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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "Board") of directors (the "Directors") of JF Household Furnishings Limited (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 2014 together with the unaudited comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Unaudited Six months ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
REVENUE		**72,631**	79,995
Cost of goods sold		**(68,857)**	(75,389)
Gross profit		**3,774**	4,606
Other income	*4*	**468**	208
Distribution costs		**(398)**	(297)
Administrative expenses		**(8,755)**	(12,901)
Other operating expenses		**(230)**	–
LOSS FROM OPERATIONS		**(5,141)**	(8,384)
Finance costs		**(1,308)**	(1,288)
LOSS BEFORE TAX		**(6,449)**	(9,672)
Income tax expense	*5*	**–**	–
LOSS FOR THE PERIOD		**(6,449)**	(9,672)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,427)**	551
Total comprehensive loss for the period		**(8,876)**	(9,121)
LOSS PER SHARE			
Basic and diluted (HK cents)	*7*	**(2.52)**	(4.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	Note	**Unaudited At 30 June 2014 HK$'000**	Audited At 31 December 2013 HK$'000
Non-current assets			
Property, plant and equipment	8	**13,542**	13,509
Investment properties		**5,400**	5,630
Deposits paid for acquisition of long-term assets		**105,107**	5,107
		124,049	24,246
Current assets			
Inventories		**25,231**	29,162
Trade receivables	9	**14,514**	21,914
Due from related companies		**5,729**	5,062
Deposits, other receivables and prepayments		**25,036**	6,323
Restricted cash and bank balances		**1,080**	1,261
Cash and bank balances		**57,648**	23,390
		129,238	87,112
Current liabilities			
Trade and bills payables	10	**11,124**	14,165
Other payables and accruals		**36,146**	33,831
Current tax liabilities		**–**	794
Bank borrowings		**38,447**	35,661
		85,717	84,451
NET CURRENT ASSETS		**43,521**	2,661
TOTAL ASSETS LESS CURRENT LIABILITIES		**167,570**	26,907
Non-current liabilities			
Deferred tax liabilities		**1,716**	1,716
NET ASSETS		**165,854**	25,191
CAPITAL AND RESERVES			
Share capital	11	**2,872**	2,393
Reserves		**162,982**	22,798
TOTAL EQUITY		**165,854**	25,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Total equity of the Group at 1 January	**25,191**	50,434
Change in equity during the period:		
– Exchange differences arising on translating on foreign operations	**(2,427)**	551
– Loss for the period	**(6,449)**	(9,672)
Total comprehensive loss for the period	**(8,876)**	(9,121)
Placement of shares *(note 11)*	**479**	–
Share premium arising from placing of shares	**149,060**	–
Share premium arising from exercise of warrant subscription rights	**–**	96
Total equity of the Group at 30 June	**165,854**	41,409

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(14,566)**	(18,383)
Net cash (used in)/generated from investing activities	**(101,653)**	6,265
Net cash generated from/(used in) financing activities	**151,017**	(3,315)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**34,798**	(15,433)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**23,390**	36,260
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(540)**	142
CASH AND CASH EQUIVALENTS AT 30 JUNE	**57,648**	20,969
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**57,648**	20,969

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 listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 information have been prepared on the historical cost basis, except for certain properties and 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 information for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Application of a new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial information:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;

- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;

- Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;

- Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and

- HK (IFRIC) – Int 21 Levies.

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

3. SEGMENT INFORMATION

Information reported to the chief executive officer 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 has two reportable segments, stainless steel furnishings and property investment.

Information about reportable segment revenue and profit or loss:

	Stainless steel furnishings *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2014 (unaudited)			
Revenue from external customers	72,533	98	72,631
Intersegment revenue	–	–	–
Segment loss	(1,633)	(144)	(1,777)
Interest revenue	55	–	55
Interest expense	(1,144)	–	(1,144)
Depreciation	(1,858)	–	(1,858)
Other material non-cash item:			
– Fair value loss on investment property	–	(230)	(230)
Additions to segment non-current assets	1,886	–	1,886

	Stainless steel furnishings
	HK$'000
Six months ended 30 June 2013 (unaudited)	
Revenue from external customers	79,995
Intersegment revenue	–
Segment loss	(2,332)
Interest revenue	189
Interest expense	(1,084)
Depreciation	(2,224)
Additions to segment non-current assets	78

Reconciliation of reportable segment revenue and results:

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**72,631**	79,995
Elimination of intersegment revenue	**–**	–
Consolidated revenue	**72,631**	79,995
Profit or loss		
Total loss of reportable segments	**(1,777)**	(2,332)
Unallocated finance costs	**(164)**	(204)
Unallocated corporate income	**3**	3
Unallocated corporate expenses	**(4,511)**	(7,139)
Consolidated loss for the period	**(6,449)**	(9,672)

4. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Government grants	**–**	15
Interest income	**58**	191
Net exchange gain	**409**	–
Others	**1**	2
	468	208

5. INCOME TAX EXPENSE

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.

6. DIVIDEND

No dividends were paid, declared or proposed during the period. The Directors have determined that no dividend will be paid in respect of the interim period (2013: Nil).

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(6,449)**	(9,672)
Number of shares		
Weighted average number of ordinary shares used in basic and diluted loss per share calculation	**255,732,000**	239,333,000

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2014.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group had additions to property, plant and equipment in the amount of approximately HK$1,892,000 (2013: approximately HK$78,000).

9. TRADE RECEIVABLES

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

	30 June 2014	31 December 2013
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 – 30 days	**10,532**	17,241
31 – 60 days	**3,899**	4,589
61 – 90 days	**–**	–
Over 90 days	**83**	84
Total	**14,514**	21,914

10. TRADE AND BILLS PAYABLES

	30 June 2014 (unaudited) ***HK$'000***	31 December 2013 (audited) *HK$'000*
Trade payables	**11,124**	13,760
Bills payables	**–**	405
	11,124	14,165

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers. The aging analysis of the Group's trade payables, based on invoice date, is as follows:

	30 June 2014 (unaudited) ***HK$'000***	31 December 2013 (audited) *HK$'000*
0 – 30 days	**6,800**	9,144
31 – 60 days	**2,644**	4,461
61 – 90 days	**19**	81
Over 90 days	**1,661**	74
Total	**11,124**	13,760

11. SHARE CAPITAL

	Note	Number of shares '000	Par value HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 January 2013 (audited)		500,000	5,000
Additions		4,500,000	45,000
At 31 December 2013 (audited) and 30 June 2014 (unaudited)		5,000,000	50,000
Issued and fully paid ordinary shares of HK$0.01 each:			
At 1 January 2013 (audited)		239,289	2,393
Shares issued on exercise of warrants	*(i)*	50	–
At 31 December 2013 (audited)		239,339	2,393
Placement of shares	*(ii)*	47,867	479
At 30 June 2014 (unaudited)		287,206	2,872

Note:

(i) During the year ended 31 December 2013, 50,000 ordinary shares of HK$0.01 each were issued in relation to warrants exercised at HK$1.92 for a total consideration of HK$96,000.

(ii) On 27 January 2014, the Company raised its fund by way of private placement of 47,867,000 shares of the Company at the placing price of HK$3.14 per share, which raised gross proceeds of approximately HK$150,302,000.

12. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
Property, plant and equipment		
Contracted but not provided for	**8,158**	8,309

13. OPERATING LEASE COMMITMENTS

The Group as lessee

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 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
Within one year	**1,941**	619
In the second to fifth years, inclusive	**1,548**	85
	3,489	704

The Group as lessor

The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	30 June 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
Within one year	**–**	63,027

14. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosure of level in fair value hierarchy at 30 June 2014 and 31 December 2013:

Description	**Fair value measurements using: Level 3** *HK$'000*
Recurring fair value measurements:	
Investment property	
Residential – Hong Kong	
At 30 June 2014 (unaudited)	5,400
At 31 December 2013 (audited)	5,630

(b) Reconciliation of assets measured at fair value based on level 3:

Description	**2014 Investment property (unaudited)** *HK$'000*
At 1 January	5,630
Total losses recognised in profit or loss (#)	(230)
At 30 June	5,400
(#) Include losses for assets held at end of reporting period	(230)

The total losses recognised in profit or loss including those for assets held at end of reporting period are presented in other operating expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2014 and 31 December 2013:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

– Inflation (estimated based on private domestic price indices by class published by Rating and Valuation Department of the Government of the Hong Kong Special Administrative Region)

– Floor level difference (estimated based on actual data)

– Size difference (estimated based on actual data)

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 30 June 2014 (unaudited)** ***HK$'000***	**Fair value 31 December 2013 (audited)** *HK$'000*
Investment property	Market comparable approach	Inflation	0.26% – 8.56%	Increase		
		Floor level difference	1.00% – 3.50%	Increase		
		Size difference	0.00% – 4.09%	Increase	**5,400**	5,630

15. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial information, the Group had the following transactions and balances with related parties during the period:

(a) Key management personnel compensation

The key management personnel of the Group comprises all Directors. Details of their emoluments were disclosed as follows:

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Directors' remuneration	**432**	1,197

(b) Transactions with related parties

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Rental income		
– 寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co., Limited)	**437**	435
Leasing charges paid to		
– 余姚捷豐空調設備有限公司 (Yuyao Jiefeng Air Conditioning Equipment Co., Limited)	**189**	292
Processing charges paid to		
– 寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co., Limited)	**263**	290
License fees paid to		
– A.C.R.Equipment Supplies Limited	**60**	60
Rental expenses paid to		
– Senior management	**41**	41

An executive Director, Mr. Leung Kwok Yin has beneficial interests in above companies.

(c) Balance with related parties

	30 June 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co., Limited)	**283**	325
JF Household Furnishings (BVI) Limited	**4,737**	4,737
余姚捷豐空調設備有限公司 (Yuyao Jiefeng Air Conditioning Equipment Co., Limited)	**709**	–
	5,729	5,062

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to 22 July 2014, the Group has commenced a negotiation with independent third party in relation to the possible investment in a subsidiary which hold a luxury hotel with at least 400 guest rooms in Jeju Special Self-governing Province, the Republic of Korea.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the six months ended 30 June 2014 amounted to approximately HK$72.6 million, representing a decrease of approximately 9.2% over the corresponding period of 2013. The decrease in turnover is due to the European economy has not recovered during the period.

Gross profit margin of the Group decreased from approximately 5.8% in 2013 to approximately 5.2% for the six months ended 30 June 2014 mainly because of higher raw materials and labour costs.

Other income increased from approximately HK$0.2 million in 2013 to approximately HK$0.5 million for the six months ended 30 June 2014, mainly due to the increase in exchange gains.

Distribution costs increased from approximately HK$0.3 million in 2013 to approximately HK$0.4 million for the six months ended 30 June 2014, mainly due to the increase in transportation costs and declaration charge.

Administrative expenses decreased from approximately HK$12.9 million in 2013 to approximately HK$8.8 million for the six months ended 30 June 2014, mainly due to decrease in expenses on staff cost and legal and professional fee.

Business Review

Household Products Business

The household products business had recorded losses, due to the world was still under threat of economic recession. While the momentum for European and US economy recovery is yet to be restore and the intense competition in the household products markets. The Group's turnover from the household products business for the period was approximately HK$72,533,000 (2013: approximately HK$79,995,000), representing a decrease of 9.3%. The net losses were approximately HK$1,633,000 (2013: approximately HK$2,332,000).

Property Investment Business

In October 2013, the Group acquired an investment property in Hong Kong for rental income. The Group's turnover from the property investment business for the period was approximately HK$98,000 (2013: nil). The net losses were approximately HK$144,000 (2013: nil).

Hotel Business

Travel industry is expected to growth under macroeconomic condition and economic development in the PRC. It contributed to significant increase in mainland Chinese travelers. In light of the growing prospects of the tourism industry, the Group has focused on investing in quality hotels all over the world.

On 31 December 2013, the Group entered into a conditional sale and purchase agreement with 遼寧卓華投資集團有限公司 to acquire commercial properties situated at Jin Xiu Lan Wan, Economic Development Zone, Fushun City, Liaoning Province. The commercial properties have been reconstructing into a quality hotel and expected to commence business in late of 2014. In order to satisfy the condition precedent of acquisition, a wholly-owned foreign enterprise has been established in the PRC.

On 26 February 2014, the Group entered into a non-legally binding memorandum of understanding with 撫順恆昇房地產開發有限公司 in relation to the acquisition of non-residential building which situated at Jin Xiu Lan Wan, Economic Development Zone, Fuhsun City, Liaoning Province, the PRC. Up to present, the Group has been conducting a due diligence investigations and valuation of the building.

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

Outlook

The global economic growth is expected to remain challenging in future. Household business will continue to tackle difficulties as they face rising labour costs and intense competition in the PRC.

In future, the Group plans to establish a highly reputable hotel management business. We will expand our management team in respect of hotel management by recruiting more experts from this industry and work with other famous hotel management companies.

The Group shall continue to put resources to strengthen its branding and position in the hotel business and to explore further quality investment opportunities to enhance shareholders' wealth.

Liquidity, Financial Resources, Funding and Treasury Policy

As at 30 June 2014, the Group had cash and bank balances of approximately HK$57.6 million (as at 31 December 2013: approximately HK$23.4 million) and short term bank borrowings of approximately HK$38.4 million (as at 31 December 2013: approximately HK$35.7 million) respectively.

As at 30 June 2014, the Group had current assets of approximately HK$129.2 million (31 December 2013: HK$87.1 million) and current liabilities of approximately HK$85.7 million (31 December 2013: HK$84.5 million).

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars.

Gearing ratio

As at 30 June 2014, the Group's gearing ratio, which was derived from the total borrowings to total assets, decreased to 15.2% from that of 32.0% as at 31 December 2013.

Capital Structure

The share capital of the Company comprises of ordinary shares only.

Material Acquisition and Disposal

Save as disclosed in this announcement, the Group did not have any material acquisition and disposal for the six months ended 30 June 2014.

Foreign Exchange Exposure

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

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2014, the Group employed approximately 391 staff in the PRC and Hong Kong. The Group's remuneration to employees, including Directors' emoluments, amounted to approximately HK$12,426,000 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.

Event after the reporting period

Details of the event after the reporting period of the Group are set out in note 16 to the condensed consolidated financial information.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company raised its fund by way of 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	**Amount used as at the date of this announcement**
	HK$'000	*HK$'000*
General corporate and working capital purpose	149,506	102,934

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

As at 30 June 2014, 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 2014, none of the Directors have options to subscribe for shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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** *(Note 3)*
Power Ocean Holdings Limited *(Note 1&2)*	179,407,488	Beneficial owner	62.46%
Chau Cheok Wa *(Note 1)*	179,407,488	Interest through a controlled corporation	62.46%
Cheng Ting Kong *(Note 2)*	179,407,488	Interest through a controlled corporation	62.46%

Notes

1. According to the record in the register kept under section 336 of the SFO, Power Ocean Holdings Limited, which 50% of issued share capital is owned by Mr. Chau Cheok Wa and he is therefore deemed to be interested in 179,407,488 shares of the Company.

2. According to the record in the register kept under section 336 of the SFO, Power Ocean Holdings Limited, which 50% of issued share capital is owned by Mr. Cheng Ting Kong and he is therefore deemed to be interested in 179,407,488 shares of the Company.

3. The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2014 (i.e. 287,206,000 shares).

SHARE OPTION AND SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholder's resolution passed on 26 November 2008. No options granted under the Scheme since its adoption on 26 November 2008 are still outstanding. During the six months ended 30 June 2014, no share option were granted, exercised and lapsed.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries or its holding company, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period under review or any time during the period 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

Under the CG Code provision E.1.2, the chairman of the Board should attend the annual general meeting ("AGM") and invite the chairman of audit, remuneration 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.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

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. Fung Tze Wa (Chairman), Mr. Ting Wong Kacee and Mr. Tse Ting Kwan.

The Audit Committee has reviewed the unaudited condensed financial information for the six months ended 30 June 2014.

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 2014.

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.

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

Hong Kong, 21 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Ting Kong, Ms. Yeung So Lai, Mr. Leung Ming Ho and Mr. Leung Kwok Yin; and the independent nonexecutive directors of the Company are Mr. Fung Tze Wa, Mr. Ting Wong Kacee and Mr. Tse Ting Kwan.