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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: 0776)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014, together with the comparative audited figures for the year ended 31 December 2013 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 2014

	Note	**2014** *HK$*	2013 *HK$*
REVENUE	*3*	**170,373,314**	159,468,209
Cost of goods sold		**(153,926,526)**	(152,585,516)
Gross profit		**16,446,788**	6,882,693
Other income	*4*	**1,821,159**	1,389,739
Distribution costs		**(928,241)**	(658,271)
Administrative expenses		**(18,861,037)**	(22,405,001)
Other operating expenses		**(1,109,678)**	(8,041,783)

	Note	2014 HK$	2013 HK$
LOSS FROM OPERATIONS		**(2,631,009)**	(22,832,623)
Finance costs	5	**(3,249,116)**	(3,275,136)
LOSS BEFORE TAX		**(5,880,125)**	(26,107,759)
Income tax expense	6	**(2,201,342)**	(915,684)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	7	**(8,081,467)**	(27,023,443)
LOSS PER SHARE			
Basic	9	**(0.03)**	(0.11)
Diluted		**(0.03)**	(0.11)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$	*HK$*
Loss for the year	**(8,081,467)**	(27,023,443)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**13,782**	1,877,977
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**–**	(193,446)
Other comprehensive income for the year, net of tax	**13,782**	1,684,531
Total comprehensive loss for the year attributable to owners of the Company	**(8,067,685)**	(25,338,912)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	Note	2014 HK$	2013 HK$
Non-current assets			
Property, plant and equipment		**14,776,517**	13,509,207
Investment property		**6,000,000**	5,630,000
Deposits paid for acquisition of long-term assets		**13,156,420**	5,107,362
		33,932,937	24,246,569
Current assets			
Inventories		**25,833,961**	29,162,402
Trade receivables	*10*	**24,239,870**	21,914,344
Due from related companies		**5,620,877**	5,061,779
Deposits, other receivables and prepayments		**30,358,239**	6,322,760
Restricted cash and bank balances		**1,063,359**	1,260,615
Cash and bank balances		**125,303,856**	23,389,735
		212,420,162	87,111,635
Current liabilities			
Trade and bills payables	*11*	**12,541,528**	14,165,255
Other payables and accruals		**26,956,347**	33,831,272
Current tax liabilities		**1,515,375**	793,912
Bank borrowings		**36,961,778**	35,660,853
		77,975,028	84,451,292
NET CURRENT ASSETS		**134,445,134**	2,660,343
TOTAL ASSETS LESS CURRENT LIABILITIES		**168,378,071**	26,906,912
Non-current liabilities			
Deferred tax liabilities		**1,715,969**	1,715,969
NET ASSETS		**166,662,102**	25,190,943
CAPITAL AND RESERVES			
Share capital		**2,872,060**	2,393,390
Reserves		**163,790,042**	22,797,553
TOTAL EQUITY		**166,662,102**	25,190,943

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, Power Ocean Holdings Limited, 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") AND REQUIREMENTS

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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to HKAS 32, Offsetting financial assets and financial liabilities
This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's consolidated financial statements.

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue but not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

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.

The Group's other operating segments include trading of raw materials. None of these segments meet any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "Others" column.

Segment profit or loss does not include gain on disposal of subsidiaries, unallocated finance cost and unallocated 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 *HK$*	**Property investment** *HK$*	**Others** *HK$*	**Total** *HK$*
Year ended 31 December 2014				
Revenue from external customers	**167,907,672**	**195,600**	**2,270,042**	**170,373,314**
Intersegment revenue	**–**	**–**	**–**	**–**
Segment profit	**1,921,980**	**527,558**	**68,941**	**2,518,479**
Interest revenue	**163,737**	**–**	**–**	**163,737**
Interest expense	**(2,157,344)**	**–**	**–**	**(2,157,344)**
Depreciation	**(3,242,906)**	**–**	**–**	**(3,242,906)**
Income tax expense	**(2,186,844)**	**(14,498)**	**–**	**(2,201,342)**
Additions to segment non-current assets	**4,769,836**	**–**	**–**	**4,769,836**
Other material non-cash item:				
– Fair value gain on investment property	**–**	**370,000**	**–**	**370,000**
As at 31 December 2014				
Segment assets	**78,613,481**	**6,017,688**	**–**	**84,631,169**

	Stainless steel furnishings *HK$*	Property investment *HK$*	Total *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)
Additions to segment non-current assets	245,216	–	245,216
Other material non-cash items:			
– Allowance for inventories	(5,579,905)	–	(5,579,905)
– Fair value loss on investment property	–	(1,252,020)	(1,252,020)
As at 31 December 2013			
Segment assets	93,542,044	5,637,838	99,179,882

Reconciliations of segment revenue and profit or loss:

	2014	2013
	HK$	*HK$*
Revenue		
Total revenue of reportable segments	**170,373,314**	159,468,209
Elimination of intersegment revenue	**–**	–
Consolidated revenue	**170,373,314**	159,468,209
Profit or loss		
Total profit/(loss) of reportable segments	**2,518,479**	(13,062,616)
Gain on disposal of subsidiaries	**–**	193,447
Unallocated finance costs	**(1,091,772)**	(1,018,991)
Unallocated corporate income	**45,488**	29,710
Unallocated corporate expenses	**(9,553,662)**	(13,164,993)
Consolidated loss for the year	**(8,081,467)**	(27,023,443)

Reconciliations of segment assets:

Assets		
Total assets of reportable segments	**84,631,169**	99,179,882
Unallocated corporate assets	**161,721,930**	12,178,322
Consolidated total assets	**246,353,099**	111,358,204

Geographical information:

The Group's revenues from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**148,162,317**	136,227,476	**6,003,875**	5,630,000
PRC excluding Hong Kong	**22,210,997**	23,240,733	**27,929,062**	18,616,569
Consolidated total	**170,373,314**	159,468,209	**33,932,937**	24,246,569

Revenue from major customer:

	2014	2013
	HK$	*HK$*
Stainless steel furnishings segment		
Customer A	**165,280,582**	157,512,793

4. OTHER INCOME

	2014	2013
	HK$	*HK$*
Government grants	**6,312**	144,606
Interest income on bank deposits	**191,209**	218,947
Fair value gain on investment property	**370,000**	–
Gain on disposal of property, plant and equipment	**4,479**	–
Gain on disposal of subsidiaries	**–**	193,447
Write back of trade and other payables	**472,607**	–
Rental income from lease of machinery	**747,822**	746,124
Others	**28,730**	86,615
	1,821,159	1,389,739

5. FINANCE COSTS

	2014	2013
	HK$	*HK$*
Interest on bank borrowings and overdrafts		
– Wholly repayable within five years	**2,478,514**	2,599,551
Interest on other borrowings		
– Wholly repayable within five years	**770,602**	675,585
	3,249,116	3,275,136

6. INCOME TAX EXPENSE

(a) Income tax has been recognised in profit or loss as follows:

	2014	2013
	HK$	*HK$*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**1,494,839**	915,684
Under-provision in prior years	**692,005**	–
	2,186,844	915,684
Current tax – Hong Kong Profits Tax	**14,498**	–
	2,201,342	915,684

Hong Kong Profits Tax has been provided at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax has been provided at a rate of 25% (2013: 25%), except for 寧波捷豐金屬製品有限公司 (Ningbo JF Metal Products Co., Ltd.), a subsidiary of the Company, which was recognised as a small and thin profit enterprise during the year under relevant enterprise income tax rules and regulations and is subject to preferential enterprise income tax rate at 20%.

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.

(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:

	2014	2013
	HK$	*HK$*
Loss before tax	**(5,880,125)**	(26,107,759)
Tax at the PRC Enterprise Income Tax rate of 25%	**(1,470,031)**	(6,526,940)
Tax effect of income that is not taxable	**(105,930)**	(55,431)
Tax effect of expenses that are not deductible	**2,189,399**	6,640,970
Tax effect of income tax on concession	**(9,042)**	(133,732)
Tax effect of unrecognised tax losses	**–**	3,820
Effect of different tax rates of subsidiaries	**918,833**	1,360,647
Under-provision in prior years	**692,005**	–
Tax effect of utilisation of tax losses not previously recognised	**(3,820)**	(363,578)
Tax effect of temporary differences not recognised	**(10,072)**	(10,072)
Income tax expense	**2,201,342**	915,684

7. LOSS FOR THE YEAR

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

	2014	2013
	HK$	*HK$*
Auditor's remuneration	**630,000**	580,000
Cost of inventories sold	**153,926,526**	152,585,516
Depreciation	**3,245,856**	3,273,638
Fair value loss on investment property	**–**	1,252,020
Write off of property, plant and equipment	**115,623**	986,519
Write off of trade and other receivables	**744,506**	51,115
Allowance for inventories (included in other operating expenses)	**–**	5,579,905
Direct operating expenses of investment property that generate rental income	**21,144**	4,488
Staff costs (including directors' emoluments)		
Fees	**360,000**	360,000
Basic salaries, bonuses, allowances and benefits in kind	**26,097,476**	24,955,018
Retirement benefits scheme contributions	**2,156,486**	2,085,124
Operating lease charges – buildings	**4,073,805**	4,740,748
Net exchange losses	**221,736**	1,750,099

Cost of inventories sold includes staff costs and depreciation of approximately HK$21,598,000 (2013: HK$18,905,000) which are included in the amounts disclosed separately above.

8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2013: HK$Nil).

9. LOSS PER SHARE

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

	2014	2013
	HK$	*HK$*
Loss		
Loss for the purpose of calculating basic and diluted loss per share	**(8,081,467)**	(27,023,443)

	2014	2013
Number of shares		
Issued ordinary shares at 1 January	**239,339,000**	239,289,000
Shares issued on placement	**44,457,296**	–
Effect of exercise of warrants	**–**	47,671
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**283,796,296**	239,336,671

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2014 and 2013.

10. TRADE RECEIVABLES

The Group normally grants 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:

	2014	2013
	HK$	*HK$*
0 – 30 days	**17,945,986**	17,241,114
31 – 60 days	**6,293,884**	4,589,341
61 – 90 days	**–**	–
Over 90 days	**–**	83,889
	24,239,870	21,914,344

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

	2014	2013
	HK$	*HK$*
Renminbi ("RMB")	**21,964,147**	3,981,371
United States dollars ("USD")	**2,275,723**	17,932,973
	24,239,870	21,914,344

11. TRADE AND BILLS PAYABLES

	2014	2013
	HK$	*HK$*
Trade payables	**12,541,528**	13,759,837
Bills payables	**–**	405,418
	12,541,528	14,165,255

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:

	2014	2013
	HK$	*HK$*
0 – 30 days	**9,815,829**	9,144,076
31 – 60 days	**2,469,978**	4,460,849
61 – 90 days	**250,439**	81,394
Over 90 days	**5,282**	73,518
	12,541,528	13,759,837

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

	2014	2013
	HK$	*HK$*
RMB	**12,541,528**	14,104,897
USD	**–**	60,358
	12,541,528	14,165,255

As at 31 December 2013, 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 macro-economic uncertainty and the risk of a slower economic growth are still major factors affecting the household products business of the Group. Although the Group's revenue from household products business increased, the household products business had recorded unsatisfactory result. The reason is due to intense competition in the household products market and increase in manufacturing cost. The Group's revenue from the household products business for the year was approximately HK$167,908,000 (2013: approximately HK$159,426,000), representing an annual increase of 5.3%. The net profits were approximately HK$1,922,000 (2013: net losses approximately HK$11,848,000).

Despite the unfavourable market condition affecting the manufacturing business of the Group, the Group has implemented and takes a series of cost saving measures to reduce its overhead cost and improve operating efficiency through optimising production management and improvement in customer services.

PROPERTY INVESTMENT BUSINESS

The Group has acquired an investment property which lease for rental in 2013. The Group remains confident of its long term prospects in property investment business in Hong Kong. The Group's revenue from the property investment business for the year was approximately HK$196,000 (2013: approximately HK$42,000). The net profits were approximately HK$528,000 (2013: net losses approximately HK$1,214,000), mainly due to fair value gain on investment property which is a non-cash item.

HOTEL BUSINESS

Travel industry growth is expected to closely track the macroeconomic condition and will be largely driven by emerging economies, particularly the Asia travelers, including the strong growing Chinese outbound travelers as result of rapid urbanization, continuous wealth accumulation and rising disposable income in the PRC. According to the World Tourism Organisation ("UNWTO"), a specialised agency of United Nations reported that the international tourists reached the new record with over 1.1 billion in 2014 and the number of international tourists grew by 5% compare with 2013. International tourist arrivals worldwide are expected to increase by 3.3% a year from 2010 to 2030 to reach 1.8 billion by 2030, according to UNWTO's long term forecast Tourism Towards 2030. In light of the growing prospects of the tourism industry, the Group has been seeking and considering opportunities for expanding hotel business.

The Group continued to expand its hotel portfolio. In December 2013, the Group entered into a transaction to acquire commercial properties situated in Liaoning Province, the PRC. The consideration has been fully paid in August 2014. The titles of ownership and building and ownership certificates of the commercial properties is pending to approve by the relevant authorities in the PRC. The commercial properties will be reconstructed into a quality hotel and plan to officially open in late of 2015.

In February 2014, the Group entered into a non-legally binding memorandum of understanding (the "MOU") in relation to the acquisition of a non-residential building which situated in Liaoning Province, the PRC. There is no formal agreement reached within the effective period. Accordingly, the MOU has been lapsed in August 2014.

In July 2014, the Group has commenced a negotiation with an independent third party in relation to a possible investment in Jeju Special Self-governing Province, the Republic of Korea, which hold a luxury hotel with at least 400 guest rooms.

The Group is of the view that the acquisition of properties would allow the Group 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.

OUTLOOK AND FUTURE PROSPECTS

The challenging business environment confronting the household business is expected to continue in 2015. The Group remains cautions of the global uncertainty and slow growth of PRC economy. In comparison, the Group expected that the hotel business will generate fruitable operating profits in future.

Looking forward, the Group aims to solid its hotel business by acquiring hotels around the world. Our business strategies are developing and investing in quality hotels in the PRC and other places to maintain long term growth and capture the spending of international and Chinese travelers. In the future, the Group shall continue to explore further quality investment opportunities to enhance shareholders' wealth.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2014, the Group reported a revenue of approximately HK$170,373,000 (2013: approximately HK$159,468,000), representing an increase of 6.8% from that of the fiscal year of 2013. The increase in revenue is due to the Group's improvement in the product mix of household products.

Gross profit margin increased from 4.3% in 2013 to 9.7% in 2014 as some new products with higher profit margin has been introduced to market during the year.

Other income increased from approximately HK$1,390,000 in 2013 to approximately HK$1,821,000 in 2014, mainly due to the increase in written back of trade and other payables and fair value gain on investment property during the year.

Distribution costs increased from approximately HK$658,000 in 2013 to approximately HK$928,000 in 2014 due to the increase in sales and thus increase in transportation cost and overseas travelling expenses during the year.

Administrative expenses decreased from approximately HK$22,405,000 in 2013 to approximately HK$18,861,000 in 2014, mainly due to decrease in loss on exchange difference and other tax expenses.

Other operating expenses of approximately HK$1,110,000 which mainly included the write off of trade and other receivables of approximately HK$745,000.

Finance costs decreased from approximately HK$3,275,000 in 2013 to approximately HK$3,249,000 in 2014, as the average borrowings rate decreased.

Income tax expense increased from approximately HK$916,000 in 2013 to approximately HK$2,201,000 in 2014, mainly due to increase of operating profits in the PRC subsidiaries 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	106,947,856

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2014, the Group had cash and bank balances of approximately HK$125,304,000 (2013: approximately HK$23,390,000) and net current assets of approximately HK$134,445,000 (2013: approximately HK$2,660,000), the increase in current assets is due to increase of prepayments and cash and bank balances.

The Group had bank borrowings of approximately HK$36,962,000 as at 31 December 2014 (2013: approximately HK$35,661,000). All borrowings were repayable within one year. The Group's borrowings carried interests at fixed and floating rate.

As at 31 December 2014, the Group had current liabilities of approximately HK$77,975,000 (2013: approximately HK$84,451,000). The decrease in current liabilities was mainly due to the decrease in trade and bills payables and other payables and accruals.

BANK BORROWINGS

As at 31 December 2014, bank borrowings of approximately HK$24,286,000 (2013: approximately HK$19,209,000) 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, decreased from 32.0% in 2013 to 15.0% in 2014, as a result of the increase in prepayments and cash and bank balances of the Group at 31 December 2014.

COMMITMENTS

As at 31 December 2014, the Group's capital commitments and operating lease commitments amounted to approximately HK$Nil and approximately HK$2,676,000 (2013: approximately HK$8,309,000 and approximately HK$705,000) respectively, attributable to acquisition of property, plant and equipment and rentals payable for certain offices.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant contingent liabilities (2013: 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 2014, the Group employed approximately 415 staff in the PRC and Hong Kong, representing an increase of approximately 35 staff from 31 December 2013. The Group's remuneration to employees, including Directors' emoluments, increased by approximately HK$1,214,000 to approximately HK$28,614,000 for the fiscal year of 2014.

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 (the "CG Code"), amended from time to time, 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 except disclosed below:

Under the CG Code provision E.1.2, the chairman of the Board should attend the annual general meeting ("AGM") and invite the chairmen of audit committee, remuneration committee and nomination committee to attend. However, in the AGM held on 29 May 2014 ("2014 AGM"), our chairman was unable to attend the meeting as he had to attend to other business commitments. He appointed an executive Director to chair the 2014 AGM on his behalf and answer any question from the shareholders concerning the Company's corporate governance. As provided for in the CG Code provision A.6.7, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive Director and Chairman of Audit Committee was unable to attend the 2014 AGM due to other business commitments.

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 2014.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the CG 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

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 2014, 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 AGM 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 2014.

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, 27 March 2015

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.