JF Household Furnishings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8310)

1st Quarterly Report 2008

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As at the date of this report, the Directors of the Company are:

Executive Directors:	*Non-executive Director:*	*Independent non-executive Directors:*
Mr. Yan Siu Wai	Mr. Kwan Kai Cheong	Mr. Yu Hon Wing Allan
Mr. Leung Kwok Yin		Mr. Garry Alides Willinge
Mr. Bao Jisheng		Mr. Chu Kwok Man

HIGHLIGHTS

- Turnover of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2008 amounted to approximately HK$74.9 million (2007: HK$50.9 million), representing an increase of approximately 47.2% as compared to the corresponding period of last year.

- Net profit attributable to equity holders of the Company for the three months ended 31 March 2008 amounted to approximately HK$7.07 million (2007: HK$3.46 million), representing an increase of approximately 104.2% as compared to the corresponding period of last year.

- Earnings per share of the Group was approximately 4.13 HK cents (2007: 2.04 HK cents) for the three months ended 31 March 2008.

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH 2008

The Board is pleased to announce the unaudited results of the Group for the three months ended 31 March 2008, together with the unaudited comparative figures for the corresponding period in 2007 as follows:

		Unaudited Three months ended 31 March	
	Notes	**2008 HK$'000**	2007 HK$'000
Turnover	3	**74,941**	50,924
Cost of sales		**(61,830)**	(42,234)
Gross Profit		**13,111**	8,690
Other Revenue	4	**1,931**	89
Selling and Distribution Costs		**(1,132)**	(787)
Administrative expenses		**(3,767)**	(2,416)
Profit from Operations		**10,143**	5,576
Finance costs		**(1,065)**	(458)
Profit before taxation		**9,078**	5,118
Taxation	5	**(2,011)**	(1,657)
Profit attributable to the Equity holders of the Company		**7,067**	3,461
Profit Distributions/Dividend	6	**0**	0
Earnings per share (cents)	7	**4.13**	2.04

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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 15th Floor, EIB Tower, 4-6 Morrison Hill Road, Wanchai, Hong Kong. The Company's shares are listed on GEM. The Company is an investment holding company.

2. Basis of preparation and principal accounting policies

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 applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and the disclosure requirements of the Companies Ordinance (Cap 32 of the Laws of Hong Kong).

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

3. Turnover

The Group is principally engaged in the manufacture and sale of (i) furnishings and home products and accessories primarily used in kitchens and bathrooms with stainless steel as raw materials; and (ii) wooden panel furniture. Turnover represents invoiced value of goods sold, net of value-added tax, and after allowance for goods returned and trade discounts.

4. Other Revenue

Other revenue for the three months ended 31 March 2008 amounted to approximately HK$1,931,000 (2007: approximately HK$89,000). The increase of HK$1.84 million was mainly due to a revaluation gain of HK$1.81 million of forward exchange contracts.

5. 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 People's Republic of China ("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 25% on its taxable profit in accordance with the relevant income tax laws of the PRC.

Pursuant to the relevant laws and regulations in the PRC, JF Ningbo was entitled to a 50% reduction for the enterprise income tax as over 70% of the goods sold were exported goods for the year 2007. No such reduction would be granted for the year 2008.

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") and 寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co. Ltd) ("JF Furniture"), two subsidiaries of the Company operating in Zhejiang Province, the PRC, are subject to enterprise income tax rate at 25% on its taxable profit in accordance with the relevant income tax laws of the PRC. Each of JF Metal and JF Furniture is entitled to a two-year exemption from enterprise income tax starting from its first profitable year of operation and followed by a 50% tax reduction for the subsequent three years. No provision for PRC enterprise income tax has been made for JF Metal and JF Furniture as JF Metal and JF Furniture may commence its tax holiday from 2008.

6. Dividends

The Directors do not recommend the payment of dividend for the three months ended 31 March 2008 (2007: Nil).

7. 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 31 March 2008 of approximately HK$7.07 million (2007: approximately HK$3.46 million) and weighted average of 170,940,000 ordinary shares of the Company outstanding during the 1st quarter of 2008 (2007: 169,585,000 ordinary shares of the Company outstanding during the 1st quarter of 2007).

8. Reserve

	Paid-in Capital	Share Premium	Merger reserve	Foreign exchange translation reserve	Capital reserve	General reserve	Employee share-based compensation reserve	Retained Profits	Proposed final dividend	Total
At 1 January 2007	1,695,850	22,843,068	7,358,082	2,464,614	946,832	10,300,329	2,383,684	33,222,140	8,309,665	89,524,264
Profit for the period										
Profit Distributions								3,461,203		3,461,203
As 31 March 2007	1,695,850	22,843,068	7,358,082	2,464,614	946,832	10,300,329	2,383,684	36,683,343	8,309,665	92,985,467
At 1 January 2008	1,709,400	23,911,285	7,358,082	9,165,228	946,832	13,496,989	2,060,717	49,135,449	8,547,000	116,330,982
Share issued on option	14,000	1,106,000					(336,000)			784,000
Foreign Currency Reserve				5,694,362						5,694,362
Profit for the period								7,067,138		7,067,138
As 31 March 2008	1,723,400	25,017,285	7,358,082	14,859,590	946,832	13,496,989	1,724,717	56,202,587	8,547,000	129,876,483

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the three months ended 31 March 2008 amounted to approximately HK$74.9 million, representing an increase of 47.2% over the same period of 2007. Business for the Group continued its growing momentum, with the turnover for stainless steel products increased by 21.3% to HK$52.8 million for the three months ended 31 March 2008, while the turnover for the new timber division increased more than threefold to HK$22.1 million (2007: HK$6.10 million) for the three months ended 31 March 2008.

Gross profit margin of the Group for the three months ended 31 March 2008 was approximately 17.5% (three months ended 31 March 2007: approximately 17.1%). Gross profit margin improve slightly over the first quarter of 2007, and reversed the downward trend recorded during the full year of 2007.

Expenses had generally increased from last year as the Group completed the new timber plant and gradually increased its production volume. Total expenses increased from approximately HK$3.66 million for the three months ended 31 March 2007 to approximately HK$5.96 million for the three months ended 31 March 2008, representing an increase of 63.0%. The increase was mainly due to the increase of approximately HK$344,000 in selling expenses, HK$1.35 million in administrative expenses, and HK$607,000 in finance costs.

Selling and distribution expenses increased by 43.8% from 2007 to approximately HK$1.13 million in the first quarter of 2008, which align with the increase in turnover.

Administrative expenses increased 55.9% from HK$2.41 million in 2007 to HK$3.77 million in 2008, which include a HK$352,000 net foreign exchange gain from US dollar loan amounting to US$6.58 million. Excluding the net exchange gain, administrative expenses increased from HK$2.2 million in 2007 to HK$4.1 million in 2008, representing an 87% increase. The increase was mainly due to HK$738,000 higher staff expenses, HK$148,000 higher depreciation, HK$142,000 higher office expenses, HK$149,000 higher local taxes, HK$124,000 higher welfare costs, HK$199,000 higher land use rights amortization, and HK$147,000 higher finance charges, most of which were attributed to the full scale production of the new timber plant.

Finance costs increased from HK$456,000 in 2007 to HK$1.065 million in 2008, as bank borrowings increased from HK$25.9 million in 2007 to HK$70.9 million in 2008.

Tax expenses increased from approximately HK$1.66 million for the three months ended 31 March 2007 to approximately HK$2.01 million for the three months ended 31 March 2008, representing an increase of only 21.1%.

For the three months ended 31 March 2008, the Group recorded a net profit attributable to equity holders of Company of approximately HK$7.07 million (three months ended 31 March 2007: approximately HK$3.46 million), representing an increase of approximately 104.2%.

As at 31 March 2008, the Group had bank and cash balances of approximately HK$22.3 million (as at 31 March 2007: approximately HK$4.9 million) and short terms bank borrowings of approximately HK$70.9 million (as at 31 March 2007: approximately HK$25.9 million) respectively.

Business Review

Business of the Group continued its growing trend during the first quarter of 2008, with the business in the new timber division increased by threefold from HK$6.1 million in the first quarter of 2007 to HK$22.1 million in the same period of 2008 following the full scale production of the timber lines in the second half year of 2007.

Gross profit margin percentage reversed its downward trend during the year of 2007 to an overall margin percentage of 17.5% in the fist quarter of 2008, compared to that of 13.8% for the full year of 2007. The improvement of the gross margin percentage mainly came from the management effort to improve profitability through various measures.

To counter various adverse operating environment in the PRC, such as RMB appreciation, reduction of refund of import tax, discontinuation of the 50% income tax refund for export enterprises, and the tightening of labour law and regulation, much effort had been made to counter the adverse impact, such as improvement of workflow, semi-automation, a more diligent purchasing strategy using US dollar based currency and the increase in US Dollar based borrowing.

General expenses in the first quarter of 2008 were higher than that in the first quarter of 2007 as the Group expands its scope of businesses. However, the increase was partly offset by the gain from the revaluation of the US Dollar compared to the operating currency of RMB in the PRC as some loans were denominated in US Dollar.

Outlook

During the first quarter of 2008, the Group has leased and occupied a production workshop with a gross floor area of approximately 2,750 square meters for stainless steel production. Further the Group had identified an opportunity to increase its production space for stainless steel business of approximately 7,000 square meters in the proximity of its existing production plant and was prepared to enter into a lease for the 7,000 square meters production plant to be constructed and completed by October 2008. The lease was subsequently concluded in April 2008. The management believe that the lease of such production plants adjacent to its existing production plant would on one hand, strengthen the Group's production capacity to cater rapid growth of the stainless steel business and, on the other hand, allow the Group to capture the advantage of economic scale in production.

As timber production did not formally start until the second half of 2007, the management expected that barring unforeseen circumstances, the turnover of timber business will double the level in 2007. As such, the management is confident that substantial profit will be generated by the timber division of the Group in the very near future.

It is an encouraging sign of the Group's competitive edge that the Group had received trial orders for a new line of kitchen cabinet series from its key customer as a result of its switching of supplier. The management is of the view that the switching of purchase orders to the Group manifested the quality of the Group's products and its major customer's confidence and increasing reliance on the Group's production. The management expects the formal production of this kitchen cabinet series will commence in the fourth quarter of 2008 after the satisfaction of the trial orders.

The negotiation with the key customer of the Group for the production of the new series of timber products and the stainless steel distribution centre continues in full gear and the management foresees fruitful outcome to be contributed by such continuous effort in expanding the business scope of the Group and creating additional source of income for the Group.

OTHER INFORMATION

1. Interests and Short Positions of Directors and Substantial Shareholders in Shares and Underlying Shares

The Directors who held office at 31 March 2008 had the following interests or short positions 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 were 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 were 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 were as follows:

(a) Aggregate long positions in shares of the Company

	Ordinary shares of HK$0.01 each				
Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of the total issued capital of the Company as at 31 March 2008
Mr Yan Siu Wai	12,600,000	–	63,000,000	75,600,000 (Note 1)	44.23%
Mr Leung Kwok Yin	15,120,000	–	35,280,000	50,400,000 (Notes 2 and 3)	29.48%

Notes:

1. Among these 75,600,000 shares, (i) 34,020,000 shares were registered in the name of Excel Strength Investments Limited ("Excel Strength") and (ii) 28,980,000 shares were registered in the name of Willhero Investments Limited ("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 British Virgin Islands ("BVI") and whose entire issued capital was 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.

2. Among these 50,400,000 shares, (i) 22,680,000 shares were registered in the name of Hero Talent Investments Limited ("Hero Talent") and (ii) 12,600,000 shares were registered in the name of Joyday Consultants Limited ("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 was 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.

3. On 2 April 2008, Mr. Leung Kwok Yin had transferred ("**Transfer**") to Mr. Bao Jisheng the entire issued share capital of Hero Talent to Mr. Bao Jisheng, an executive Director. Hence, Mr. Bao Jisheng was deemed to be interested in the 22,680,000 shares in the Company held by Hero Talent through his shareholding in Hero Talent and becomes a substantial shareholder of the Company since 2 April 2008. Following the Transfer, Mr. Leung Kwok Yin ceased to be interested in the 22,680,000 shares held by Hero Talent and remains a substantial shareholder of the Company, interesting in an aggregate of 27,720,000 shares in the Company through his shareholding in Joyday and direct shareholding as stated in Note 2 above.

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

As at 31 March 2008, three executive Directors had 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 (Note)	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

2. Substantial Shareholders

As at 31 March 2008, other than the interests disclosed above in respect of certain Directors, the Directors were not aware of any other persons who had an interests or a 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.

3. Share Options

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 (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 31 March 2008 are as follows:

	Options held as at 1 January 2008	**Options exercised during the three months ended 31 March 2008**	**Options held as at 31 March 2008**	**Exercise price** (HK$)
(A) **Employees**	2,688,000	—	2,688,000	0.80
	3,780,000	—	3,780,000	0.56
(B) **Directors**	10,752,000	—	10,752,000	0.80
	17,220,000	—	17,220,000	

Notes:

1. Save as disclosed above, no options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme were still outstanding on 31 March 2008.

2. On 16 April 2008, a total of 1,400,000 share options granted under the Pre-IPO Share Option Scheme were exercised by the employees of the Company all at an exercise price of HK$0.56 each. Following the exercise of such share options, the total number of outstanding share options granted under the Pre-IPO Share Option Scheme is 15,820,000 as at the date of this report.

4. Competing Interests

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

5. Compliance Adviser Interests

As at 31 March 2008, neither Tanrich Capital Limited ("TCL") 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's agreement dated 15 September 2006 which was entered into between the Company and TCL, TCL had been appointed as the compliance adviser to the Company as required under the GEM Listing Rules at a fee for the period commenced from 15 September 2006 and expired on 31 March 2008 (i.e. the date of distribution of the Company's 2007 annual report to its shareholders).

6. Audit Committee

The Company had established an audit committee on 8 September 2005 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half yearly reports and quarterly reports 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 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 Mr. Yu Hon Wing Allan (chairman), Mr. Garry Alides Willinge and Mr. Chu Kwok Man and one non-executive Director, namely Mr. Kwan Kai Cheong.

The unaudited quarterly results for the three months ended 31 March 2008 have been reviewed by the audit committee.

7. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the three months ended 31 March 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

8. Corporate Governance Practices

The Group is committed to ensuring high standards of corporate governance and business practices. The Group has complied throughout the three months ended 31 March 2008 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. The Board will continue to commit itself to achieving a high quality of corporate governance.

9. Directors' Securities Transactions

The Group has adopted a code of conduct regarding Directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the GEM Listing Rules for the three months ended 31 March 2008.

By order of the Board
Yan Siu Wai
Chairman

Hong Kong, 13 May 2008