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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2015

- Revenue for the Year decreased by 8.7% to RMB640.0 million (2014: RMB701.2 million).
- Profit for the Year decreased by 51.8 % to RMB43.8 million (2014: RMB90.8 million).
- Earnings per Share is RMB0.0283 (2014: RMB0.0796).
- The Board does not recommend the payment of a final dividend in respect of the Year (2014: RMB0.004).

The Board is pleased to announce the annual results of the Group for the year ended 31 December 2015.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31
DECEMBER 2015**

(Expressed in Renminbi)

	<i>Note</i>	2015 RMB'000	2014 <i>RMB'000</i>
Revenue	3	639,999	701,231
Cost of sales		<u>(517,542)</u>	<u>(522,818)</u>
Gross profit		122,457	178,413
Other revenue	4(a)	32,908	17,888
Other net (loss)/gain	4(b)	(7,030)	2,172
Selling and distribution expenses		(22,671)	(21,714)
Administrative expenses		<u>(55,554)</u>	<u>(56,279)</u>
Profit from operations		70,110	120,480
Finance costs	5(a)	(16,627)	(11,326)
Share of profits of associates		<u>20</u>	<u>–</u>
Profits before taxation	5	<u>53,503</u>	<u>109,154</u>
Income tax	6(a)	<u>(9,701)</u>	<u>(18,344)</u>
Profit for the year		<u>43,802</u>	<u>90,810</u>
Earnings per share			
Basic and diluted (RMB)	7	<u>0.0283</u>	<u>0.0796</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**
(Expressed in Renminbi)

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit for the year	43,802	90,810
Other comprehensive income for the year, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside the PRC, net of nil tax	<u>3,806</u>	<u>6</u>
Total comprehensive income for the year	<u>47,608</u>	<u>90,816</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015
(Expressed in Renminbi)

	<i>Note</i>	2015 RMB'000	2014 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		466,501	293,935
Lease prepayments		100,032	50,290
Non-current prepayments for acquisitions of property, plant and equipment		70,952	48,311
Interest in associates		13,970	631
Goodwill		4,300	–
Other financial assets		2,495	2,495
Deferred tax assets		5,269	5,414
		<u>663,519</u>	<u>401,076</u>
Current assets			
Inventories	8	336,409	297,528
Current portion of lease prepayments		1,966	1,056
Trade and other receivables	9	290,525	278,660
Entrusted loans		–	30,000
Pledged deposits		135,347	99,268
Cash and cash equivalents		196,901	174,144
		<u>961,148</u>	<u>880,656</u>
Current liabilities			
Trade and other payables	10	28,178	19,356
Bank loans		322,459	345,699
Current portion of deferred income		1,163	1,163
Current taxation		25,744	29,198
		<u>377,544</u>	<u>395,416</u>
Net current assets		<u>583,604</u>	<u>485,240</u>
Total assets less current liabilities		<u>1,247,123</u>	<u>886,316</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015
(CONTINUED)
(Expressed in Renminbi)

	<i>Note</i>	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Interest-bearing borrowings		91,216	67,397
Non-current portion of deferred income		18,364	19,527
Deferred tax liabilities		2,033	2,050
		<u>111,613</u>	<u>88,974</u>
NET ASSETS		<u>1,135,510</u>	<u>797,342</u>
CAPITAL AND RESERVES			
Capital		20,987	11,053
Reserves		1,114,523	786,289
TOTAL EQUITY		<u>1,135,510</u>	<u>797,342</u>

NOTES:

1 GENERAL INFORMATION

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 Company was listed on the Stock Exchange on 6 July 2012.

2 BASIS OF PREPARATION AND PRESENTATION

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2015 but are extracted from those financial statements.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs"), Interpretations issued by the International Accounting Standards Board ("IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable provisions of the Listing Rules.

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

- Amendment to IAS19, Defined benefit plans: Employee Contributions
- Annual Improvement to IFRSs 2010–2012 Cycle — various standards
- Annual Improvement to IFRSs 2011–2013 Cycle — various standards

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sales of outdoor wooden 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.

Revenue 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 recognized in revenue is analysed as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Sales of outdoor wooden products	605,982	659,016
Retail sales of wooden products	11,044	24,245
Contract revenue derived from projects of outdoor wooden products including the provision of design and installation services	200	1,469
Sales of renewable energy products	22,773	16,501
	<u>639,999</u>	<u>701,231</u>

No individual external customers accounted for 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014.

(b) 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 timber.
- 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 trading of biomass pellet fuel to both domestic and overseas customers.

(i) *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 years ended 31 December 2015 and 2014 is set out below:

	2015				
	Manufacturing and sales of wooden products RMB'000	Retail business RMB'000	Projects of outdoor wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	Total RMB'000
Revenue derived from the Group's external customers	<u>605,982</u>	<u>11,044</u>	<u>200</u>	<u>22,773</u>	<u>639,999</u>
Inter-segment revenue	<u>23,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,426</u>
Reportable segment revenue	<u><u>629,408</u></u>	<u><u>11,044</u></u>	<u><u>200</u></u>	<u><u>22,773</u></u>	<u><u>663,425</u></u>
Reportable segment profit/(loss) (profit/(loss) after taxation (excluding the after tax effect of government subsidies))	<u><u>25,720</u></u>	<u><u>(2,069)</u></u>	<u><u>(173)</u></u>	<u><u>8,183</u></u>	<u><u>31,661</u></u>

	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	<u>659,016</u>	<u>24,245</u>	<u>1,469</u>	<u>16,501</u>	<u>701,231</u>
Inter-segment revenue	<u>22,726</u>	<u>-</u>	<u>-</u>	<u>463</u>	<u>23,189</u>
Reportable segment revenue	<u><u>681,742</u></u>	<u><u>24,245</u></u>	<u><u>1,469</u></u>	<u><u>16,964</u></u>	<u><u>724,420</u></u>
Reportable segment profit (profit after taxation (excluding the after tax effect of government subsidies))	<u><u>84,721</u></u>	<u><u>1,290</u></u>	<u><u>59</u></u>	<u><u>3,496</u></u>	<u><u>89,566</u></u>

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue		
Reportable segment revenue	663,425	724,420
Elimination of inter-segment revenue	<u>(23,426)</u>	<u>(23,189)</u>
Consolidated revenue	<u>639,999</u>	<u>701,231</u>
Profit		
Reportable segment profit derived from the Group's external customers	31,661	89,566
Government subsidies (net of tax)	22,421	10,628
Unallocated head office and corporate expenses	<u>(10,280)</u>	<u>(9,384)</u>
Consolidated profit after taxation	<u>43,802</u>	<u>90,810</u>

(iii) *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.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
The PRC (place of domicile)	<u>298,207</u>	<u>390,886</u>
North America	289,756	244,737
Europe	30,367	43,314
Asia Pacific (exclusive of the PRC)	<u>21,669</u>	<u>22,294</u>
	<u>341,792</u>	<u>310,345</u>
	<u>639,999</u>	<u>701,231</u>

4 OTHER REVENUE AND OTHER NET (LOSS)/GAIN

(a) Other revenue

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interest income on bank deposits	6,036	3,446
Government subsidies	26,515	14,170
Others	<u>357</u>	<u>272</u>
	<u>32,908</u>	<u>17,888</u>

The Group received unconditional government subsidies of RMB25,352,000 (2014: RMB13,017,000) for the year ended 31 December 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. RMB1,163,000 government subsidies (deferred income) (2014: RMB1,153,000) were recognised as other revenue for the year ended 31 December 2015, which is on a systematic basis over the useful life of the relevant assets.

(b) Other net (loss)/gain

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Net foreign exchange (loss)/gain	(5,778)	4,356
Net gain on disposal of property, plant and equipment	–	45
Changes in fair value of derivative financial instruments	(1,667)	(2,229)
Others	415	–
	<u>(7,030)</u>	<u>2,172</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
(a) Finance costs		
Interest expense on bank loans and interest-bearing borrowings wholly repayable within five years	23,780	13,617
Less: Interest expense capitalised into construction in progress*	(7,153)	(2,291)
	<u>16,627</u>	<u>11,326</u>

* The borrowing costs have been capitalised at a rate of 4.71% (2014: 3.48%) per annum for the year ended 31 December 2015.

(b) Staff costs

Salaries, wages and other benefits	37,723	30,456
Contributions to defined contribution retirement schemes	4,244	3,367
	<u>41,967</u>	<u>33,823</u>

Pursuant to the relevant labour rules and regulations in the PRC, the Group's entities in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the years ended 31 December 2015 and 2014. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

(c) Other items

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost of inventories [#]	517,542	522,818
Depreciation of property, plant and equipment	20,126	15,196
Amortisation of lease prepayments	1,604	1,057
Operating lease charges for properties	1,872	2,256
Research and development costs	22,332	28,894
Auditors' remuneration	1,290	1,270

[#] Cost of inventories includes RMB45,396,000 (2014: RMB40,742,000) for the year ended 31 December 2015 relating to staff costs, depreciation and research and development costs, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current tax — PRC corporate income tax		
Provision for the year	9,573	18,078
Deferred tax		
Origination and reversal of temporary differences	128	266
	<u>9,701</u>	<u>18,344</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit before taxation	<u>53,503</u>	<u>109,154</u>
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned (<i>note (i)</i>)	16,916	28,011
Effect of PRC tax concession (<i>note (ii)</i>)	(5,390)	(9,887)
PRC dividend withholding tax (<i>note (iv)</i>)	–	516
Effect of utilising tax losses not recognised in prior years	–	(56)
Effect of non-deductible expenses	1,011	2,135
Effect of research and development expense bonus deduction (<i>note (iii)</i>)	<u>(2,116)</u>	<u>(2,375)</u>
Actual tax expense	<u>9,701</u>	<u>18,344</u>

Notes:

- (i) The Group's PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25% unless otherwise specified.

Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in relevant jurisdictions respectively.

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 years ended 31 December 2015 and 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.
- (iii) According to the PRC Corporate Income Tax Law and its relevant regulations, qualified research and development expenses are subject to income tax deductions at 150% on the amount actually incurred.
- (iv) According to the PRC Corporate Income Tax Law and its relevant regulations, dividends receivable by non-PRC resident corporate investors from PRC resident enterprises are subject to withholding income tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the tax arrangement between the Mainland of China and Hong Kong Special Administrative Region and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced tax rate of 5%. The Group's subsidiary in Hong Kong is a qualified Hong Kong tax resident and therefore entitled a reduced withholding tax rate of 5%.

Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only recognized to the extent that such profits are expected to be distributed through dividend payment by the Group's PRC subsidiaries in the foreseeable future. As at 31 December 2015, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries to overseas holding company amounted to RMB328,616,000 (2014: RMB278,022,000) and deferred tax liabilities of RMB16,431,000 (2014: RMB13,901,000) have not been recognised.

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit attributable to equity shareholders of the Company of RMB43,802,000 (2014: RMB90,810,000) and weighted average of 1,545,594,000 shares (2014: 1,141,438,000 shares) in issue during the year ended 31 December 2015, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2015 '000	2014 '000
Issued ordinary shares at 1 January	1,365,000	1,000,000
Effect of issue of shares upon placing on 26 June 2014	–	103,013
Effect of issue of shares upon placing on 7 October 2014	–	38,425
Effect of purchasing of own shares on 12 January 2015	(1,934)	–
Effect of issue of shares upon placing on 13 May 2015	41,951	–
Effect of bonus issue on 17 July 2015	6,538	–
Effect of issue of shares upon subscription on 5 August 2015	110,534	–
Effect of issue of shares upon open offer on 21 December 2015	23,505	–
	<u>1,545,594</u>	<u>1,141,438</u>

There were no potential dilutive ordinary shares during the years ended 31 December 2015 and 2014 and, therefore, diluted earnings per share are the same as the basic earnings per share.

8 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015 RMB'000	2014 RMB'000
Raw materials	181,157	178,445
Work in progress	52,935	35,293
Finished goods	102,317	83,790
	<u>336,409</u>	<u>297,528</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	<u>517,542</u>	<u>522,818</u>

9 TRADE AND OTHER RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade and bills receivables	183,678	192,329
Trade receivable from associates	10,270	8,100
Amount due from a related company	1,007	–
	<hr/>	<hr/>
Total trade receivables	194,955	200,429
Prepayment for raw materials	80,162	62,938
Derivative financial instruments	3,064	867
Gross amount due from customers for contract work (<i>note (i)</i>)	708	2,781
Other receivables	11,636	11,645
	<hr/>	<hr/>
	290,525	278,660
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) 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 31 December 2015 was RMB1,108,000 (2014: RMB21,108,000). This balance includes retention receivables at 31 December 2015 of RMB420,000 (2014: RMB1,582,000), of which RMB420,000 (2014: RMB386,000) was expected to be recovered after more than one year.

All of the trade and other receivables, apart from those balances specified in (i) above, are expected to be recovered or recognised as expense within one year. As at 31 December 2015, trade receivables with net book value of RMB2,812,000 (2014: Nil) were pledged to banks for certain banking facilities granted to the Group.

(a) Ageing analysis

As at 31 December 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 1 month	69,438	88,706
1 to 2 months	31,024	43,930
2 to 3 months	14,539	31,800
Over 3 months	79,954	35,993
	<hr/>	<hr/>
	194,955	200,429
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills receivables are normally due within 90 days to 150 days from the date of billing.

(b) Trade debtors that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current	<u>137,203</u>	<u>156,405</u>
Less than 1 month past due	28,174	43,203
1 to 3 months past due	29,308	100
More than 3 months but less than 12 months past due	90	573
More than 12 months past due	<u>180</u>	<u>148</u>
Amounts past due	<u>57,752</u>	<u>44,024</u>
	<u>194,955</u>	<u>200,429</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 TRADE AND OTHER PAYABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables	8,749	3,167
Derivative financial instruments	5,112	1,247
Amount due to a director	16	769
Amount due to a related company	–	283
Other payables and accruals	<u>14,301</u>	<u>13,890</u>
	<u>28,178</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 31 December 2015, the maturity analysis of the trade payables balance is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Due within 1 month or on demand	8,164	1,970
Due after 1 month but within 3 months	585	1,197
	<u>8,749</u>	<u>3,167</u>

11 DIVIDENDS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
In respect of previous year:		
2014 final dividend — HK\$0.005 (equivalent to approximately RMB0.004) per ordinary share	—	5,409
	<u>—</u>	<u>5,409</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Segment review

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

	Segment revenue derived from external customers		Change %	% to total segment revenue derived from external customers		Reportable segment profit/(loss) (Note 1)	
	2015	2014		2015	2014	2015	2014
	RMB'000	RMB'000		%	%	%	RMB'000
Manufacturing and sales of wooden products	605,982	659,016	-8%	94.7%	94.0%	25,720	84,721
Retail business	11,044	24,245	-54%	1.7%	3.5%	(2,069)	1,290
Projects of outdoor wooden products	200	1,469	-86%	0.0%	0.2%	(173)	59
Manufacturing and sales of renewable energy products	22,773	16,501	38%	3.6%	2.3%	8,183	3,496
	<u>639,999</u>	<u>701,231</u>		<u>100.0%</u>	<u>100.0%</u>	<u>31,661</u>	<u>89,566</u>

Note 1: Reportable segment profit/(loss) has excluded the after tax effect of government subsidies.

During the Year, the Group continued to consolidate its core business into the following segments: manufacturing and sales of wooden products, retail business and projects relating to outdoor wooden products. The Group's relatively new business in the manufacturing and sales of renewable energy products has successfully continued operation for the second year since its commencement in 2014. The revenue derived from each of the four businesses segments during the Year were RMB605,982,000, RMB11,044,000, RMB200,000 and RMB22,773,000 (2014: RMB659,016,000, RMB24,245,000, RMB1,469,000 and RMB16,501,000), representing 94.7%, 1.7%, 0.0% and 3.6% of the total revenue derived (2014: 94%, 3.5%, 0.2% and 2.3%) respectively.

Manufacturing and sales of wooden products remains the Group's largest business. The revenue derived from such business decreased by 8% which was attributable to the decrease in the gross profit margin as a result of the slowdown of growth in the emerging economies and increased competition in the domestic and overseas timber house and structure markets. However, in light of the recent recovery of the US economy, the Group will monitor the performance of each market to stabilize the overall revenue of the Company.

The Group's self-owned brand is engaged in the retail of leisure household products. Since its establishment in 2010, its sales network has grown to include major cities in more than 10 provinces in the PRC with over 60 self-operated stores and distribution outlets. The Group aims to make a greater profit in the coming year by improving its cost controls.

As mentioned above, the Group has continued its renewable energy business for a second successful year. This aspect of the business involves the recycling of residue, such as leftover sawdust from the production of our wooden products, into biomass pellet fuel. The biomass pellet fuel and its production process, are fully compliant with the national development directions on new energies in the PRC.

The Group's renewable energy business recorded an increase in revenue of 38% to RMB22.8 million and an increase in profit of 134% to RMB8.2 million (2014: revenue of RMB16.5 million and profit of RMB3.5 million) during the Year. It is expected that this business will continue to grow and to generate more revenue for the Group in the future.

Market review

During the Year, the distribution of revenue from our global markets is as follows:

	Revenue		% to total revenue	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
The PRC	298,207	390,886	47%	56%
North America	289,756	244,737	45%	35%
Europe	30,367	43,314	5%	6%
Asia Pacific (Exclusive of the PRC)	21,669	22,294	3%	3%
	<u>639,999</u>	<u>701,231</u>	<u>100%</u>	<u>100%</u>

The Group has strategically positioned itself “to align with the trend of Chinese tourism and leisure market and to capitalize on the recovery of the US and Europe's property markets”. The Group's aim is to take advantage of opportunities within the market and to develop the Group's business at a faster pace whilst complying with all relevant laws, rules and regulations.

The PRC is the largest market of the Group. During the Year, revenue from the PRC market decreased by 24% to RMB298.2 million (2014: RMB390.9 million), representing 47% (2014: 56%) of the total revenue. This was mainly attributable to the economic slowdown in the PRC. In 2015, the growth of the PRC's investments in fixed assets further decelerated. Although interest rates were lowered in the PRC, finance costs remained relatively high. Although the Group expects that the PRC economy will continue to fluctuate in 2016, it will continue to strengthen its business portfolio in order to maintain its competitiveness in the PRC market.

According to the US Department of Commerce, new housing starts increased by approximately 11% to 1.11 million units in 2015. This is the highest since 2007 and is the fifth consecutive year which housing starts have shown such growth. Nevertheless, the growth of the US economy in 2015 reached 2.4%, same as that in 2014. Due to the growing housing market as well as the stable economy in the US, the demand for the Group's timber houses and structure products significantly improved. This boosted the growth in the Group's revenue from the North America market by 18% to RMB289.8 million (2014: RMB244.7 million), representing 45% (2014: 35%) of the Group's total revenue. The Group expects that, with the further recovery of the US economy, the Group will be able to generate further opportunities and business as a result which will help cover any decrease in revenue in the PRC market.

During the Year, the Group's revenue from the Europe market decreased by 30% to RMB30.4 million (2014: RMB43.3 million). Germany was the largest market of the Group in Europe. Several European countries faced economic uncertainty during the Year, the European economy was also affected by this. As a result, the Group noticed a decline in demand for its products in the Europe market which led to a decrease in revenue.

Financial review

Revenue and gross profit margin by product category

	Revenue			% to total revenue		Gross margin	
	2015 RMB'000	2014 RMB'000	Change %	2015 %	2014 %	2015 %	2014 %
Timber houses and their related parts and structures	440,005	327,466	34.4%	68.7%	46.7%	17.4%	25.5%
Leisure household products							
Outdoor and indoor furnitures	50,960	116,302	-56.2%	8.0%	16.6%	29.8%	36.8%
Recreational products	22,726	52,117	-56.4%	3.6%	7.4%	26.7%	34.4%
Landscape garden products	31,267	39,809	-21.5%	4.9%	5.7%	13.3%	33.0%
Pet-home designs	7,176	11,139	-35.6%	1.1%	1.6%	32.5%	34.8%
Trading of timber	65,092	137,897	-52.8%	10.1%	19.7%	9.8%	5.3%
Renewable energy products	22,773	16,501	38.0%	3.6%	2.3%	52.2%	60.3%
Total	639,999	701,231	-8.7%	100.0%	100.0%	19.1%	25.4%

Sales of timber houses, related parts and structures remained the largest product category income stream of the Group during the Year. Revenue from such products increased by 34.4% to RMB440.0 million, representing 68.7% (2014: 46.7%) of total sales for the Year. Fluctuations in exchange rates, however, required the Group to adjust its product pricing in order to maintain market competitiveness and stability. Additional costs incurred caused the overall gross profit margin on the sale of such products to drop by 8.1%.

During the Year, there was an overall decrease in trade within the timber market which explains the Group's recorded minor decrease in revenue. Despite the uncertain and slowly recovering global economy, the Group's intention is to balance growth with stability in the foreseeable future.

Other revenue

During the Year, our other revenue increased to RMB32.9 (2014: RMB17.9) million mainly due to an increase in government subsidies amounting to 12.3 million as a result of the increasing support from local government for high technology industries.

Other net (loss)/gain

The Group recorded other net losses of RMB7.0 million for the Year (2014: gain of RMB2.2 million). The losses were primarily due to the difference in currency exchange after repayment of US\$ loans.

Selling and distribution expenses

Our selling and distribution expenses during the Year were RMB22.7 million (2014: RMB21.7 million). This slight increase from the immediately preceding year which arose due to increased transportation charges and port charges arising from our export sales.

Administrative expenses

Our administrative expenses during the Year were RMB55.6 million (2014: RMB56.3 million). This is a slight decrease from the immediately preceding year as the Group implemented tighter cost controls during the Year.

Finance costs

Our finance costs increased to RMB16.6 million during the Year (2014: RMB11.3 million), and this was attributable to increased bank borrowings.

Income tax

Our income tax decreased significantly to RMB9.7 million (2014: RMB18.3 million), primarily due to a decrease in profit before taxation during the Year. Effective tax rate increased to 18.1% for the Year (2014: 16.8%).

Profit for the Year

As a result of the foregoing factors, profit for the Year decreased by 51.8% to RMB43.8 million (2014: RMB90.8 million). Profit for the Year excluding the after tax effect of government subsidies decreased by 73.3% to RMB21.4 million (2014: RMB80.2 million).

Dividend

The Board does not recommend a final dividend for the Year (2014: HK\$0.005 (equivalent to approximately RMB0.004)).

Liquidity and capital resources

The Group principally meets its working capital and other liquidity requirements through operating cash flows and proceeds from bank borrowings. The Group anticipates that it can sufficiently meet funding needs for working capital and capital expenditure in the foreseeable future. As at 31 December 2015, the Group had current assets of RMB961.1 million (31 December 2014: RMB880.7 million), of which bank deposits and cash (including pledged deposits) were RMB332.2 million (31 December 2014: RMB273.4 million). To better manage our funds, the Group's cash is generally deposited with banks and authorised financial institutions and is denominated mostly in RMB and US\$. As at 31 December 2015, total available banking facilities of the Group amounted to RMB652.9 million (31 December 2014: RMB555.0 million), banking facilities utilized as at 31 December 2015 were RMB396.9 million (31 December 2014: RMB397.3 million) and these were denominated in RMB, Euro€ and US\$. All of the Group's banking facilities were subject to the fulfilment of certain covenants which are commonly found in lending arrangements with financial institutions.

As at 31 December 2015, the ratio of total borrowings to total assets and net borrowings to total equity of the Group were 25.5% and 7.2% respectively (31 December 2014: 32.2% and 17.5% respectively), current ratio and quick ratio were 2.5:1 and 1.7:1 respectively (31 December 2014: 2.2:1 and 1.5:1 respectively).

Pledge of assets

As at 31 December 2015, the Group pledged its plant and machinery, lease prepayments and buildings held for own use and accounts receivable with net book value of RMB213.1 million (31 December 2014: RMB193.6 million) and deposits with banks of RMB135.3 million (31 December 2014: RMB99.3 million) mainly for the purpose of securing bank loans and financial derivative contracts issued by banks to the Group.

Capital expenditure

During the Year, the Group's total expenditure in respect of property, plant and equipment and non-current prepayments for acquisitions of property, plant and equipment amounted to RMB174.5 million (2014: RMB105.6 million).

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

During the Year, there were no significant investments, material acquisitions or disposals of subsidiaries made by the Group. The Group currently has no plan to make any substantial investments in or acquisition of capital assets of any kind but will continue to seek out potential investment or acquisition opportunities according to the Group's development needs.

Foreign currency risks

The Group's sales are mainly denominated in US\$ and RMB while our cost of sales and operating expenses are mainly denominated in RMB. The gross profit margin of the Group may be affected if RMB appreciates against US\$ given that the Group may not be able to reflect the appreciation in selling prices to overseas customers that were determined in US\$. In response, the Group manages 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 into with overseas customers. As at 31 December 2015, the Group has net outstanding US\$ denominated forward foreign currency contracts of US\$51.9 million (31 December 2014: US\$20.6 million). All the contracts are to be settled within one year.

With the increasing level of our overseas purchases, the Group also manages foreign exchange risk 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 placement, subscription and open offer

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 Shares 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 Shares at HK\$0.93 per Share by way of placing (the "**October 2014 Placement**"). On 5 August 2015, the Company issued 272,600,000 new Shares at HK\$0.55 per Share by way of subscription (the "**August 2015 Subscription**"). On 21 December 2015, the Company issued 857,945,000 new Shares at HK\$0.20 per Share by way of open offer (the "**December 2015 Open Offer**"). The net proceeds from the issue of new Shares under the June 2014 Placement, October 2014 Placement, August 2015 Subscription, December 2015 Open Offer after deducting related transaction costs, were HK\$155.0 million, HK\$148.0 million, HK\$149.7 million, HK\$170.0 million respectively.

As at 31 December 2015, all unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. A breakdown of the use of net proceeds is set forth in the table below:

	The financing of the acquisition of automated production machinery and equipment <i>HK\$' million</i>	Establishing new production facilities <i>HK\$' million</i>	Establishing own-brand self-operated store network <i>HK\$' million</i>	Merger and acquisition of small to medium sized companies, other timber processing plants, and/or other resources <i>HK\$' million</i>	Own-brand promotion and other marketing events <i>HK\$' million</i>	Increasing and enhancing our research and development activities <i>HK\$' million</i>	General working capital <i>HK\$' million</i>	Total <i>HK\$' million</i>
From global offering								
Amount of net proceeds	N/A	41.8	39.8	27.9	11.1	9.8	13.9	144.3
Percentage to total net proceeds	N/A	29.0%	27.6%	19.3%	7.7%	6.8%	9.6%	100.0%
Utilised amount as at 31 December 2015	N/A	41.8	39.8	1.1	11.1	9.8	13.9	117.5
Unutilised amount as at 31 December 2015		-	-	26.8	-	-	-	26.8
From June 2014 Placement								
Amount of net proceeds	N/A	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Percentage to total net proceeds	N/A	80.6%	N/A	N/A	N/A	N/A	19.4%	100.0%
Utilised amount as at 31 December 2015	N/A	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Unutilised amount as at 31 December 2015	N/A	-	N/A	N/A	N/A	N/A	-	-
From October 2014 Placement								
Amount of net proceeds	N/A	73.0	N/A	50.0	N/A	N/A	25.0	148.0
Percentage to total net proceeds	N/A	49.3%	N/A	33.8%	N/A	N/A	16.9%	100.0%
Utilised amount as at 31 December 2015	N/A	73.0	N/A	15.4	N/A	N/A	25	113.4
Unutilised amount as at 31 December 2015	N/A	-	N/A	34.6	N/A	N/A	-	34.6
From August 2015 Subscription								
Amount of net proceeds	N/A	74.9	N/A	N/A	N/A	N/A	74.8	149.7
Percentage to total net proceeds	N/A	50.0%	N/A	N/A	N/A	N/A	50.0%	100%
Utilised amount as at 31 December 2015	N/A	66.5	N/A	N/A	N/A	N/A	74.8	141.3
Unutilised amount as at 31 December 2015	N/A	8.4	N/A	N/A	N/A	N/A	-	8.4
From December 2015 Open Offer								
Amount of net proceeds	119	N/A	N/A	N/A	N/A	17	34.0	170
Percentage to total net proceeds	70.0%	N/A	N/A	N/A	N/A	10.0%	20.0%	100%
Utilised amount as at 31 December 2015	38.5	N/A	N/A	N/A	N/A	10	-	48.5
Unutilised amount as at 31 December 2015	80.5	N/A	N/A	N/A	N/A	7	34.0	121.5

Human resources

As at 31 December 2015, the Group employed a total of 690 full time employees, primarily based in the PRC and Hong Kong. These include management level staff, product designers, technicians, salespersons and other employees. The Group's total expenses for remuneration of employees for the Year was RMB42.0 million (2014: RMB33.8 million), representing 6.6% (2014: 4.8%) of the total revenue of the Group. During the Year the Group increased production process automation and training of our staff for continuous development to enhance the Group's competitiveness. The Group offered highly competitive salary packages, as well as discretionary bonuses and social insurance contributions to its employees during the Year.

The Group's emolument policies depend on the performance of an individual employee which is reviewed periodically. Apart from the provident fund scheme (operated in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance (including retirement pension, medical, unemployment, injury and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to the assessment of their individual performance. Since the adoption of the share option scheme on 15 June 2012 and, as at 31 December 2015, no options have been granted or vested.

Events after the reporting period

On 20 January 2016, the Company announced its proposal to change the English name of the Company from "Merry Garden Holdings Limited" to "China Environmental Technology and Bioenergy Holdings Limited" and the Chinese name of the Company from "美麗家園控股有限公司" to "中科生物控股有限公司" ("**Name Change Proposal**"). The Name Change Proposal will be put before the Shareholders for approval at the annual general meeting of the Company to be held on 26 May 2016.

Prospects

During the Year, the US Federal Reserve raised interest rates for the first time in almost a decade. It is expected that economy and the property market in the US will show steady growth in 2016. In light of the growth in the PRC business and greater demand for the Group's products in the Asia-Pacific region, the Group will endeavor to take advantage of all opportunities presented by these emerging markets.

By utilising the goodwill of the "Merry Garden" brand and the impeccable strategy for the Group in developing renewable energy products, the Group looks forward to making further breakthroughs and expanding our market shares internationally.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, the Company repurchased a total of 2,000,000 Shares at an aggregate purchase price of HK\$1,518,660 on the Stock Exchange. The repurchased Shares were cancelled on 2 February 2015.

ALLOTMENT AND ISSUE OF NEW SHARES

During the Year, the Company allotted and issued a total of 1,210,835,000 new Shares in connection with the following:

- (1) 66,000,000 new Shares were issued on 13 May 2015 at the issue price of HK\$0.75 per Share in partial satisfaction of the aggregate consideration of HK\$63,333,000 for the acquisition of Unicreed Holdings Limited. The remaining consideration was satisfied by cash;
- (2) 14,290,000 new Shares were issued on 20 July 2015 in connection with the bonus issue approved by the Shareholders on 12 May 2015 and on the basis of one bonus share for every 100 Shares in issue held on 20 May 2015, being the record date of the bonus issue;
- (3) 272,600,000 new Shares were issued on 5 August 2015 at the issue price of HK\$0.55 per Share pursuant to a subscription agreement dated 24 July 2015 entered into among the Company and certain subscribers; and
- (4) 857,945,000 new Shares were issued on 21 December 2015 at the subscription price of HK\$0.20 per Share in connection with the open offer conducted by the Company pursuant to the prospectus issued by the Company on 26 November 2015.

CORPORATE GOVERNANCE CODE

During the Year, the Company was in full compliance with the code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions A.1.1 and A.2.1.

The code provision A.1.1

Pursuant to code provision A.1.1 of the Corporate Governance Code, the Board meetings should be held at least four times a year at approximately quarterly intervals. The Board only held two regular meetings during the Year to approve the interim and annual results in 2015 whilst other matters of the Board were dealt with by written resolutions or ad hoc Board meeting.

The code provision A.2.1

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Prior to the appointment of Mr. Wang Jingjun as chairman of the Company on 12 August 2015, Mr. Wu Zheyuan acted as both the chairman and chief executive officer of the Company. The Board firmly believed the dual role arrangement was in the best interests of the Company and its business. This arrangement allowed for efficient decision making and implementation of such decisions. In light of more recent developments of the Company and its business and due to increased workload, the Board subsequently came to the view that a separation of the two roles would be appropriate. Mr. Wang Jingjin was appointed as chairman of the Board on 12 August 2015 and the Company therefore became compliant with code provision A.2.1 on that day.

MODEL CODE

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 confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the Year.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the Year have been reviewed by the audit committee of the Company.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the Year have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (2014: HK\$0.005 (equivalent to approximately RMB0.004) per Share).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 24 May 2016 to 26 May 2016 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 23 May 2016.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the Annual General Meeting, will be despatched to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company's and the Stock Exchange's websites. The Company's annual report for the Year in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company's and the Stock Exchange's websites in due course.

DEFINITIONS

“Annual General Meeting”	an annual general meeting of the Company to be held on 26 May 2016 or any adjournment thereof
“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
“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”	The United States of America
“US\$”	United States dollars, the lawful currency of the US
“Year”	the year ended 31 December 2015
“Zhangping Kimura”	Fujian Zhangping Kimura Forestry Products Co., Ltd. (福建省漳平木村林產有限公司), an indirectly wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 29 March 2016

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