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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)

PROFIT WARNING

This announcement is made by Merry Garden Holdings Limited (the “Company”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that, based on the information currently available to the Board, the Group is expected to record a net loss for the six months ended 30 June 2016 as compared to a net profit of approximately RMB62,294,000 recorded in the corresponding period of 2015. The Board considers that such expected loss was mainly attributable to the following reasons:

- (1) significant decrease in sales as a result of the sluggish economy worldwide and in China and the customers were comparatively more conscious in making purchase;
- (2) fluctuations in exchange rates led to exchange loss recorded in the six months ended 30 June 2016, as compared to the net foreign exchange gain of RMB4,649,000 recorded in the six months period ended 2015;
- (3) a drop in selling price of the products met by an increase in cost to improve product competitiveness caused by stiff competition, which led to a significant decrease in the gross profit margin as compared to the gross profit margin of 27.53% recorded in the six months ended 30 June 2015; and
- (4) an increase in operating expenses such as staff wages, administrative expense and business development bonus expenses.

As the Company is still in the process of finalising the consolidated financial results of the Company for the six months ended 30 June 2016, the information contained in this announcement is only based on the preliminary assessment by the management of the Company with reference to the unaudited management accounts of the Company and the information currently available and is not based on any financial figures or information which have been audited, verified or reviewed by the Company's auditors or audit committee. It is anticipated that the interim results announcement of the Company for the six months ended 30 June 2016 will be published by the Company in August 2016.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By order of the board of
Merry Garden Holdings Limited
Xie Qingmei
Chairman

Hong Kong, 22 July 2016

As at the date of this announcement, the executive directors of the Company are Ms. Xie Qingmei and Mr. Wu Zheyang, the non-executive director of the Company is Mr. Wu Dongping, and the independent non-executive directors of the Company are Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang.