JF Household Furnishings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：776

2012
Interim Report

As at the date of this report, the directors ("Directors") of the Company are:

Executive Directors:

Ms. Zhang Qian
Mr. Leung Kwok Yin
Mr. Leung Kwok Pong

Independent non-executive Directors:

Dr. Liu Yongping
Mr. Wu Chi Keung
Mr. Wang Siyong

HIGHLIGHTS

Turnover of the Group for the six months ended 30 June 2012 amounted to approximately HK$131.6 million (2011: HK$162.3 million), representing a decrease of approximately 18.9% as compared to the corresponding period of last year.

Net loss attributable to equity holders of the Company for the six months ended 30 June 2012 amounted to approximately HK$3.7 million (2011: net profit approximately HK$10.4 million), representing a significant decrease of approximately 135.6% as compared to the corresponding period of last year.

Loss per share of the Group was approximately HK1.56 cents (2011: earnings per share approximately HK4.68 cents) for the six months ended 30 June 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2012

The board (the "Board") of Directors of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 (the "period"), together with the unaudited comparative figures for the corresponding period in 2011 as follows:

	Notes	**Unaudited Six months ended 30 June 2012 HK$'000**	2011 HK$'000 (Restated)
Continuing operation			
Turnover	3	**131,554**	162,298
Cost of sales		**(120,893)**	(140,864)
Gross profit		**10,661**	21,434
Other income	4	**461**	158
Distribution costs		**(622)**	(1,211)
Administrative expenses		**(11,790)**	(6,106)
(Loss) profit from operation		**(1,290)**	14,275
Finance costs		**(1,983)**	(1,642)
(Loss) profit before tax		**(3,273)**	12,633
Income tax expenses	7	**(424)**	(3,421)
(Loss) profit for the period from continuing operation		**(3,697)**	9,212
Discontinued operation			
Profit for the period from discontinued operation	6	**–**	1,222
(Loss) profit for the period		**(3,697)**	10,434
Exchange differences arising on translation and other comprehensive expenses for the period		**(1,551)**	(15,515)
Total comprehensive expenses for the period		**(5,248)**	(5,081)
(Loss) earnings per share			
Basic and diluted (HK$ cents)			
From continuing and discontinued operations		**(1.56)**	4.68
From continuing operation		**(1.56)**	4.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 30 JUNE 2012

	Notes	Unaudited At 30 June 2012 HK$'000	Audited At 31 December 2011 HK$'000
Non-current assets			
Property, plant and equipment	10	17,130	18,622
Current assets			
Inventories		86,966	98,638
Trade receivables	11	27,636	30,440
Due from related companies		4,896	5,034
Deposits, other receivables and prepayment		12,377	12,817
Restricted cash and bank balances		1,071	1,070
Cash and bank balances		37,861	19,522
		170,807	167,521
Non-current assets held for sale		11,144	11,632
		181,951	179,153
Current liabilities			
Trade payables	12	26,498	36,392
Other payables and accruals		34,245	34,560
Current tax liabilities		193	4,689
Bank borrowings		64,143	71,906
		125,079	147,547
NET CURRENT ASSETS		56,872	31,606
TOTAL ASSETS LESS CURRENT LIABILITIES		74,002	50,228
Non-current liabilities			
Deferred tax liabilities		1,716	1,716
NET ASSETS		72,286	48,512
CAPITAL AND RESERVES			
Share capital	13	2,393	2,237
Reserves		69,893	46,275
TOTAL EQUITY		72,286	48,512

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Total equity of the Company at 1 January	**48,512**	212,921
Change in equity during the period:		
– Exchange differences arising on translation	**(1,551)**	(15,515)
– (Loss) profit for the period	**(3,697)**	10,434
Total comprehensive expenses for the period	**(5,248)**	(5,081)
Issue of shares upon exercise of share options	**–**	900
Placing of shares	**156**	–
Share premium and warrant reserve arising from placing of shares	**28,866**	–
Dividend paid	**–**	(169,999)
Total equity of the Company at 30 June	**72,286**	38,741

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash (used in) generated from operating activities	**(232)**	119,182
Net cash generated from investing activities	**240**	102,708
Net cash generated from (used in) financing activities	**19,479**	(212,435)
Net increase in cash and cash equivalent	**19,487**	9,455
Cash and cash equivalents at 1 January	**19,522**	32,573
Effect of foreign exchange rate changes	**(1,148)**	(16,042)
Cash and cash equivalents at 30 June	**37,861**	25,986
Analysis of cash and cash equivalents		
Cash and Bank balances	**37,861**	25,986

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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 Room 2410 -2411, 24/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares were previously listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the listing of which were subsequently transferred to the Main Board of the Stock Exchange on 10 September 2008.

The Company is an investment holding company. The condensed consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

- amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets; and
- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets;

The application of the above amendments to HKFRSs in the period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. For management purposes, the Group is currently organised into one single segment, i.e. the manufacture and sale of stainless steel furnishings and home products, and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business and geographical information is presented.

4. OTHER INCOME – CONTINUING OPERATION

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Government grants	**26**	59
Interest income	**162**	28
Net exchange gain	**273**	11
Others	**–**	60
	461	158

5. (LOSS) PROFIT FOR THE PERIOD- CONTINUING OPERATION

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Directors' emoluments	**680**	826
Other staff costs	**13,792**	15,525
Retirement benefit scheme contribution (excluding director's emoluments)	**1,311**	1,346
Total staff costs	**15,783**	17,697
Depreciation of property, plant and equipment	**1,433**	2,188
Cost of inventories recognised as expense	**120,893**	140,864
Operating lease rentals in respect of rented premises	**167**	86

6. DISCONTINUED OPERATION

Pursuant to an agreement dated 29 January 2011 and a supplemental agreement dated 11 May 2011 both entered into between a subsidiary of the Company, JF Household Furnishings (Asia) Ltd. ("JF Asia") and a connected person of the Company, First Priority Inc., which is owned by Mr. Leung Kwok Yin, an executive director of the Company, and Mr. Yan Siu Wai and Mr. Bao Jisheng, the former executive directors of the Company, JF Asia disposed of 100% interest in the then wholly-owned subsidiary of the Group, JF Household Furnishings (BVI) Ltd. ("JF BVI"), together with the entire equity interests in 寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co., Ltd.) ("JF Furniture"), a wholly foreign-owned enterprise established in the PRC wholly-owned by JF BVI (the "Disposal"). JF BVI and JF Furniture are hereinafter where applicable collectively referred to as the "Disposed Group".

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

The profit for the period ended 30 June 2011 from the discontinued operation is analysed as follows:

	2012 HK$'000	2011 HK$'000
Loss of discontinued operation	–	(8,099)
Gain on disposal of discontinued operation	–	9,321
Total	–	1,222

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

	Period from 1 January 2012 to 30 June 2012 HK$'000	Period from 1 January 2011 to 10 June 2011 HK$'000
Turnover	–	61,687
Cost of sales	–	(58,461)
Gross profit	–	3,226
Other income	–	1,898
Distribution costs	–	(117)
Administrative expenses	–	(7,450)
Loss from operations	–	(2,443)
Finance costs	–	(2,028)
Loss before tax	–	(4,471)
Income tax expenses	–	(3,628)
Loss for the period	–	(8,099)

6. DISCONTINUED OPERATION (Continued)

For the period ended 30 June 2011, the Disposed Group received approximately HK$75,562,000 in respect of operating activities, received approximately HK$76,090,000 in respect of investing activities and paid approximately HK$156,860,000 in respect of financing activities.

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

7. TAXATION

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the New PRC enterprise income tax law, which is passed by the Tenth National People's Congress on 16 March 2007 and effective from 1 January 2008, the enterprise income tax has various changes. It includes the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%; cancellation of existing tax holiday available to export-oriented enterprises; and enforcement of commencement of the tax holiday ("Enforcement of Tax Holiday") on 1 January 2008 for those Foreign Investment Enterprise which have not commenced their tax holiday due to ongoing tax losses since their commencement of businesses.

寧波捷豐金屬製品有限公司 (Ningbo JF Metal Products Co., Ltd.) ("JF Metal"), a subsidiary of the Company operating in Zhejiang Province, the PRC, is entitled to a two-year exemption from enterprise income tax starting from its first profit-making year followed by a 50% reduction for the subsequent three years. Pursuant to the Enforcement of Tax Holiday, tax holiday for JF Metal commenced on 1 January 2008. Hence, JF Metal is subject to the PRC enterprise income tax rate of 12.5% during the period.

8. DIVIDEND

No dividends were paid, declared or proposed during the period. The directors do not recommend payment of any interim dividend for the six months ended 30 June 2012. (2011: Nil).

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings		
Continuing and discontinued operations		
(Loss) profit attributable to owners of the Company, used in the basic and diluted (loss) earnings per share calculation	**(3,697)**	10,434
Continuing operation		
(Loss) profit attributable to owners of the Company, used in the basic and diluted (loss) earnings per share calculation	**(3,697)**	9,212
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation	**236,682,000**	222,893,000

From discontinued operation

For the period ended 30 June 2011, basic and diluted earnings per share from the discontinued operation is HK0.55 cents per share, based on the profit for the year from discontinued operation attributable to the owners of the Company of HK$1,222,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group had additions to property, plant and equipment in the amount of approximately HK$59,000 (for the corresponding period in 2011: approximately HK$16,826,000).

11. TRADE RECEIVABLES

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

	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
0 – 30 days	22,413	29,943
31 – 60 days	5,140	497
61 – 90 days	–	–
Over 90 days	83	–
Total	27,636	30,440

12. TRADE PAYABLES

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

	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
0 – 30 days	16,883	19,041
31 – 60 days	8,626	9,598
61 – 90 days	565	4,057
Over 90 days	424	3,696
Total	26,498	36,392

13. SHARE CAPITAL

	Number of shares	Par value HK$
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2012 and 30 June 2012	500,000,000	5,000,000
Issued and fully paid ordinary shares of HK$0.01 each:		
At 1 January 2012 (unaudited)	223,689,000	2,236,890
Issue of shares upon placing	15,600,000	156,000
At 30 June 2012 (unaudited)	239,289,000	2,392,890

13. SHARE CAPITAL (Continued)

	Number of shares	Par value HK$
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2011 and 31 December 2011	**500,000,000**	5,000,000
Issued and fully paid ordinary shares of HK$0.01 each:		
At 1 January 2011 (audited)	**222,689,000**	2,226,890
Issue of shares upon exercise of share options	**1,000,000**	10,000
At 31 December 2011 (audited)	**223,689,000**	2,236,890

14. OPERATING LEASE COMMITMENT

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings which full due as follow:

	30 June 2012 HK$'000	31 December 2011 HK$'000
Within one year	**2,920**	245
In the second to fifth year, inclusive	**2,433**	84
	5,353	329

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the six months ended 30 June 2012 amounted to approximately HK$131.6 million, representing a decrease of approximately 18.9% over the corresponding period of 2011. Such decrease of turnover was mainly due to the slow down of the global economy.

Overall gross profit margin of the continuing operation of the Group for the six months ended 30 June 2012 decreased to approximately 8.1% from approximately 13.2% for the six months ended 30 June 2011 mainly because of higher wages and lower import tax refund as more stainless steel materials were sourced domestically in the PRC.

Total expenses increased substantially by approximately HK$5.1 million from approximately HK$7.3 million for the six months ended 30 June 2011 to approximately HK$12.4 million for the six months ended 30 June 2012, mainly due to increase of expenses in potential project identification and assessment.

Further, in 2011, a one-off gain of approximately HK$9.3 million was recorded from the restructuring of the Group and the disposal of the timber business. No such gain was recorded for the six months ended 30 June 2012.

Income tax expenses for the continuing operation decreased from approximately HK$3.4 million for the six months ended 30 June 2011 to approximately HK$0.4 million for the six months ended 30 June 2012, as net income for the PRC subsidiaries dropped significantly from 2011 to 2012.

As at 30 June 2012, the Group had bank and cash balances of approximately HK$37.9 million (as at 31 December 2011: approximately HK$19.5 million) and short term bank borrowings of approximately HK$64.1 million (as at 31 December 2011: approximately HK$71.9 million) respectively. The increase in cash balance was mainly due to a share and warrant placement in February 2012 which generated net proceeds of approximately HK$29.2 million. The drop in bank borrowing was mainly due to lower inventory level.

Business Review

The debt crisis in Western European countries continued to weaken the economy in Europe and around the globe generally, and worldwide consumer demand remained weak.

Due to the slow down in the global economy, turnover for the Group's stainless steel business dropped by approximately 18.9% as a large proportion of the Group's products were exported to Europe.

Labour wages continued to rise as the PRC Government maintained a labour friendly policies for improving the standard of living for the labour.

On 22 March 2012, Fast Mind Corporation Limited ("Fast Mind"), a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding ("MOU") in relation to proposed acquisition of equity interest of companies engaged in design, production and sale of solar thermal equipment with estimated consideration ranging from RMB 7 million to RMB 13 million ("Proposed Acquisition"). Further details of the MOU had been disclosed in an announcement of the Company dated 22 March 2012 ("Announcement"). As at the date of this report, no legally binding agreement has yet been entered into by the Group for the Proposed Acquisition.

Outlook

Economic growth in major European industrial countries has been quite weak as the debt problem in Western European countries continued to worsen. The worldwide economy is not expected to recover in the near future. Manufacturing business in the PRC remains a challenge, especially for the export manufacturers.

Due to the slow down in the global economy, it is expected that growth of business of the Group will be slow. The management of the Group has taken a prudent approach to manage its business and finance, and will continue to look for investment opportunities to diversify its business base.

Liquidity, Financial Resources, Funding and Treasury Policy

As at 30 June 2012, the Group had bank and cash balances of approximately HK$37.9 million (as at 31 December 2011: approximately HK$19.5 million) and short term bank borrowings of approximately HK$64.1 million (as at 31 December 2011: approximately HK$71.9 million) respectively. Net current assets of the Group was approximately HK$56.9 million, higher than that as at 31 December 2011, which was approximately HK$31.6 million, mainly due to the share placement in February 2012. Non-current assets decreased to approximately HK$17.1 million as at 30 June 2012 from that of approximately HK$18.6 million as at 31 December 2011, as the property, plant and equipment continued to be depreciated.

As at 30 June 2012, the Group had current liabilities of approximately HK$125.1 million as compared to approximately HK$147.5 million as at 31 December 2011. The decrease in current liabilities was mainly due to lower trade payable and lower tax liabilities.

Most of the trading transactions, assets and liabilities of the Group were denominated in RMB, US Dollars and Hong Kong Dollars.

Gearing ratio

As at 30 June 2012, the Group's gearing ratio, which was derived from the total borrowings to total assets, decreased to approximately 32.2% from that of approximately 36.4% as at 31 December 2011, mainly due to a lower level of borrowings for the Group.

Capital Structure

Since the listing of the Company's shares on GEM of the Stock Exchange on 13 October 2005, there has been no change in the capital structure of the Company. The share capital of the Company comprises of ordinary shares only.

Future Plans for Material Investments

Apart from the entering into of the MOU by Fast Mind on 22 March 2012 in relation to the Proposed Acquisition as disclosed in the Announcement, the Company had no other material acquisition or capital expenditure plan for the six months ended 30 June 2012.

Material Acquisition and Disposal

Save as disclosed in this report, the Group did not have any material acquisition and disposal for the six months ended 30 June 2012.

Foreign Exchange Exposure

All transactions of the Group are denominated in Renminbi, Hong Kong Dollars or US Dollars.

Contingent Liabilities

As at 30 June 2012, the Group had no contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2012, the Group employed approximately 636 staff in the PRC and Hong Kong. The Group's remuneration to employees, including Directors' emoluments, amounted to approximately HK$15,783,000 for the period. The Group reviews employee remuneration annually and rewards its employee with reference to the length of services and performance. The Group also grants share options and bonuses to employees of the Group at the discretion of the Directors and based on the financial performance of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2012, none of the Directors and the chief executives of the Company nor each of their respective associates (as defined under the Listing Rules), had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which (a) were required, to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at 30 June 2012, none of the Directors have options to subscribe for shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the following substantial shareholders had interests or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO. Other than the interests disclosed below, the Directors were not aware of any other persons who had interests or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Substantial Shareholders	Number of shares interested in	Capacity	Approximate percentage of the total issue capital of the Company
Power Ocean Holdings Limited	167,711,000	Beneficial owner	70.09%
Chau Cheok Wa (Note 1)	167,711,000	Interest through a controlled corporation	70.09%
Cheng Ting Kong (Note 2)	167,711,000	Interest through a controlled corporation	70.09%

Notes:

1. According to the record in the register kept under section 336 of the SFO, Power Ocean Holdings Limited is owned as to 50% by Mr. Chau Cheok Wa. Mr. Chau Cheok Wa is therefore deemed to be interested in 167,711,000 shares of the Company held by Power Ocean Holdings Limited.

2. According to the record in the register kept under section 336 of the SFO, Power Ocean Holdings Limited is owned as to 50% by Mr. Cheng Ting Kong. Mr. Cheng Ting Kong is therefore deemed to be interested in 167,711,000 shares of the Company held by Power Ocean Holdings Limited.

SHARE OPTION SCHEME

By written resolutions passed on 8 September 2005, the then shareholders of the Company approved and adopted a share option scheme entitling the Board to grant share options at its discretion before the listing of the Shares on GEM (the "Pre-IPO Share Option Scheme"), and conditionally adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme"). By an ordinary resolution passed on 26 November 2008, the then shareholders of the Company approved (i) the adoption of a new share option scheme ("New Share Option Scheme"), and (ii) the termination of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. Pursuant to the terms of the Pre-IPO Share Option Scheme, the share options previously granted under the Pre-IPO Share Option Scheme but not yet exercised will remain valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and the terms of issue of such options.

SHARE OPTIONS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or any time during the year under review save and except for the transactions disclosed as connected and/or related party transactions in accordance with the requirements of the Listing Rules and accounting principles generally accepted in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

Since the listing of the Company's shares on GEM on 13 October 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance and business practices. The Group has complied throughout the six months ended 30 June 2012 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The Board will continue to commit itself to achieving a high quality of corporate governance.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The primary duties of the audit committee are to review the Company's interim and annual reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing internal control procedures of the Group. The audit committee comprises of three independent non-executive Directors, namely Mr. Wu Chi Keung (chairman), Dr. Liu Yongping and Mr. Wang Siyong.

The audit committee has reviewed the unaudited condensed financial statements for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference to set out its authority and duties. The primary duties of the remuneration committee are to review the remuneration policies and to approve the salary and bonus of the executive Directors and certain key executives, to review the remuneration policy of the Group and to approve the granting of options. The remuneration committee comprises of the three independent non-executive directors, namely Dr. Liu Yongping (chairman), Mr. Wu Chi Keung and Mr. Wang Siyong.

NOMINATION COMMITTEE

The Company has established a nomination committee with terms of reference to set out its authority and duties. The primary duties of the nomination committee are to consider and recommend to the Board suitably qualified persons to become a member of the Board and to review the structure, size and composition of the Board on a regular basis and as required. The nomination committee comprises of one executive Director, namely Ms. Zhang Qian (chairman), and two independent non-executive Directors, namely Dr. Liu Yongping and Mr. Wang Siyong.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time (the "Model Code"), set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of the directors of the Company. On specific enquiries made, all directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2012.

Employees who are likely to be in possession of unpublished price sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

APPROVAL OF INTERIM REPORT

The interim report was approved and authorised for issue by the Board on 22 August 2012.

By order of the Board
JF Household Furnishings Limited
Zhang Qian
Chairman

Hong Kong, 22 August 2012