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MERRY GARDEN HOLDINGS LIMITED

美麗家園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1237)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The Board is pleased to announce the unaudited interim results of the Group for the Period, together with the comparative figures for the previous financial periods.

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the Period, but are extracted from the Group's interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2015 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	<i>Note</i>	RMB'000	RMB'000
Turnover	3, 4	339,265	307,451
Cost of sales		<u>(245,881)</u>	<u>(211,042)</u>
Gross profit		93,384	96,409
Other revenue	6(a)	22,856	11,067
Other net gain/(loss)	6(b)	5,772	(5,019)
Selling and distribution expenses		(10,657)	(9,667)
Administrative expenses		<u>(27,827)</u>	<u>(22,338)</u>
Profit from operations		83,528	70,452
Finance costs	7(a)	(5,555)	(4,819)
Share of profits of an associate		<u>61</u>	<u>–</u>
Profit before taxation	7	78,034	65,633
Income tax	8	<u>(15,740)</u>	<u>(10,292)</u>
Profit for the Period		<u>62,294</u>	<u>55,341</u>
Earnings per Share			
Basic and diluted (RMB)	9	<u>0.04</u>	<u>0.06</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

for the six months ended 30 June 2015 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit for the Period	62,294	55,341
Other comprehensive income for the Period (after tax and reclassification adjustments):		
Items that may be classified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of subsidiaries outside the People's Republic of China (the "PRC"), net of nil tax	<u>(232)</u>	<u>(3,106)</u>
Total comprehensive income for the Period	<u>62,062</u>	<u>52,235</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 — unaudited

(Expressed in Renminbi)

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment		392,360	293,935
Lease prepayments		71,346	50,290
Non-current prepayments for acquisitions of property, plant and equipment		71,695	48,311
Interest in an associate		961	631
Goodwill	14	4,300	–
Other financial assets		2,495	2,495
Deferred tax assets		5,058	5,414
		<u>548,215</u>	<u>401,076</u>
Current assets			
Inventories	10	348,329	297,528
Current portion of lease prepayments		1,368	1,056
Trade and other receivables	11	275,453	278,660
Entrusted loans		–	30,000
Pledged deposits		133,977	99,268
Cash and cash equivalents		130,919	174,144
		<u>890,046</u>	<u>880,656</u>
Current liabilities			
Trade and other payables	12	52,537	19,356
Bank loans		365,536	345,699
Current portion of deferred income		1,163	1,163
Current taxation		31,345	29,198
		<u>450,581</u>	<u>395,416</u>
Net current assets		<u>439,465</u>	<u>485,240</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2015 — unaudited**(Expressed in Renminbi)*

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Total assets less current liabilities	987,680	886,316
Non-current liabilities		
Interest-bearing borrowings	75,190	67,397
Non-current portion of deferred income	18,945	19,527
Deferred tax liabilities	2,476	2,050
	96,611	88,974
NET ASSETS	891,069	797,342
CAPITAL AND RESERVES		
Capital	11,558	11,053
Reserves	879,511	786,289
TOTAL EQUITY	891,069	797,342

NOTES

1 REPORTING ENTITY AND BASIS OF PREPARATION

(a) Reporting entity

The Company was incorporated in the Cayman Islands on 17 October 2011 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Shares were listed on the Stock Exchange on 6 July 2012.

(b) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with International Accounting Standard (“IASs”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the Board on 31 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to International Financial Reporting Standards (“IFRSs”) and new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 TURNOVER

The principal activities of the Group are manufacturing and sales of outdoor wooden products, renewable energy products, engaging in projects of outdoor wooden products including the provision of design and installation services, retail sales of outdoor wooden products through self-operated retail shops and manufacturing and sales of renewable energy products.

Turnover represents

- (i) the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax; and
- (ii) contract revenue derived from projects of outdoor wooden products including the provision of design and installation services.

The amount of each significant category of revenue recognised in turnover is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Sales of outdoor wooden products	314,697	300,244
Retail sales of wooden products	9,727	4,561
Contract revenue derived from projects of outdoor wooden products including the provision of design and installation services	200	1,069
Sales of renewable energy products	14,641	1,577
	339,265	307,451

4 SEGMENT REPORTING

In a manner consistent with how the Group manages its business and the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments, namely Manufacturing and sales of wooden products, Retail business, Projects of outdoor wooden products and Manufacturing and sales of Renewable energy products. No operating segments have been aggregated to form the above reportable segments.

- Manufacturing and sales of wooden products: manufacturing and sales of outdoor wooden products to both domestic and overseas customers, and trading of timbers.
- Retail business: retail sales of outdoor wooden products through self-operated retail shops.
- Projects of outdoor wooden products: engaged in projects of outdoor wooden products including the provision of design and installation services to domestic customers.
- Manufacturing and sales of renewable energy products: manufacturing and sales of biomass pellet fuel to both domestic and overseas customers.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Reportable segment revenue represents the revenue derived from the Group's external customers by Manufacturing and sales of wooden products, Retail business, Projects of outdoor wooden products and Manufacturing and sales of renewable energy products, respectively.

The measure used for reportable segment profit/(loss) is "profit/(loss) after taxation (excluding the after tax effect of government subsidies)" of Manufacturing and sales of wooden products, Retail business, Projects of outdoor wooden products and Manufacturing and sales of renewable energy products, respectively.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2015 and 2014 is set out below:

Six months ended 30 June 2015					
	Manufacturing and sales of wooden products <i>RMB'000</i>	Retail business <i>RMB'000</i>	Projects of outdoor wooden products <i>RMB'000</i>	Manufacturing and sales of renewable energy products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue derived from the Group's external customers	314,697	9,727	200	14,641	339,265
Inter-segment revenue	48,814	–	–	–	48,814
Reportable segment revenue	<u>363,511</u>	<u>9,727</u>	<u>200</u>	<u>14,641</u>	<u>388,079</u>
Reportable segment profit/(loss) (profit/(loss) after taxation excluding the after tax effect of government subsidies)	<u>44,486</u>	<u>212</u>	<u>(60)</u>	<u>5,784</u>	<u>50,422</u>
Six months ended 30 June 2014					
	Manufacturing and sales of wooden products <i>RMB'000</i>	Retail business <i>RMB'000</i>	Projects of outdoor wooden products <i>RMB'000</i>	Manufacturing and sales of renewable energy products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue derived from the Group's external customers	300,244	4,561	1,069	1,577	307,451
Inter-segment revenue	5,805	–	–	463	6,268
Reportable segment revenue	<u>306,049</u>	<u>4,561</u>	<u>1,069</u>	<u>2,040</u>	<u>313,719</u>
Reportable segment profit/(loss) (profit/(loss) after taxation excluding the after tax effect of government subsidies)	<u>49,130</u>	<u>(461)</u>	<u>122</u>	<u>1,080</u>	<u>49,871</u>

(b) **Reconciliations of reportable segment revenue and reportable segment profit**

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Revenue		
Reportable segment revenue	388,079	313,719
Elimination of inter-segment revenue	(48,814)	(6,268)
Consolidated turnover	<u>339,265</u>	<u>307,451</u>
Profit		
Reportable segment profit derived from the Group's external customers	50,422	49,871
Government subsidies (net of tax)	16,262	7,591
Unallocated head office and corporate expenses	(4,390)	(2,121)
Consolidated profit after taxation	<u>62,294</u>	<u>55,341</u>

(c) **Geographic information**

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods were delivered or the services were provided.

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
The PRC	158,935	130,521
North America	152,377	138,214
Europe	15,385	25,403
Asia Pacific (exclusive of the PRC)	12,568	13,313
	<u>339,265</u>	<u>307,451</u>

5 SEASONALITY OF OPERATIONS

The Group's operations are not subject to significant seasonal fluctuations. Sales revenue recorded in the first and second half of the financial year is not affected by seasonal fluctuations.

6 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

(a) Other revenue

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest income on bank deposits	1,174	944
Government subsidies	21,682	10,123
	<u>22,856</u>	<u>11,067</u>

The Group received unconditional government subsidies of RMB21,100,000 (six months ended 30 June 2014: RMB9,576,000) for the six months ended 30 June 2015. These government subsidies were granted to Zhangping Kimura for subsidising various expenses already incurred and were recognised as other revenue when they became receivable.

The Group recognised government subsidies as deferred income which compensates the Group for the cost of its land use right and the cost of infrastructure development. Government subsidies (deferred income) of RMB582,000 (six months ended 30 June 2014: RMB547,000) were recognised as other revenue for the six months ended 30 June 2015, which is on a systematic basis over the useful life of the relevant assets.

(b) Other net gain/(loss)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net foreign exchange gain/(loss)	4,649	(1,756)
Changes in fair value of derivative financial instruments	1,123	(3,305)
Others	–	42
	<u>5,772</u>	<u>(5,019)</u>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest expense on bank loans and interest-bearing borrowings wholly repayable within five years	8,451	5,900
Less: Interest expense capitalised into construction in progress*	(2,896)	(1,081)
	<u>5,555</u>	<u>4,819</u>

* The borrowing costs have been capitalised at a rate of 3.63% (six months ended 30 June 2014: 3.69%) per annum for the six months ended 30 June 2015.

(b) Other items

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cost of inventories	245,881	211,042
Depreciation of property, plant and equipment	9,038	6,960
Amortisation of lease prepayments	573	622
Operating lease charges for properties	1,600	1,142
Research and development costs	8,912	6,825

8 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax — PRC corporate income tax	14,958	10,927
Current tax — Hong Kong Profits Tax	–	491
Deferred tax expense/(credit)	782	(1,126)

	<u>15,740</u>	<u>10,292</u>
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- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2015.

Provision for Hong Kong Profits Tax is calculated at 16.5% to the estimated assessable profits for the six months ended 30 June 2014.

- (ii) Zhangping Kimura applied and was approved for the High and New Technology Enterprise (“HNTE”) qualification under the PRC Corporate Income Tax Law and its relevant regulations during 2013, and therefore is entitled to the preferential income tax rate of 15% for a period of three years from 2013 to 2015.

The Group’s other PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25%.

9 EARNINGS PER SHARE

The calculation of basic earnings per Share for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB62,294,000 (six months ended 30 June 2014: RMB55,341,000) and weighted average of 1,420,756,000 Shares (six months ended 30 June 2014: 1,004,420,000 Shares) in issue during the six months ended 30 June 2015.

There were no potential dilutive ordinary shares during the six months ended 30 June 2015 and 2014 and, therefore, diluted earnings per Share are the same as the basic earnings per Share.

10 INVENTORIES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	275,957	178,445
Work in progress	28,361	35,293
Finished goods	44,011	83,790
	<u>348,329</u>	<u>297,528</u>

There was no write down of inventories during the six months ended 30 June 2015 and 2014.

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade and bills receivables (<i>note (a)</i>)	174,221	192,329
Trade receivable from an associate	6,141	8,100
Trade receivable from a related company	1,868	–
	<u>182,230</u>	<u>200,429</u>
Total trade receivables	182,230	200,429
Prepayment for raw materials	74,160	62,938
Deposits and other prepayments	3,197	2,459
Derivative financial instruments	1,091	867
Gross amount due from customers for contract work (<i>note</i>)	708	2,781
VAT recoverable	390	5,112
Other receivables	13,677	4,074
	<u>275,453</u>	<u>278,660</u>

Note: The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 30 June 2015 was RMB2,937,000 (31 December 2014: RMB21,108,000). This balance includes retention receivables at 30 June 2015 of RMB181,000 (31 December 2014: RMB1,582,000), of which RMBNil (31 December 2014: RMB386,000) was expected to be recovered after more than one year.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As at 30 June 2015, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on invoice date and net of allowances of doubtful debts, is as follows:

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Within 1 month	95,537	88,706
1 to 2 months	44,872	43,930
2 to 3 months	12,469	31,800
Over 3 months	29,352	35,993
	<u>182,230</u>	<u>200,429</u>

Trade and bills receivables are normally due within 15 days to 3 months from the date of billing.

12 TRADE AND OTHER PAYABLES

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Trade payables (<i>note (a)</i>)	24,783	3,167
Receipts in advance	3,064	2,015
Derivative financial instruments	349	1,247
Amount due to a director	–	769
Amount due to a related company	283	283
Salaries, wages, bonus and other accrued benefits	2,620	2,346
Payables for the purchase of property, plant and equipment	11,310	1,608
Other tax payables	389	585
Professional fees payables	174	1,556
Transportation fee payable	908	3,573
Dividends payable	5,648	–
Others	3,009	2,207
	<u>52,537</u>	<u>19,356</u>

All of the above balances are expected to be settled within one year or repayable on demand.

(a) A maturity analysis of the trade payables is as follows:

As at 30 June 2015, the maturity analysis of the trade payables balance is as follows:

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Due within 1 month or on demand	23,647	1,970
Due after 1 month but within 3 months	1,136	1,197
	<u>24,783</u>	<u>3,167</u>

13 DIVIDENDS

- (i) The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2014: Nil).
- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved during the Period

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year approved during the Period, of HK\$0.005 (equivalent to approximately RMB0.004) per ordinary share (six months ended 30 June 2014: HK\$0.013 (equivalent to approximately RMB0.0103))	<u>5,648</u>	<u>10,317</u>

At a Board meeting held on 26 March 2015, the Directors proposed a final dividend of HK\$0.005 per ordinary share for the year ended 31 December 2014, which was estimated to be HK\$6,815,000 (equivalent to approximately RMB5,409,000) at the time calculated on the basis of the ordinary shares in issue as at 26 March 2015. The final dividend was approved by shareholders at the annual general meeting on 12 May 2015 and the record date for determination of entitlements to the final dividends was 20 May 2015. As a result of issuance of consideration shares on 14 May 2015 (details refer to note 14), the final dividend payable in respect of the year ended 31 December 2014 totaled HK\$7,145,000 (equivalent to approximately RMB5,648,000).

14 ACQUISITION OF SUBSIDIARIES

On 4 May 2015, the Group signed an agreement to acquire the entire shareholding of Unicreed Holdings Limited together with its wholly-owned subsidiary (collectively known as the “Acquired Subsidiaries”) from an independent third party at a consideration of HK\$63,333,000 (approximately RMB49,303,000) which shall be satisfied by payment of HK\$13,833,000 (approximately RMB10,800,000) in cash and the allotment and issue 66,000,000 shares by the Company (the “Consideration Shares”) at an issue price of HK\$0.75 per share. The acquisition was completed on 13 May 2015, upon which the fair value Consideration Shares were HK\$0.723 per share. The principal activity of the Acquired Subsidiaries is research, production and sale of intelligent home electronic equipment. Taking control of the Acquired Subsidiaries enabled the Group to effectively facilitate intellectualisation of the Group’s timber house products, constituting a more value adding business to the Group.

During the period from 4 May 2015 to 30 June 2015, the Acquired Subsidiaries contributed revenue of RMB6,051,000 and a profit of RMB1,045,000 to the Group’s results. If the acquisition had occurred on 1 January 2015, management estimates that the consolidated revenue and the consolidated profit for the six months period ended 30 June 2015 would have been RMB343,594,000 and RMB63,377,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

(i) The identifiable assets acquired and liabilities assumed from the acquisition are as follows:

	Pre-acquisition carrying amounts <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Recognised values on acquisition <i>RMB'000</i>
Property, plant and equipment	35,033	(1,368)	33,665
Lease prepayments	8,186	(286)	7,900
Inventories	4,360	–	4,360
Trade and other receivables	3,879	–	3,879
Cash and cash equivalents	16,275	–	16,275
Trade and other payables	(4,933)	–	(4,933)
Bank loans	(16,143)	–	(16,143)
	<u>46,657</u>	<u>(1,654)</u>	
Total identifiable net assets			45,003
Goodwill			<u>4,300</u>
Total consideration			<u>49,303</u>
Net cash inflow arising on acquisition:			
— Cash consideration			(10,800)
— Cash acquired			<u>16,275</u>
			<u>5,475</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

The Group achieved stable growth for the six months ended 30 June 2015 (the “Period”) with its turnover increased by 10.3% to RMB339.3 million as compared to the corresponding period of the previous year (“2014 1H”) (2014 1H: RMB307.5 million). Net profit also recorded a 12.6% growth to RMB62.3 million (2014 1H: RMB55.3 million).

Segment review

During the Period, the performance of our business segments are as follows:

	Segment revenue derived from external customers		Change %	% to total segment revenue derived from external customers		Segment profit/(loss)	
	Six months ended 30 June			Six months ended 30 June		Six months ended 30 June	
	2015 RMB'000	2014 RMB'000		2015 %	2014 %	2015 RMB'000	2014 RMB'000
Manufacturing and sales of wooden products	314,697	300,244	4.8%	92.8%	97.7%	44,486	49,130
Retail business	9,727	4,561	113.3%	2.9%	1.5%	212	(461)
Projects of outdoor wooden products	200	1,069	-81.3%	0.1%	0.3%	(60)	122
Manufacturing and sales of renewable energy products	14,641	1,577	828.4%	4.2%	0.5%	5,784	1,080
	<u>339,265</u>	<u>307,451</u>	10.3%	<u>100.0%</u>	<u>100.0%</u>	<u>50,422</u>	<u>49,871</u>

During the Period under review, while the Group has made efforts on consolidating its core business, new businesses had also been developed. The renewable energy business has started contributing profits to the Group while the performance of the retail business has been significantly improved as compared with 2014 1H. The turnover contributions from the four segments of the Group represented 92.8%, 2.9%, 0.1% and 4.2% of the total turnover of the Period (2014 1H:97.7%, 1.5%, 0.3% and 0.5%).

The segment of manufacturing and trading of wooden products remains the largest segment of the Group. The turnover from such segment has increased by 4.8% as compared with 2014 1H. However, owing to the rapid competition of the market of timber house structures in both domestic and overseas market, resulting in the decrease in gross margin, segment profit decreased by 9.5%.

The Group’s self-owned “Merry Garden” brand retail business has shown significant improvement. During the Period, turnover from the retail business segment surged by 113.3% to RMB9.7 million (2014 1H: RMB4.6 million), and has shown a turn from loss to a profit of RMB0.2 million (2014 1H: loss of RMB0.5 million). Thanks to the increase in demand from the domestic market on the Group’s leisure household products. It reveals that the well establishment of the Group’s self-owned “Merry Garden” brand which enjoyed the increasing reputation in the market.

The segment of renewable energy products has shown outstanding performance. During the Period, the segment recorded a turnover of RMB14.6 million (2014 1H: RMB1.6 million) and a profit of RMB5.8 million (2014 1H: RMB1.1 million) respectively, representing a growth of 828.4% and 435.6% respectively. The outstanding performance showcased the impeccable strategy of the Group in developing renewable energy products. It is expected that this segment will continue contributing profits to the Group in the foreseeable future and becoming a new source for business growth of the Group.

Market review

During the Period, the distribution of turnover from our global markets are as follows:

	Turnover		% to total turnover	
	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	%	%
The PRC	158,935	130,521	47%	43%
North America	152,377	138,214	45%	45%
Europe	15,385	25,403	5%	8%
Asia Pacific (Exclusive of the PRC)	12,568	13,313	3%	4%
	<u>339,265</u>	<u>307,451</u>	<u>100%</u>	<u>100%</u>

The Group strategically positions itself “to align with the trend of Chinese tourism and leisure market and to capture the opportunities arisen from the recovery of the United States (“US”) and Europe’s property market”, with a vision to capture every opportunities from the market and to bring the Group to a stage of stable development with a faster pace.

The PRC is one of the major markets of the Group. During the Period, turnover from the PRC market has grown by 21.8% to RMB158.9 million (2014 1H: RMB130.5 million), representing 47% (2014 1H: 43%) of total turnover. Such growth was a result of the vigorous development of the Chinese tourism industry and urbanization, which in turn pulled up the demand for the Group’s products. Nevertheless, the Group’s self-owned brand retail business has also been expanding gradually, which contributed to the growth in turnover.

For overseas market, the US is another major market of the Group. Currently, the US is one of the most stable economies among developed countries. Property market and the economy of the US have shown continuous growth over time. The sales of the Group’s timber houses structures products in the north american market was driven up. During the Period, the Group’s turnover from the north american market increased by 10.2% to RMB152.4 million) (2014 1H: RMB138.2 million), representing 45% (2014 1H: 45%) of total turnover.

During the Period, the Group's turnover from Europe was RMB15.4 million (2014 1H: RMB25.4 million), owing to the weakened economy among the European countries. Turnover from the Asia Pacific region remained stable.

Financial review

Turnover and gross profit margin by product category

	Turnover			% to total turnover		Gross margin	
	Six months ended 30 June		Change	Six months ended 30 June		Six months ended 30 June	
	2015	2014		2015	2014	2015	2014
	RMB'000	RMB'000	%	%	%	%	%
Timber houses and their related parts and structures	204,945	135,119	51.7%	60.4%	44.0%	27.9%	31.2%
Leisure household products							
Outdoor and indoor furnitures	38,839	60,534	-35.8%	11.4%	19.7%	33.8%	40.1%
Recreational products	22,514	44,521	-49.4%	6.6%	14.5%	26.1%	35.1%
Landscape garden products	12,039	20,428	-41.1%	3.6%	6.6%	32.7%	41.9%
Pet-home designs	4,050	5,227	-22.5%	1.2%	1.7%	41.1%	42.0%
Trading of timbers	42,237	40,045	5.5%	12.5%	13.0%	7.8%	8.2%
Renewable energy products	14,641	1,577	828.4%	4.3%	0.5%	56.1%	24.3%
Total	339,265	307,451	10.3%	100.0%	100.0%	27.5%	31.4%

During the Period, timber houses and their related parts and structures remained as the largest income stream of the Group. Turnover from such products surged by 51.7% to RMB204.9 million, representing 60.4% (2014 1H: 44.0%) of total turnover for the Period. However, owing to the rapid competition in both the domestic and overseas markets together with the surge in manufacturing costs, the overall gross margin from such products dropped by 3.3%. The turnover from leisure household products decreased by RMB53.3 million as compared with 2014 1H, which was mainly the result of the weakened European economy.

The new renewable energy business of the Group has generated a turnover of RMB14.6 million during the Period (2014 1H: RMB1.6 million), with a gross margin of 56.1%, which represents an important and new source of income for the Group.

Other revenue

Other revenue increased to RMB22.9 million for the Period from RMB11.1 million for 2014 1H as a result of the government subsidies received during the Period as a recognition of the expansion of the Group's operations.

Other net gain/(loss)

The Group recorded other net gain of RMB5.8 million for the Period (2014 1H: net loss of RMB5.0 million), which was primarily a result of the recognition of exchange gain during the Period.

Selling and distribution expenses

Our selling and distribution expenses reached RMB10.7 million (2014 1H: RMB9.7 million). The increase was primarily due to the increase in sales.

Administrative expenses

Our administrative expenses increased to RMB27.8 million (2014 1H: RMB22.3 million), which is a result of the increase in staff costs and research and development costs.

Finance costs

Our finance costs increased to RMB5.6million during the Period (2014 1H: RMB4.8 million), which was mainly due to the increase in bank borrowings during the Period as a result of the continuous expansion of business operation.

Income tax

Our income tax reached RMB15.7 million (2014 1H: RMB10.3 million). Zhangping Kimura is qualified as a High and New Technology Enterprise, and it is entitled to the preferential corporate income tax rate of 15% from 2013 to 2015. Effective tax rate increased to 20.2% for the Period (2014 1H: 15.7%) as a significant portion of the Group's head office and corporate expenses are not deductible for taxation purpose.

Profit for the Period

As a result of the foregoing factors, profit for the Period increased by 12.6% to RMB62.3million (2014 1H: RMB55.3 million). Profit before taxation amounted to RMB78.0 million (2014 1H: RMB65.6 million), representing a growth of 18.9%.

Dividend

The Board does not recommend the payment of an interim dividend for the Period. (2014 1H: Nil)

Liquidity and capital resources

The Group principally meets its working capital and other liquidity requirements through operating cash flows and proceeds from bank borrowings. As at 30 June 2015, the Group had current assets of RMB890.0 million (31 December 2014: RMB880.7 million), of which bank deposits and cash (including pledged deposits) were RMB264.9 million (31 December 2014: RMB273.4 million). To better manage our funds, the Group's cash is generally deposited with banks and denominated mostly in RMB and US\$. As at 30 June 2015, total available banking facilities of the Group amounted to RMB504.5 million (31 December 2014: RMB555.0 million), banking facilities utilised as at 30 June 2015 were RMB425.0million (31 December 2014: RMB397.3 million) and these bank borrowings were denominated in RMB and US\$.

As at 30 June 2015, the ratio of total borrowings to total assets and net borrowings to total equity of the Group were 30.6% and 19.7% respectively (31 December 2014: 32.2% and 17.5% respectively), current ratio and quick ratio were 2.0:1 and 1.2:1 respectively (31 December 2014: 2.2:1 and 1.5:1 respectively).

Pledge of assets

At 30 June 2015, the Group had pledged its plant and machinery, lease prepayments and buildings held for own use with net book value of RMB171.1 million (31 December 2014: RMB193.6 million) and deposits with banks of RMB134.0 million (31 December 2014: RMB99.2 million) mainly for the purpose of securing bank loans and financial derivative contracts issued by banks to the Group.

Capital expenditure

During the Period, the Group's total expenditure in respect of property, plant and equipment, lease prepayments and non-current prepayments for acquisitions of property, plant and equipment amounted to RMB108.3 million (2014 1H: RMB23.9 million).

Contingent liabilities

There were no significant contingent liabilities for the Group as at 30 June 2015.

Significant investment, material acquisitions and disposals of subsidiaries, future plans for material investments or acquisition of capital assets

On 4 May 2015, Green Oceans Investment Holdings Limited (a direct wholly-owned subsidiary of the Company) ("Green Ocean") entered into an acquisition agreement with World Sheen Group Limited (the "Vendor") and the Company pursuant to which the Vendor agreed to sell, and Green Oceans agreed to purchase 100% shareholding in Unicreed Holdings Limited and its subsidiary for a consideration of HK\$63,333,000, which was satisfied by payment of HK\$13,833,000 in cash by Green Oceans and the allotment and issue of the 66,000,000 ordinary shares by the Company at an issue price of HK\$0.75 per share.

Save as disclosed above, there was no significant investment, material acquisitions and disposal of subsidiaries by the Company. The Group has no other plan to make any substantial investment in or acquisition of capital assets.

Foreign currency risks

The Group's sales are mainly denominated in US\$ and RMB while our cost of sales and operating costs are mainly denominated in RMB. Therefore, the Group's profit margin would be affected by the exchange rate fluctuations between RMB and US\$. In response to this, the Group manages the fluctuations in the exchange rate of RMB against US\$ by entering into foreign currency forward contracts denominated in US\$ with banks when sales contracts were entered with overseas customers. As at 30 June 2015, the Group has net outstanding US\$ denominated forward foreign currency contracts of US\$13.0 million (31 December 2014: US\$20.6 million). All the contracts are to be settled within one year.

The Group also manages the foreign exchange risks by matching the cash inflow from our export sales denominated in US\$ with the cash outflow from our import of timber denominated in US\$.

Use of net proceeds from the global offering and placing

The shares of the Company were listed on the Main Board of the Stock Exchange on 6 July 2012. Net proceeds from the global offering were approximately HK\$144.3 million (after deducting the underwriting commission and relevant expenses).

On 26 June 2014, the Company issued 200,000,000 new ordinary shares of HK\$0.01 each at HK\$0.80 per share by way of placing (the "June 2014 Placement"). On 7 October 2014, the Company issued 165,000,000 new ordinary shares of HK\$0.01 each at HK\$0.93 per share by way of placing (the "October 2014 Placement"). The net proceeds from the issue of new shares under the June 2014 Placement and October 2014 Placement, after deducting related transaction costs, were HK\$155 million and HK\$148 million respectively.

As at 30 June 2015, all the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC.

	Establishing new production facilities HK\$' million	Establishing own-brand self-operated store network HK\$' million	Merger and acquisition of small to medium sized companies, other timber processing plants, and/or other resources HK\$' million	Own-brand promotion and other marketing events HK\$' million	Increasing and enhancing our research and development activities HK\$' million	General working capital HK\$' million	Total HK\$' million
From global offering							
Amount of net proceeds	41.8	39.8	27.9	11.1	9.8	13.9	144.3
Percentage to total net proceeds	29.0%	27.6%	19.3%	7.7%	6.8%	9.6%	100.0%
Utilised amount as at 30 June 2015	41.8	39.8	22.6	11.1	9.8	13.9	139.0
Unutilised amount as at 30 June 2015	-	-	5.3	-	-	-	5.3
From June 2014 Placement							
Amount of net proceeds	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Percentage to total net proceeds	80.6%	N/A	N/A	N/A	N/A	19.4%	100.0%
Utilised amount as at 30 June 2015	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Unutilised amount as at 30 June 2015	-	N/A	N/A	N/A	N/A	-	-
From October 2014 Placement							
Amount of net proceeds	73.0	N/A	50.0	N/A	N/A	25.0	148.0
Percentage to total net proceeds	49.3%	N/A	33.8%	N/A	N/A	16.9%	100.0%
Utilised amount as at 30 June 2015	73.0	N/A	-	N/A	N/A	25.0	98.0
Unutilised amount as at 30 June 2015	-	N/A	50.0	N/A	N/A	-	50.0

Human resources

As at 30 June 2015, we employed a total of 668 (30 June 2014: 632) full time employees in mainly the PRC and Hong Kong which included management staff, product designers, technicians, salespersons and workers. The Group's total expenses on the remuneration of employees for the Period were RMB18.6 million (2014 1H: RMB15.3 million). The Group offered highly competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees.

The Group's emolument policies are formulated based on the performance of individual employee which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 15 June 2012 and up to 30 June 2015, no options have been granted.

EVENTS AFTER THE REPORTING PERIOD

Save for the subscription of shares as detailed in the paragraph headed "Subscription of Shares" in this announcement, up to the date of this announcement, the Group has no material events after the reporting period.

PROSPECTS

With the tremendous growth of the domestic tourism industry, the stable growth of economy and property market of the US and the increasing demand from the new markets over the Asia-pacific region, accompanied by the strong growing biomass energy business and the newly acquired intelligent home business, a continuous trend of growth at a faster pace will be expected for the Group.

The third phase production facilities is over 50% completed, and is expected to commence production in the second half of the year. The Group will be of sufficient capacity to cater the demand from both the domestic and overseas customers.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Period, the Company repurchased a total of 2,000,000 ordinary shares of the Company at an aggregate purchase price of HK\$1,518,660 on The Stock Exchange of Hong Kong Limited. The repurchased ordinary shares were cancelled on 2 February 2015. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the general mandate to repurchase shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 15 May 2014, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Period and until the date of this announcement.

SUBSCRIPTION OF SHARES

For the purpose of raising additional funding for the Group's business operation and to strengthen the financial position as well as to broaden the shareholders base of the Company, on 24 July 2015, the Company entered into the a subscription agreement with not less than six subscribers for the subscription of a total of 272,600,000 new shares of the Company at the subscription price of HK\$0.55 per share. The net proceeds of the subscription was approximately HK\$149,730,000 and it is intended to retain such proceeds for capital expenditure to increase production capacity of the Group's products and as general working capital of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Period and up to the date of this announcement, the Company complied with the principles set out in the Corporate Governance Code, except code provision A.2.1 of the Corporate Governance Code as explained below.

According to code provision A.2.1 of the Corporate Governance Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. Before the appointment of Mr. Wang Jingjun as chairman on 12 August 2015, Mr. Wu Zheyuan was the chairman and chief executive of the Company. Such dual role arrangement provided strong and consistent market leadership for the Company and enhanced the efficiency of business planning and decision making process of the Company. The Board believes that the development of the Company is at a stage where it is ready for the separation of the two roles and hence on 12 August 2015, Mr. Wang Jingjin was appointed as chairman of the Board. Accordingly, after 12 August 2015, the Company has complied with the principles set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Pursuant to a resolution passed by the Board on 15 June 2012, the Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the directors. Specific enquiries have been made with the Directors, and all Directors (except Mr. Wang Jingjun who was appointed after the Period) confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Group's interim results for the six months ended 30 June 2015 have been published on the websites of the Stock Exchange and of the Company at <http://www.merrygardenholdings.com>. The Company's interim report for the Period will be dispatched to the Shareholders in due course.

DEFINITIONS

“Board”	the board of Directors
“Company”	Merry Garden Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Period”	the six months ended 30 June 2015
“PRC or China”	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$”	United States dollars, the lawful currency of United States
“Zhangping Kimura”	Fujian Zhangping Kimura Forestry Products Co., Ltd (福建省漳平木村林產有限公司), an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board of
Merry Garden Holdings Limited
Wang Jingjun
Chairman

Hong Kong, 31 August 2015

As at the date of this announcement, the executive Directors are Mr. Wang Jingjun, Mr. Wu Zheyang, Mr. Wu Qingshan and Ms. Xie Qingmei, the non-executive Directors are Mr. Lee Kong Wai, Conway and Mr. Wu Dongping, and the independent non-executive Directors are Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang.