



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

(Incorporated in the Cayman Islands with limited liability)

捷豐

THIRD
QUARTERLY
REPORT
2005

JF HOUSEHOLD FURNISHINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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The Stock Exchange takes no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of JF HOUSEHOLD FURNISHINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the three months ended 30 September 2005 amounted to approximately HK\$51.9 million (2004: HK\$39.8 million), representing an increase of approximately 30.5% as compared to the corresponding period last year.
- Net profit attributable to equity holders of the Company for the three months ended 30 September 2005 amounted to approximately HK\$6.8 million (2004: HK\$6.6 million), representing an increase of approximately 3.7% as compared to the corresponding period last year.
- Earnings per share of the Group was approximately HK\$5.4 cents (2004: HK\$5.2 cents) for the three months ended 30 September 2005.

As at this date of this document, the directors of the Company are:

Executive Directors:

Mr. Yan Siu Wai
Mr. Leung Kwok Yin
Mr. Bao Jisheng

Independent non-executive Directors:

Mr. Kwan Kai Cheong
Mr. Garry Alides Willinge
Mr. Yu Hon Wing Allan

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2005

For the three months and nine months ended 30 September 2005 The board of directors (the "Board" or the "Directors") of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 30 September 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	3	51,888	39,760	146,680	108,357
Cost of sales		<u>(41,942)</u>	<u>(30,958)</u>	<u>(118,864)</u>	<u>(87,222)</u>
Gross Profit		9,946	8,802	27,816	21,135
Other Revenue		57	101	602	215
Selling and Distribution Costs		(385)	(163)	(1,039)	(731)
Administrative expenses		<u>(1,349)</u>	<u>(473)</u>	<u>(4,849)</u>	<u>(1,736)</u>
Profit from Operations		8,269	8,268	22,531	18,884
Finance costs		<u>(324)</u>	<u>(544)</u>	<u>(912)</u>	<u>(1,024)</u>
Profit before taxation		7,945	7,725	21,619	17,860
Taxation	3	<u>(1,149)</u>	<u>(1,172)</u>	<u>(2,895)</u>	<u>(2,496)</u>
Profit attributable to the Equity holders of the Company		<u>6,796</u>	<u>6,553</u>	<u>18,724</u>	<u>15,364</u>
Profit Distributions/ Dividend	5	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Earnings per share (cents)	6	<u>5.4</u>	<u>5.2</u>	<u>14.9</u>	<u>12.2</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Company reorganisation

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands, as an exempted company on 19 January 2005.

Pursuant to the corporate reorganisation (“Group Reorganisation”) of the Group in preparation for the listing of the Company’s shares on the Growth Enterprises Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Company acquired the entire issued share capital of JF Household Furnishings (Asia) Ltd, the holding company of the subsidiaries and became the ultimate holding company of the Group on 5 September 2005. Further details of the Group Reorganisation are set out in Appendix V of the Company’s prospectus dated 5 October 2005 (“Prospectus”). Shares of the Company have been listed on the GEM of the Stock Exchange on 13 October 2005.

The Group Reorganisation is accounted for using merger accounting in accordance with the requirements of the Hong Kong Financial Reporting Standard 3 (“Business Combinations”). Accordingly, the group financial statements are prepared as if the Company had been the holding company of the Group throughout the accounting periods. In the opinion of the Directors, the group financial statements prepared on the above basis present more fairly the Results and the state of affairs of the Group as a whole. The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 September 2005. The results of subsidiaries acquired or disposed of during the period are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter company transactions and balances within the Group are eliminated on consolidation.

2. Basis of preparation and principal accounting policies

The unaudited quarterly results have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The unaudited quarterly results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention and in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

For the financial year commencing 1 January 2005, the Group has adopted all new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented.

3. Turnover

The Group is principally engaged in manufacturing and sales of furnishings and home products and accessories primarily used in the kitchens and bathroom. Turnover represents invoiced value of goods sold, net of value-added tax, and after allowance for goods returned and trade discounts.

4. Taxation

No provision for profits tax in the Cayman Islands or the British Virgin Islands has been made as the Group had no income assessable for the periods.

Pursuant to the relevant laws and regulations in the PRC, 寧波捷豐家居用品有限公司 (JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd.) ("JF Ningbo"), a subsidiary of the Company operating in Zhejiang Province, the PRC, is subject to enterprise income tax rate at 26.4% on its taxable profit in accordance with Income Tax Law of People's Republic of China for Enterprises with Foreign Investment and Foreign-Enterprises. JF Ningbo 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. JF Ningbo was in its fourth and fifth profit-making years during the Relevant Periods.

Pursuant to the relevant laws and regulations in the PRC, 寧波捷豐金屬制品有限公司 (Ningbo JF Metal Products Co., Ltd.) ("JF Metal"), a subsidiary of the Company operating in Zhejiang Province, the PRC, is subject to enterprise income tax rate at 26.4% on its taxable profit in accordance with Income Tax Law of People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. JF Metal 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. JF Metal only commenced its formal business operation in January 2005.

5. Dividends

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2005 (2004: Nil).

6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders during the three month period ended 30 September 2005 of approximately HK\$6.8 million (2004: HK\$6.6 million) and 126,000,000 ordinary shares of the Company in issue on 8 September 2005, assuming the shares were outstanding for the entire periods.

7. Reserve

	Paid-in Capital	Capital Reserve	General Reserve	Retained Profits	Total
At 1 July 2004	7,356,522	—	3,369,258	9,041,050	19,766,830
Profit for the period	—	—	—	6,552,327	6,552,327
Profit Distributions	—	—	—	—	—
As 30 September 2004	7,356,522	—	3,369,258	15,593,377	26,319,157
At 1 July 2005	7,358,082	131,901	5,338,455	24,403,840	37,232,278
Profit for the period	—	—	—	6,795,789	6,795,789
Profit Distributions	—	—	—	—	—
Revaluation Reserve	—	—	—	723,724	723,724
As 30 September 2005	7,358,082	131,901	5,338,455	31,923,353	44,751,791

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the three months ended 30 September 2005 amounted to approximately HK\$51.9 million, representing an increase of approximately 30.5% over the corresponding period of 2004. However, the rising price of stainless steel continued to affect our profit margin in the quarter. Although the price of stainless steel has started to drop in the middle of 2005, the favourable effect will not be reflected in the Group's financial results until the last quarter of the year 2005.

Gross profit margin of the Group for the three months ended 30 September 2005 was approximately 19.17% (three months ended 30 September 2004: approximately 22.14%). The decrease in gross profit margin was mainly attributable to the increase in stainless steel price.

Total expenses increased from approximately HK\$0.63 million for the three months ended 30 September 2004 to approximately HK\$1.73 million for the three months ended 30 September 2005. The increase in total expenses of approximately HK\$1.1 million was due to the increase in turnover for the respective periods and the inclusion of monthly directors emoluments and senior management remunerations for 2005. For the three months ended 30 September 2005, the director emoluments and senior management remunerations amounted to approximately HK\$0.78 million, no such charges were made in the corresponding period last year. For 2004, such charges were only made at the fourth quarter of 2004.

For the three months ended 30 September 2005, the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$6.8 million (three months ended 30 September 2004: approximately HK\$6.6 million), representing an increase of approximately 3.71%. The increase in the Group's net profit was not in line with the increase in turnover mainly due to the drop in gross profit margin and the increase of total expenses in 2005.

As at 30 September 2005, the Group had bank and cash balances of approximately HK\$7.55 million (as at 30 September 2004: approximately HK\$4.5 million) and short terms bank borrowings of approximately HK\$15.9 million (as at 30 September 2004: approximately HK\$10.2 million) respectively.

Business Review

In order to accomplish the Group's business objectives to diversify its product and expand its customers' base, management has liaised with a number of potential customers from the United States, Australia and Europe. Some of the new products in discussion with such potential customers include garden tools and library cabinets.

The Group actively plans for the production of wooden furnishings. A new production line is expected to commence production in 2006.

As price of stainless steel had dropped in the middle of the year. Management expects the drop in stainless steel prices will have a positive effect on the Group's gross margin in the first six months of 2006.

The new production plant under construction will provide an additional 5,000 square meters of floor space to the Group's production facilities, which is approximately 50% larger than the existing facilities. The construction is expected to be completed by the end of December of 2005, and will be ready for production starting in the first quarter of 2006.

Outlook

The Group continues to maintain a strong and healthy relationship with the Group's key customers. Management has started to discuss business plans for the year 2006 with customers and is confident to achieve a satisfactory growth in the turnover of the Group's existing products.

The plan for the production of wooden furnishings with the Group's existing customers have been progressing smoothly and the management expects that the Group will commence the production of wooden furnishings in 2006.

Several potential customers have shown interests in sourcing from the Group and requested the production of samples. Management is considering upgrading certain production facilities to accommodate specific requirement from new customers.

The Group's overall performance has not been adversely affected by the revaluation of the Renminbi currency. If the currency continues to appreciate in a gradual manner, management believes that the effect on the earnings of the Group will not be significant.

Overall, the management is optimistic on the Group's prospects and expects to acquire various new production lines and recruit new customers, which will provide a healthy growth for the Group in the year 2006.

OTHER INFORMATION

1. Directors' interests and short positions in Shares, underlying Shares and debentures of the Company

As at 30 September 2005, the authorised share capital of the Company was HK\$200,000 divided into 20,000,000 shares of HK\$0.01 each ("**Share**") of which 2,000,000 Shares were issued and were held and/or beneficially owned by the following Directors:

Name of Director	Ordinary Shares of HK\$0.01 each			Total
	Personal interests	Family interests	Corporate interests	
Mr. Yan Siu Wai	200,000	—	1,000,000	1,200,000 (Note 1)
Mr. Leung Kwok Yin	240,000	—	560,000	800,000 (Note 2)

Notes:

- Among these 1,200,000 Shares, (i) 540,000 Shares were registered in the name of Excel Strength Investments Limited ("**Excel Strength**"); (ii) 460,000 Shares were registered in the name of Willhero Investments Limited ("**Willhero**"); and (iii) the remaining 200,000 Shares were registered in the name of Mr. Yan Siu Wai directly. Each of Excel Strength and Willhero is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Yan Siu Wai.
- Among these 800,000 Shares, (i) 360,000 Shares were registered in the name of Hero Talent Investments Limited ("**Hero Talent**"); (ii) 200,000 Shares were registered in the name of Joyday Consultants Limited ("**Joyday**"); and (iii) the remaining 240,000 Shares were registered in the name of Mr. Leung Kwok Yin directly. Each of Hero Talent and Joyday is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Leung Kwok Yin.

Immediately following the completion of the placing ("Placing") and the capitalisation issue ("Capitalisation Issue") (as both defined in the prospectus of the Company dated 5 October 2005) on 10 October 2005, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by the Directors on the listing of the Shares were as follows:

(a) *Aggregate long positions in Shares of the Company*

Name of Director	Ordinary Shares of HK\$0.01 each			Total
	Personal interests	Family interests	Corporate interests	
Mr. Yan Siu Wai	12,600,000	—	63,000,000	75,600,000 (Note 1)
Mr. Leung Kwok Yin	15,120,000	—	35,280,000	50,400,000 (Note 2)

Notes:

- Among these 75,600,000 Shares, (i) 34,020,000 Shares were registered in the name of Excel Strength; (ii) 28,980,000 Shares were registered in the name of Willhero; and (iii) the remaining 12,600,000 Shares were registered in the name of Mr. Yan Siu Wai directly. Each of Excel Strength and Willhero is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Yan Siu Wai. By virtue of the SFO, Mr. Yan Siu Wai was deemed to be interested in 63,000,000 Shares through his shareholdings in Excel Strength and Willhero.
- Among these 50,400,000 Shares, (i) 22,680,000 Shares were registered in the name of Hero Talent; (ii) 12,600,000 Shares were registered in the name of Joyday and; (iii) the remaining 15,120,000 Shares were registered in the name of Mr. Leung Kwok Yin directly. Each of Hero Talent and Joyday is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Leung Kwok Yin. By virtue of the SFO, Mr. Leung Kwok Yin was deemed to be interested in 35,280,000 Shares through his shareholdings in Hero Talent and Joyday.

(b) *Aggregate long positions in equity derivatives in, or in respect of, underlying Shares*

As at 30 September 2005, three executive Directors have been granted options to subscribe for Shares, details of which are set out as follows:

Name of Director	Number of Underlying Shares	Date of Grant	Exercise Period	Exercise price per Share
Mr. Yan Siu Wai	4,435,200	8 September 2005	13 April 2006 to 12 October 2010	HK\$0.80
Mr. Leung Kwok Yin	2,956,800	8 September 2005	13 April 2006 to 12 October 2010	HK\$0.80
Mr. Bao Jisheng	3,360,000	8 September 2005	13 April 2006 to 12 October 2010	HK\$0.80

Note:

The exercise of the options by the Directors is, however, subject to a moratorium period of 12 months. Please see details set out in paragraph headed "Share Option Schemes" below.

2. Substantial Shareholders

For the information of all of the then shareholders of the Company as at 30 September 2005, please refer to paragraph (1) above.

Immediately following the completion of the Placing and the Capitalisation Issue on 10 October 2005, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein, or were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Aggregate long positions in Shares of the Company

Name	Capacity	Number and class of securities	Approximate percentage of total registered share capital
Excel Strength Investments Limited (Note 1)	Beneficial owner	34,020,000 ordinary	20.25%
Willhero Investments Limited (Note 1)	Beneficial owner	28,980,000 ordinary	17.25%
Hero Talent Investments Limited (Note 2)	Beneficial owner	22,680,000 ordinary	13.50%
Joyday Consultants Limited (Note 2)	Beneficial owner	12,600,000 ordinary	7.50%

Notes:

- Each of Excel Strength Investments Limited and Willhero Investments Limited is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Yan Siu Wai.
- Each of Hero Talent Investments Limited and Joyday Consultants Limited is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Leung Kwok Yin.

3. Share Option Schemes

By written resolutions passed on 8 September 2005, the then shareholders of the Company approved and adopted a share option scheme entitling the board of Directors to grant Share options at its discretion before the listing of the Shares (the “**Pre-IPO Share Option Scheme**”), and conditionally adopted a post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”). Details of the Share options granted on 8 September 2005 pursuant to the Pre-IPO Share Option Scheme and remained outstanding as at 30 September 2005 are as follows:

		Options held as at 8 September 2005	Options held as at 30 September 2005	Exercise price HK\$	Exercisable in April 2006	Exercisable in September 2006 (Note)
(A)	Employees	2,688,000	2,688,000	0.80	2,688,000	—
		6,720,000	6,720,000	0.56	6,720,000	
(B)	Directors	10,752,000	10,752,000	0.80	—	10,752,000
		20,160,000	20,160,000		9,408,000	10,752,000

Note:

Taking into account the moratorium period of 12 months, the Directors may only exercise the options in September 2006.

Save as disclosed above, no options had been granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. None of the Share options granted were exercised as at 30 September 2005.

4. Disclosure of trade receivables pursuant to Rules 17.15 to 17.17 of GEM Listing Rules

In accordance with Rules 17.15 to 17.17 of the GEM Listing Rules, the Group is obliged to disclose the details of advances to an entity that as at 30 September 2005, the Company and its subsidiaries had trading receivables (“Receivables”) of RMB21,582,929 (equivalent to approximately HK\$20,752,816) for the sales of its products due from IKEA Trading (Hong Kong) Ltd. (“IKEA HK”).

IKEA HK is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries, or their respective associates (as defined in the GEM Listing Rules). The Receivables are unsecured and interest free and primarily arose from the sales to IKEA HK transacted before 30 September 2005.

5. Competing Interests

None of the Directors, management shareholders or their respective associates (as defined in GEM 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.

6. Compliance adviser Interests

As at 30 September 2005, neither Deloitte & Touche Corporate Finance Ltd. (“DTCF”) nor its directors, employees or associates, as defined in the GEM Listing Rules, had any interest in the securities of the Company or right to subscribe for or to nominate person to subscribe for securities of the Company.

Pursuant to the compliance adviser agreement dated 5 October 2005 which was entered into between the Company and DTCF, DTCF has been appointed as the compliance adviser to the Company as required under the GEM Listing Rules at a fee for the period commencing from 13 October 2005 until the agreement is terminated upon the terms and conditions set out therein.

7. Audit Committee

The Company has established an audit committee on 8 September 2005 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group’s audit.

It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises three independent non-executive directors, namely Garry Alides Willinge and Yu Hon Wing Allan and Kwan Kai Cheong and Kwan Kai Cheong is the chairman of the audit committee.

The unaudited quarterly results for the nine months ended 30 September 2005 has been reviewed by the audit committee.

8. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its Shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s Shares during the period.

9. Securities Transactions by Directors

As the Group was not yet listed during the three months ended 30 September 2005, there was no trading of the Group’s Share during the period reporting.

10. Board Practices and Procedures

The Company’s board members have been briefed on the Rules 5.34 to 5.45 of the GEM Listing Rules in preparation for the listing of the Company.

By order of the Board
Yan Siu Wai
Chairman

Hong Kong, 11 November 2005