease in inventories, prepayment and cash and bank balances of the Group at 31 December 2013.

## COMMITMENTS

As at 31 December 2013, the Group's commitment amounted to approximately HK$8,309,000 (2012: HK$Nil), attributable to acquisition of property, plant and equipment.

## CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: HK$ Nil).

## EXPOSURE TO FLUCTATION IN EXCHANGE RATES AND RELATED HEDGES

All transactions of the Group are denominated in RMB, Hong Kong dollars, European dollars or USD. 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 USD.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed approximately 380 staff in the PRC and Hong Kong, representing a decrease of approximately 120 staff from 31 December 2012. The Group's remuneration to employees, including Directors' emoluments, decreased by approximately HK$6,729,000 to approximately HK$27,400,000 for the fiscal year of 2013.

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.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

## CODE OF BEST PRACTICE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the principles and the code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report, amended from time to time (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. As far as the CG Code is concerned, during the year and up to the date of this announcement, the Company complies with all aspect of the Code Provisions.

## 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 2013.

## AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules. 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

Given below are the main duties of the Audit Committee:

(i) to make recommendations with respect to the appointment, re-appointment 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 audited financial statements for the year ended 31 December 2013, 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 Board does not recommend the payment of final dividend for the year ended 31 December 2013.

## 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.

By Order of the Board
**JF Household Furnishings Limited**
**Cheng Ting Kong**
*Chairman*

Hong Kong, 31 March 2014

*As at the date of this announcement, the executive Directors are Mr. Cheng Ting Kong, Ms. Yeung So Lai, 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.*