

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuations as at 31 July 2005 of the property interests of the Group in the PRC and Hong Kong.



GRANT SHERMAN APPRAISAL LIMITED

Room 904, 9/F, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

5 October 2005

The Directors
JF Household Furnishings Limited
15th Floor,
EIB Tower,
4-6 Morrison Hill Road,
Wanchai,
Hong Kong.

Dear Sirs/Madams,

In accordance with your instructions to value the property interests held by JF Household Furnishings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the PRC) and Hong Kong, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant properties as at 31 July 2005.

For property No. 1, due to the nature of the buildings and structures constructed for specific purpose, there is no readily identifiable market comparable. Thus these buildings and structures cannot be valued on the basis of direct comparison. They have therefore been valued on the basis of Depreciated Replacement Cost (“DRC”).

DRC is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

Market Value is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion,” assuming:

- a willing, neither over-eager nor forced, seller and buyer;
- that, prior to the date of valuation, there had been a reasonable period and manner for exposing the property to the market;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- that no account is taken of the value or other advantage, benefit, additional to market value.

For property No. 2, basis of Market Value has been adopted. For property No. 3 which is leased by the Group in Hong Kong, we are of the opinion that no commercial value attribute to the Group due mainly to the short term nature or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In valuing the property interests, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

The valuations have been made on the assumption that the owner sells the property interests on the market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect their value.

In valuing the properties, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term as granted and is entitled to transfer the properties with the residual term without payment of any further premium to the government authorities or any third parties.

We have assumed that all consents, approvals and licenses from relevant government authorities for the properties have been granted without any onerous conditions or undue time delay which might affect their values. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the properties in the PRC, we have relied to a considerable extent on the legal opinion provided by the Company's legal adviser, Hills & Co., on the PRC laws regarding the titles of the properties in the PRC.

In the course of our valuation, we have relied on a considerable extent on the information provided by the Company on such matters as property title, statutory notices, easements, tenure, occupation, site and floor areas, identification of the properties and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us. We were also advised by the Company that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have inspected the exterior of the properties and, where possible, the interior of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

The valuations contained in this report specifically exclude the impact of environmental contamination resulting from any causes. No soil analysis or geological study was ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface mineral use rights or conditions investigated.

Unless otherwise specified, all amounts are denominated in Hong Kong Dollars. The exchange rate used in valuing the property interests in the PRC at 31 July 2005 was HK\$1 = RMB1.06.

We enclose herewith the summary of valuations and valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Peggy Y. Y. Lai
MRICS MHKIS RPS
Associate Director
Real Estate Group

Note: Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Register Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

SUMMARY OF VALUATION

Group I — Property interests owned by the Group in the PRC

| Property | Capital value in existing state as at 31 July 2005 |
|--|---|
| 1 A parcel of land, buildings and structure located at Yuyao Industrial Development Zone B, Yuyao, Zhejiang Province, The People's Republic of China | HK\$11,820,000 |

Group II — Property interests to be held by the Group in the PRC

| | |
|--|----------------|
| 2 A parcel of land located at Yaobei Industrial New Zone, Yuyao, Zhejiang Province, The People's Republic of China | HK\$14,810,000 |
|--|----------------|

Group III — Property interests licenced by the Group in Hong Kong

| | |
|--|---------------------|
| 3 A Portion of 15th Floor, EIB Tower, 4-6 Morrison Hill Road, Wanchai, Hong Kong | No Commercial Value |
|--|---------------------|

VALUATION CERTIFICATE

Group I — Property interests owned by the Group in the PRC

| Property | Description and Tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2005 (HK\$) | | | | | | | | | | | | | | | | | | | | | |
|--------------------|--|--------------------------|---|--------------|-------------------|------------------------|----------|-------------------|------------------------|--------|--------------------|--------------------------|--------|-------------------|------------------------|--------|-------------------|------------------------|----------|--|-------|-----------|--|------------|
| 1 | <p>A parcel of land, buildings and structure located at Yuyao Industrial Development Zone B, Yuyao, Zhejiang Province, The People's Republic of China.</p> <p>The property comprises a parcel of land having a site area of approximately 17,549 sq.m together with 5 buildings erected upon the land.</p> <p>The total gross floor area of the buildings is approximately 10,192.39 sq.m. and mainly completed between 1999 and 2004. Their respective area and usage are stated below:</p> <table border="1"> <thead> <tr> <th>Buildings</th> <th>Usage</th> <th>Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>1-storey workshop</td> <td>Storage and production</td> <td>1,618.44</td> </tr> <tr> <td>1-storey workshop</td> <td>Storage and production</td> <td>768.96</td> </tr> <tr> <td>2-storeys building</td> <td>Office and staff canteen</td> <td>593.52</td> </tr> <tr> <td>1-storey workshop</td> <td>Storage and production</td> <td>564.01</td> </tr> <tr> <td>2-storey workshop</td> <td>Storage and production</td> <td>6,647.46</td> </tr> <tr> <td></td> <td>Total</td> <td>10,192.39</td> </tr> </tbody> </table> <p>A 3 storey workshop with an area of 4,970 sq.m. will be developed. The construction work has been commenced in May 2005, and is expected to be completed by November 2005. Old building demolishing work was underway as at the valuation date.</p> | Buildings | Usage | Area (sq.m.) | 1-storey workshop | Storage and production | 1,618.44 | 1-storey workshop | Storage and production | 768.96 | 2-storeys building | Office and staff canteen | 593.52 | 1-storey workshop | Storage and production | 564.01 | 2-storey workshop | Storage and production | 6,647.46 | | Total | 10,192.39 | The property is currently occupied by the Group for production, storage and ancillary office purposes. | 11,820,000 |
| Buildings | Usage | Area (sq.m.) | | | | | | | | | | | | | | | | | | | | | | |
| 1-storey workshop | Storage and production | 1,618.44 | | | | | | | | | | | | | | | | | | | | | | |
| 1-storey workshop | Storage and production | 768.96 | | | | | | | | | | | | | | | | | | | | | | |
| 2-storeys building | Office and staff canteen | 593.52 | | | | | | | | | | | | | | | | | | | | | | |
| 1-storey workshop | Storage and production | 564.01 | | | | | | | | | | | | | | | | | | | | | | |
| 2-storey workshop | Storage and production | 6,647.46 | | | | | | | | | | | | | | | | | | | | | | |
| | Total | 10,192.39 | | | | | | | | | | | | | | | | | | | | | | |

Notes:

- i) According to the State-owned Land Use Rights Certificate Yu Guo Yung (2004) Di 07667 Hao, the land use rights with an area of approximately 17,549 sq.m. have been granted to JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd. (寧波捷豐家居用品有限公司) (“JF Ningbo”) for a term up to 25 April 2043 for industrial use. This Certificate has replaced the State-owned Land Use Rights Certificate Yu Yao Zhen Guo Yung (1998) Zi Di 188 Hao, which was granted to JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd. (捷豐冷凍器材(寧波)有限公司) (the former name of JF Ningbo) for a term of 50 years commencing from 26 April 1993 to 25 April 2043.

- ii) According to four Building Ownership Certificates, buildings with a total gross floor area of 10,192.39 sq.m. are vested to JF Ningbo for industrial purpose. Their respective certificate no. and area are shown below:

| Certificate No. | Area <i>(sq.m.)</i> |
|---|-------------------------------|
| 1) Yu Fang Chuan Zhen Cheng Qu Zi Di A0500215 Hao | 1,618.44 |
| 2) Yu Fang Chuan Zhen Cheng Qu Zi Di A0500216 Hao | 564.01 |
| 3) Yu Fang Chuan Zhen Cheng Qu Zi Di A0500217 Hao | 1,362.48 |
| 4) Yu Fang Chuan Zhen Cheng Qu Zi Di A0410427 Hao | 6,647.46 |

- iii) The land use rights described in note (i) and the buildings ownership described in note (ii)(1) and (ii)(4) are subject to a mortgage created in favour of Bank of China Yuyao Branch (中國銀行餘姚支行) for the period commenced from 24 January, 2005 and expiring on 23 January, 2007 (“Mortgage Period”).
- iv) Pursuant to a Construction Commencement Permit issued by Planning Bureau of Yuyao City on 17 March, 2005, JF Ningbo is permitted to commence the construction work of a 3 storey workshop with a construction scale of approximately 4,970 sq.m.
- v) Since the workshop that is under construction has not been applied for Building Ownership Certificate, our valuation has not taken into account its value. However, as advised by the Company, the total development costs expended as at the date of valuation was approximately RMB120,740 and the expected outstanding development cost to complete the development was approximately RMB2,879,260.
- vi) We have been provided with a PRC legal opinion on the title to the property issued by Hills & Co (廣東君道律師事務所), the PRC legal adviser, which contains, inter alia, the following information:
- 1) JF Ningbo has obtained the land use rights and building ownership under the aforesaid State-owned Land Use Rights Certificate and Building Ownership Certificates mentioned in note (i) above and note (ii) above.
 - 2) Subject to the restrictions on the transfer, let and re-mortgage of the land use rights mentioned in note (i) above and the building ownership mentioned in note (ii)(1) above and note (ii)(4) above during the Mortgage Period, JF Ningbo is entitled to freely transfer, let or mortgage the land use rights and building ownership of the property.

Group II — Property interests to be held by the Group in the PRC

| Property | Description and Tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2005 (HK\$) | |
|----------|---|---|---|------------|
| 2 | A parcel of land located at Yaobei Industrial New Zone, Yuyao, Zhejiang Province, The People's Republic of China. | The property comprises a parcel of land having a site area of approximately 44,105 sq.m.. | The property is vacant | 14,810,000 |

Notes:

- i) According to the Land Use Rights Transfer Agreement (“Transfer Agreement”) signed on 19 August 2005, the land use rights with an area of approximately 44,105 sq.m. have been granted to JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd. (寧波捷豐家居用品有限公司) (“JF Ningbo”) for a term of 50 years from the date of issuing Land Use Rights Certificate for construction of buildings and structures for industrial, office and ancillary facilities use at the land premium of RMB15,745,485 of which RMB3,500,000 (“First Instalment”) should be paid within 10 days from the Transfer Agreement and the remaining premium (“Remaining Premium”) payable within six months from the date of the Transfer Agreement.
- ii) We have been provided with a PRC legal opinion on the interests of the Group in the property issued by Hills & Co, the PRC legal adviser, which contains, inter alias, the following information:
- 1 the First Instalment had been duly paid by JF Ningbo;
 - 2 the Transfer Agreement is legal and valid and binding on the parties thereto and is enforceable;
 - 3 JF Ningbo is entitled to the contractual interests under the Transfer Agreement and may transfer, let or mortgage the land use rights of the property after the grant of the land use rights certificate during the term of the land use rights according to related laws and regulations.
 - 4 Upon the payment of the Remaining Premium, JF Ningbo may obtain land use rights certificate according to the Transfer Agreement and related laws and regulations without legal impediment.

Group II — Property interests licenced by the Group in Hong Kong

| Property | Description and Tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2005 (HK\$) |
|--|---|--|---|
| 3 A Portion of 15th Floor, EIB Tower, 4-6 Morrison Hill Road, Wanchai, Hong Kong | <p>The property comprises a portion on the 15th Floor of an office building completed in 1991 located in Wanchai of Hong Kong.</p> <p>The total lettable area is approximately 34.8 sq.m.</p> | The property is licenced to the Company as office. | No Commercial Value |

Notes:

- i) The registered owner of the property is A.C.R. Equipment Supplies Limited (“ACR”), a Connected Person of the Group which issued share capital is held as to 30% by Mr. Yan Siu Wai, as to 30% by Madam Mak Man Lee, Manly (spouse of Mr. Yan Siu Wai) and as to 40% by Mr. Leung Kwok Yin, vide Memorial No. 4171200 dated 6 December 1991.
- ii) According to a licence memorandum (“Licence Memorandum”) dated 10 March 2005, ACR grants a licence (“Licence”) to the Company for a term of two years commenced from 10 March 2005 and expiring on 9 March 2007 at a monthly licence fee of HK\$4,500 which was the prevailing market rental assessed. The payment of outgoings such as management fees, electricity, air-conditioning fees and other utility charges and sundry expenses are apportioned by reference to the actual space occupied by the Group.
- iii) The property is subject to a mortgage to secure banking facilities in favour of DBS Bank (Hong Kong) Limited (“DBS Bank”) vide Memorial No. 05070400100069 dated 15 June 2005. Consent for the granting of the Licence under the Licence Memorandum has been granted by DBS Bank.