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 REPORT

2012

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Zheyan ("Mr. Wu")
Mr. Wu Qingshan ("Mr. QS Wu")
Ms. Xie Qingmei ("Ms. Xie")

Non-executive Directors

Mr. Wu Dongping

Independent non-executive Directors

Mr. Lam Hin Chi
Mr. Jin Zhongwei
Mr. Su Wenqiang

AUDIT COMMITTEE

Mr. Lam Hin Chi *(chairman)*
Mr. Su Wenqiang
Mr. Jin Zhongwei

REMUNERATION COMMITTEE

Mr. Jin Zhongwei *(chairman)*
Mr. Su Wenqiang
Mr. Lam Hin Chi

NOMINATION COMMITTEE

Mr. Jin Zhongwei *(chairman)*
Mr. Su Wenqiang
Mr. Lam Hin Chi

COMPANY SECRETARY

Miss Wong On Lai, *CPA*

AUTHORISED REPRESENTATIVES

Miss Wong On Lai
Mr. Wu Zheyan

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China, Zhangping Branch
China Construction Bank, Zhangping Branch
Bank of China, Zhangping Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2702
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

HEAD OFFICE IN THE PRC

Fushan Industrial District,
Zhangping, Fujian, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

WEBSITE

www.merrygardenholdings.com

STOCK CODE

1237

LEGAL ADVISOR

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The Landmark
15 Queen's Road Central
Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

The listing of Merry Garden Holdings Company Limited ("the Company") together with its subsidiaries ("the Group" or "We") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2012 marked a significant milestone in the Company's development. I hereby present the first results report to all shareholders since our listing. On behalf of the board (the "Board") of directors of the Company (the "Directors"), I am pleased to announce that the Group has achieved encouraging results during the first six months of 2012.

I. BUSINESS REVIEW

Since 2012, benefited from the PRC economic development, particularly the strong domestic consumer demand along with the improving leisure and tourism business, the demand of the Group leisure household products, timber villas and their related parts has boosted. The Group closely grasped the growth in domestic demand and strengthened its brand promotion and products exhibition. Our own-brand of Merry Garden was recognised as "Well-known Trademark" (中國馳名商標) by the State Administration for Industry & Commerce of the PRC in 2012.

Majority of our domestic sales are either on original design manufacturer ("ODM") basis or in connection with products sold under our own-brand "Merry Garden". We sold our products to trading companies, end-users, distributors and department stores. As one of the key strategies to enhance our PRC sales, efforts had been spent on promotion of our own-branded products. For instance, we opened our first self-operated store in Zhangping, Fujian province on 23 November 2011, where our own-branded products are sold. We constantly introduce innovative products, and identify new distributors. Benefited from our efficient marketing initiatives and good services, both of our ODM sales and own branded product sales grew rapidly and achieved an outstanding result.

In the first half of 2012, the global market has fluctuated significantly as affected by a number of factors. In this regard, the Group´s major customers adopted operating measures, such as clearing stocks and reducing procurement activities while at the same time, actively developed and designed innovative products. Majority of our export sales are on original equipment manufacturer basis and are exported to North America and Europe. While the stringent operating measures adopted by our major customers affected our sales to North America and Europe in the first half of 2012, the Group intently coped with them and will try to capture the opportunities of any newly designed products in the second half of 2012.

In view of the opportunities and challenges in the market, the Group will constantly adjust our business focus according to the economic development and changes of its major markets, strive to remain competitive under the changing environment and achieve sustainable development of our business.

II. FUTURE OUTLOOK

2012 is an important year in the development history of the Group. On 6 July 2012, the Company was successfully listed on the Main Board of the Stock Exchange, which provides a solid capital and development platform for the Group. The Group raised approximately Renminbi ("RMB") 117.6 million after the deduction of related listing expenses. The Company's next mission is to rapidly expand the Group's business through utilising such resources and create more values to our shareholders.

For the domestic market, "Certain Opinions regarding the 'National Tourism and Leisure Plan'" (關於國民旅遊休閒計畫的若干意見) of the Twelfth Five-year Plan of the PRC aims to introduce various measures to encourage the PRC residents to participate in travel and leisure activities. This stimulates the consumption, increases the domestic demand and drives the industry development. With such policies, we expect that in the coming two years, the strong demand of tourism and leisure products will bring our leisure household products, timber villas and their related parts a huge room for growth. The PRC government imposed tourism and leisure industry development policies in the past few years. Currently, the expenditure of travel and leisure activities increases with the increasing income of the PRC residents. It is expected that the tourism and leisure industry will grow rapidly in the future, and the development of the leisure household products, timber villas and their related parts will also step into the golden age. We expect that the future travel and leisure market will still be a huge market with energetic demand.

For our international business, starting from the second quarter of 2012, the United States ("US") recorded a better economic performance and demonstrated a strong recovery momentum. The positive North American Housing starts[(1)] data will gear up the demand and business growth of the Group's leisure household products, timber villas and their related parts. Apart from consolidating and developing the Asia Pacific markets and European markets, the Group will strengthen its capacity in research and development, and design and sales, so as to grasp the increasing demand in the US market and capture the opportunities from the growth of our major customers. Meanwhile, the Group will put more effort in identifying new customers and new markets to capture the increasing demand from the market. The Group will also pay attention to the change of economic situation in every region of the global market, with a view to capture the opportunity of recovery and growth, as well as to achieve the sustainable development of the international business.

(1) Housing starts is the number of privately owned new houses (technically housing units) on which construction has been started in a given period. This data is divided into three types: single-family houses, townhouses or small condominiums, and apartment buildings with five or more units.

As prescribed in the prospectus of the Company dated 25 June 2012 ("Prospectus"), the Group intended to acquire a piece of land of approximately 57,000 square meters for expanding production capacities. Upon the completion of the bidding procedure held on 27 August 2012, the Group obtained a sales confirmation from the Land and Resources Bureau of Zhangping and the Group is entitled to acquire the piece of land at a consideration of RMB8.6 million. Looking forward, the Group plans to add production lines in the second half of 2012, to further expand production capacity and to satisfy the increasing demand of our products from the markets. Up to the date of this report, the Group used approximately RMB3.0 million raised from the global offering of the shares of the Company for expanding production capacity. The Group acquired machineries which enhance our current production lines which included polishing machineries that could process 7,000m^3 of timber annually. The Group intends to commence the construction of two production lines in September 2012. It is expected that the production lines will commence production before March 2013. Apart from expanding our production capacity, the Group will continue the establishment of own-brand self-operated stores, as well as increase and enhance our research and development capacities in the manner as prescribed in the Prospectus. We expect that our next two self-owned stores will be established in Fujian Province. We are identifying suitable locations for five more self-operated stores. We will acquire more equipment for research and development activities. Our research and development will focus on wood preservation and enhancing the utilisation of timber.

The Group will consistently innovate and improve its marketing strategy and service model, and enhance the comprehensive competitiveness and the ability to withstand the market risks of the business through numerous product portfolios, unique designs and the development model related to new technology application.

III. APPRECIATION

On behalf of the Board of Directors, I hereby express our sincere gratitude to the outstanding contributions and endless efforts made by the management and all employees, as well as the strong support from all of our customers, business partners, and shareholders.

Wu Zheyan
Chairman and President

Hong Kong, 27 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

We are a wooden leisure products enterprise in the PRC covering the research and development, design, production and sale of leisure household products and timber villas, sheds and their related parts and structures. We have launched a series of wooden leisure products in order to espouse a leisure and natural lifestyle.

Our major products are broadly divided into two main categories: (1) leisure household products: this category is subdivided into four sub-categories: (i) recreational products, such as play swings and play houses for children; (ii) landscape garden products, such as wooden terraces and fences; (iii) outdoor and indoor furniture products; and (iv) pet-home designs; and (2) timber villas, sheds and their related parts and structures.

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including (i) our ability to design new products, as well as to research and develop new wood processing technologies; (ii) our ability to continue our fast growth in the PRC market and turnover from end-users; (iii) price of principal raw materials; (iv) seasonality; and (v) taxation.

The following discussion is based on, and should be read in conjunction with, the consolidated interim financial statements and the notes thereto included in this interim report.

Results of operation

The Group continued to benefit from our development in the PRC market through the expansion of our distributors' networks; participation in various exhibitions and sales conventions and direct and indirect involvement in the development of scenic spots and municipal projects. During the six months ended 30 June 2012, the Group recorded revenue and operating profit of RMB215.9 million and RMB58.4 million; with growth rates of 36.8% and 28.7% respectively. The increases were attributable to our successful expansion in the PRC market and stable performance in the international sales; net of the effects from the listing expenses recorded in the six months ended 30 June 2012.

	Six months ended 30 June			
	2012	2011	Growth	
	RMB'000	RMB'000	RMB'000	in %
Turnover	**215,918**	157,782	58,136	36.8%
Cost of sales	**(132,927)**	(101,382)	31,545	31.1%
Gross profit	**82,991**	56,400	26,591	47.1%
Other revenue	**3,193**	1,763	1,430	81.1%
Other net income/(loss)	**54**	(369)	423	-114.6%
Selling and distribution expenses	**(4,476)**	(4,452)	(24)	0.5%
Administrative expenses	**(23,358)**	(7,977)	(15,381)	192.8%
Profit from operations	**58,404**	45,365	13,039	28.7%
Finance costs	**(2,840)**	(985)	(1,855)	188.3%
Profit before tax	**55,564**	44,380	11,184	25.2%
Income tax	**(9,726)**	(4,843)	(4,883)	100.8%
Profit after tax	**45,838**	39,537	6,301	15.9%

Turnover

Turnover represents:

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

The growth in revenue was mainly due to the significant increase in our sales of timber villas, sheds and their related parts and structures. The increase in sales of our timber villa products was supported by the additional production line and other production facilities which improved the production capacity of the Group.

The following table sets forth the revenue recorded by product categories for the periods indicated.

	Six months ended 30 June		
	2012	2011	
	RMB'000	RMB'000	Growth rate
Timber villas, sheds and their related parts and structures	**93,978**	26,893	249.5%
Leisure household products	**111,636**	123,112	-9.3%
Outdoor and indoor furnitures	**46,868**	33,378	40.4%
Recreational products	**27,246**	45,396	-40.0%
Landscape garden products	**25,928**	26,562	-2.4%
Pet-home designs	**11,594**	17,776	-34.8%
Others	**10,304**	7,777	32.5%
Total	**215,918**	157,782	36.8%

The sales to our existing customers increased with the expansion of our domestic distributors' business following the commencement of their operation with the Group in 2010. Our domestic distributors assist the Group on sales and promotion of our timber-villa products and their related parts. There was an increase in the number of distributors from 4 as at 30 June 2011 to 9 as at 30 June 2012.

We also secured new domestic and international customers in 2012 through the participation in various exhibitions and sales conventions and the direct and indirect involvement in the development of scenic spots and municipal projects.

Our sales of leisure household products decreased from RMB123.1 million for the six months ended 30 June 2011 to RMB111.6 million for the six months ended 30 June 2012. The decrease was mainly attributable to the drop in the sales of recreational products and pet-home designs products, which outweighed the increase in the sales of outdoor and indoor furniture. The increase in the sales of outdoor and indoor furniture was a result of the increased sales orders from one of our major customers. The drop in the sales of recreational products was a result of the shift of orders from a major customer to second half of 2012; while the decrease in sales of pet-home designs products was affected by the drop in number of orders from the overseas customers as a result of their strategy to lower their stock levels.

Gross profit and gross profit margin

Our gross profit margin increased by RMB26.6 million, or approximately 47.1%, from RMB56.4 million for the six months ended 30 June 2011 to RMB83.0 million for the six months ended 30 June 2012. Our gross profit margin increased from 35.7% for the six months ended 30 June 2011 to 38.4% for the six months ended 30 June 2012. The primary reason for the improvement is the increased proportion of sales of timber-villa products and their related parts. We achieved a higher gross profit margin for the sales of timber-villa products and their related parts because some of the timber villas were specifically designed and tailored for our customers' requirements and were sold directly to the end-users.

Other revenue

Other revenue increased by RMB1.4 million, or approximately 81.1%, from RMB1.8 million for the six months ended 30 June 2011 to RMB3.2 million for the six months ended 30 June 2012. The increment was primarily due to the receipt of unconditional government subsidies in the sum of RMB2.7 million (30 June 2011: RMB1.3 million) granted to the Group for subsidising various expenses during the six months ended 30 June 2012.

Other net income/(loss)

We had other net income of RMB54,000 for the six months ended 30 June 2012, as compared to other net loss of RMB0.4 million for the six months ended 30 June 2011. This was primarily due to the foreign exchange gain arising from our transactions in US Dollars ("USD") and Euros.

Selling and distribution expenses

Our selling and distribution expenses were RMB4.5 million for the six months ended 30 June 2012, which represented a drop of RMB24,000, or approximately 0.5%. It is a result of the decrease in transportation charges along the decrease in export sales, net with the increase in advertising charges for brand promotion.

Administrative expenses

Our administrative expenses increased by RMB15.4 million, or approximately 192.8%, from RMB8.0 million for the six months ended 30 June 2011 to RMB23.4 million for the six months ended 30 June 2012. The increase was primarily attributable to the RMB12.4 million professional fees charged in connection with the Company's listing as well as the increase in staff costs along with the increase in headcount.

Finance costs

Our finance costs increased by approximately 188.3% from RMB1.0 million for the six months ended 30 June 2011 to RMB2.8 million for the six months ended 30 June 2012. It was due to an increase in bank borrowings over the period as a result of the continuous expansion of business operation and production volume, and an increase in the effective interest rate for bank borrowings.

Income tax

Our income tax increased by RMB4.9 million, or approximately 100.8%, from RMB4.8 million for the six months ended 30 June 2011 to RMB9.7 million for the six months ended 30 June 2012, primarily as a result of the increase in profit before taxation from our principal PRC subsidiary, Zhangping Kimura Forestry Products Co., Ltd ("Zhangping Kimura"). Zhangping Kimura is qualified as a High and New Technology Enterprise and is entitled to the preferential enterprise income tax rate of 15%.

Our effective tax rate increased from 10.9% for the six months ended 30 June 2011 to 17.5% for the corresponding period in 2012. The increase in effective tax rate is attributable to the Company's listing expenses which are treated as tax non-deductible expenses.

Profit for the period

As a result of the foregoing factors, profit for the period increased by 15.9% from RMB39.5 million for the six months ended 30 June 2011 to RMB45.8 million (after taking into account the non recurring listing expenses charged to income statement of approximately RMB12.4 million) for the six months ended 30 June 2012, and net profit margin decreased from 25.1% for the six months ended 30 June 2011 to 21.2% for the six months ended 30 June 2012. This is mainly due to our expenses incurred for the Company's listing.

Profit for the period for the six months ended 30 June 2012 of RMB45.8 million outperformed our forecasted profit of RMB40.2 million as included in the Prospectus.

Cash Flow

The Group meets its working capital and other capital requirements principally with the following: (i) cash generated from our operations; and (ii) proceeds from new bank loans. The table below sets out selected cash flow data from our consolidated cash flow statement.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash generated from operating activities	**11,904**	29,825
Net cash used in investing activities	**(10,285)**	(38,666)
Net cash generated from financing activities	**12,912**	16,603
Net increase in cash and cash equivalents	**14,531**	7,762
Cash and cash equivalents at beginning of the period	**8,202**	2,584
Effect of foreign exchange rate changes	**15**	(3)
Cash and cash equivalents at end of the period	**22,748**	10,343

Net cash generated from operating activities

Net cash generated from operating activities decreased by RMB17.9 million from RMB29.8 million for the six months ended 30 June 2011 to RMB11.9 million for the six months ended 30 June 2012. The change was mainly attributable to the increased prepayments made to suppliers in the current period.

Net cash used in investing activities

Net cash used in investing activities in the six months ended 30 June 2012 represented the purchase of property, plant and equipment. Apart from the purchase of property, plant and equipment, the net cash used in investing activities in the six months ended 30 June 2011 also included the acquisition of land use right in respect of land located in the PRC, on which we built our production premises and buildings. This led to a significant net cash used in investing activities in the six months ended 30 June 2011.

Net cash generated from financing activities

Net cash generated from financing activities for both periods mainly represent the net cash generated from bank borrowings.

Working Capital

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current assets		
Inventories	**56,019**	51,672
Current portion of lease prepayments	**812**	812
Trade and other receivables	**140,274**	94,676
Pledged deposits	**510**	847
Cash and cash equivalents	**22,748**	8,202
	220,363	156,209
Current liabilities		
Trade and other payables	**31,662**	16,133
Bank loans	**101,206**	85,797
Deferred income	**920**	920
Income tax payable	**12,680**	15,799
	146,468	118,649
Net current assets	**73,895**	37,560

Our net current assets increased from RMB37.6 million as at 31 December 2011 to RMB73.9 million as at 30 June 2012, representing an increase of RMB36.3 million or 96.7%. The increase was mainly due to the increase in trade and other receivables as well as cash and cash equivalents, net of the increase in trade and other payables and bank loans. The increase in trade and other receivables was attributable to our increase in sales to domestic customers which have a longer credit period compared to overseas customers; and increased prepayments to our suppliers.

The increase in cash and cash equivalents resulted from our net operating cash inflows and net proceeds from bank loans. The increase in trade and other payables mainly represented the fees accrued and payable to professional parties in connection with the Company's listing.

Financial Ratios

	At 30 June 2012	At 31 December 2011
Current Ratio [(1)]	**150.5%**	131.7%
Gearing Ratio [(2)]	**40.9%**	52.9%

(1) Current ratio is the ratio of current assets to current liabilities

(2) Gearing ratio is calculated as net debt (i.e. total bank loans less cash and cash equivalents) divided by total equity.

Current ratio improved from 131.7% as at 31 December 2011 to 150.5% as at 30 June 2012. Gearing ratio also improved from 52.9% as at 31 December 2011 to 40.9% as at 30 June 2012. The improvements for both ratios were attributable to our net working capital inflow from our operating profits.

Use of Proceeds from the Global Offering

In July 2012, the Company's shares were listed on the Main Board of the Stock Exchange. A total of 180,000,000 shares were issued at HK$1.00 per share for a total of approximately HK$180 million. The net proceeds raised from the abovementioned global offering of the Company, which were approximately RMB117.6 million after the deduction of related listing expenses, are expected to be used in accordance with the purpose disclosed in the Prospectus.

LIQUIDITY AND FINANCIAL RESOURCES

In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB and USD. As at 30 June 2012, the Group had net current assets of RMB73.9 million (31 December 2011: RMB37.6 million), of which cash and cash equivalents and various bank deposits were RMB23.3 million (31 December 2011: RMB9.0 million).

The Group has always been pursuing a prudent treasury management policy and is in a strong liquidity position with sufficient available banking facilities to cope with daily operations and future development demands for capital. As at 30 June 2012, total available banking facilities of the Group amounted to RMB130.3 million, among which the outstanding bank loans were RMB101.2 million (31 December 2011: available banking facilities were RMB172.1 million and outstanding bank loans were RMB85.8 million). The ratio of outstanding bank loans to total assets was 28.5% (31 December 2011: 30.4%). Details of the Group's bank loans and interest rate risk exposure related to such bank loans are disclosed in note 21 and note 27(c) to the consolidated interim financial statements respectively.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2012.

CAPITAL EXPENDITURE

During the six months ended 30 June 2012, 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 RMB6.7 million and RMB5.4 million, respectively.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

During the six months ended 30 June 2012, there was no significant investment, material acquisitions and disposal of subsidiaries by the Company. Save as the acquisition of the piece of land of apprixmately 57,000 square meters for expanding production capacities, the Group has no other plan to make any substantial investment in or acquisition of capital assets.

CAPITAL STRUCTURE

The reorganisation of the companies comprising the Group as set out in the Prospectus (the "Reorganisation") was completed on 16 April 2012. Other than the Reorganisation, there was no other change in the Group's capital structure during the six months ended 30 June 2012. At 6 July 2012, the Company was listed on the Main Board of the Stock Exchange. Details of the new shares issued to investors following the completion of initial public offering have been disclosed in note 23 to the consolidated interim financial statements.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2012.

HUMAN RESOURCES

As at 30 June 2012, the Group employed approximately 595 employees (as at 30 June 2011: 607 employees) with total staff cost of RMB10.3 million incurred for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB8.8 million). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees.

MANAGING CURRENCY RISKS

The Group's sales are mainly denominated in USD and RMB. Our cost of sales and operating expenses are mainly denominated in RMB. For the six months ended 30 June 2012, approximately 38.9% of the Group's revenue was denominated in USD. The Group's gross profit margin will be affected if RMB appreciates against the USD as the Group might not be able to reflect the appreciation in selling prices to overseas customers that were determined in USD. RMB against USD was stable during the Period.

The Group usually manages the fluctuations in the exchange rate of RMB against USD by purchasing foreign currency forward contracts denominated in USD. As at 30 June 2012, the Group held outstanding USD denominated forward currency contracts of USD4.0 million. All the contracts are to be settled within one year. The Group recorded a fair value loss of approximately RMB0.5 million for the six months ended 30 June 2012.

CHARGE ON ASSETS

As at 30 June 2012, the Group had pledged its plant and machinery, lease prepayments and buildings held for own use with net book value of RMB82.0 million and deposits with banks of RMB0.3 million for the purpose of securing bank loans.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company was only listed on the Stock Exchange on 6 July 2012, no disclosure of interests or short positions of any Directors and/or chief executives of the Company in any shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were made to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO as at 30 June 2012.

As extracted from the Prospectus, upon the Company's Listing on 6 July 2012, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules") ("Model Code"), will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Mr. Wu Zheyan	Interest in controlled corporation / Long position *(Note)*	450,721,200	45.07%
Mr. Wu Qingshan	Beneficial owner/Long position	27,502,800	2.75%
Ms. Xie Qingmei	Beneficial owner/Long position	6,888,000	0.69%

Note: Mr. Wu Zheyan is deemed to be interested in the Shares held by Green Seas Capital Limited by virtue of Green Seas Capital Limited being controlled by Mr. Wu Zheyan.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The Company was listed on the Stock Exchange on 6 July 2012, no disclosure of interests or short positions in any Shares or underlying Shares of the Company were made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2012.

As extracted from the Prospectus, upon the Company's Listing on 6 July 2012, so far as the Directors are aware, without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (as defined below), the following persons (other than a director or chief executive of the Company), who had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows :

Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding interest (%)**
Green Seas Capital Limited	Beneficial owner/Long position *(Note 1)*	450,721,200	45.07%
Hong Kong Investments Group Limited	Beneficial owner/Long position *(Note 2)*	131,200,000	13.12%
Mr. Cheung Chi Mang	Interest in controlled corporation / Long position *(Note 2)*	131,200,000	13.12%
Haili International Limited	Beneficial owner/Long position *(Note 3)*	98,400,000	9.84%
Mr. Ke Mingcai	Interest in controlled corporation / Long position *(Note 3)*	98,400,000	9.84%

Notes:

1. The entire issued share capital of Green Seas Capital Limited is legally and beneficially owned by Mr. Wu Zheyan, who is deemed to be interested in the Shares held by Green Seas Capital Limited by virtue of being controlled by Mr. Wu Zheyan.

2. The entire issued share capital of Hong Kong Investments Group Limited is legally and beneficially owned by Mr. Cheung Chi Mang, who is deemed to be interested in the Shares held by Hong Kong Investments Group Limited by virtue of being controlled by Mr. Cheung Chi Mang.

3. The entire issued share capital of Haili International Limited is legally and beneficially owned by Mr. Ke Mingcai, who is deemed to be interested in the Shares held by Haili International Limited by virtue of being controlled by Mr. Ke Mingcai.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 15 June 2012, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorised to grant options to subscribe for Shares of the Company and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the Prospectus), being 100,000,000 Shares, excluding any Shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors. Unless otherwise approved by the Shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of Shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the Shares in issue, having an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a Share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme only became effective and unconditional upon the Company's Listing on 6 July 2012, no share options were granted under the Share Option Scheme for the six months ended 30 June 2012.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, no share options were granted under the Share Option Scheme.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. As a private company during the reporting period, the Company was not required to comply with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules during the reporting period. The Board will review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

Under the code provision A.2.1 of the Code, the role of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Wu Zheyan, the Company has deviated from the Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Wu Zheyan's experience and established market reputation in the industry, and the importance of Mr. Wu Zheyan in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. As a private company during the Period, the Model Code was not applicable to the Company for the six months ended 30 June 2012. However, having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Period.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee consists of the three members who are all independent non-executive Directors. Mr Lam Hin Chi has been appointed as the chairman of Audit Committee.

The Audit Committee has reviewed and discussed the interim results of the Group for the six month ended 30 June 2012.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

Since the Company was only listed on the Stock Exchange on 6 July 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company' s securities listed on the Stock Exchange during the six months ended 30 June 2012.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the board of directors of Merry Garden Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated interim financial statements of Merry Garden Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 21 to 84, which comprise the consolidated balance sheet of the Group as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2012 and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated interim financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated interim financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of the Group's profit and cash flows for the six months ended 30 June 2012 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

Without qualifying our opinion, we draw your attention to note 2(b) to the consolidated interim financial statements which states that the comparative amounts of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2011 and the related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts. Those comparative amounts have not been audited and we therefore do not express an audit opinion on them.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2012

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012
(Expressed in Renminbi)

	Note	Six months ended 30 June **2012** **RMB'000**	2011 RMB'000 (unaudited)
Turnover	3, 4	**215,918**	157,782
Cost of sales		**(132,927)**	(101,382)
Gross profit		**82,991**	56,400
Other revenue	5(a)	**3,193**	1,763
Other net income/(loss)	5(b)	**54**	(369)
Selling and distribution expenses		**(4,476)**	(4,452)
Administrative expenses		**(23,358)**	(7,977)
Profit from operations		**58,404**	45,365
Finance costs	6(a)	**(2,840)**	(985)
Profit before taxation	6	**55,564**	44,380
Income tax	7(a)	**(9,726)**	(4,843)
Profit for the period		**45,838**	39,537
Earnings per share			
Basic and diluted (RMB)	11	**0.06**	0.05

The notes on pages 27 to 84 form part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012
(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Profit for the period	**45,838**	39,537
Other comprehensive income for the period		
Exchange differences on translation of financial statements of subsidiaries outside the People's Republic of China (the "PRC"), net of nil tax	**(390)**	697
Total comprehensive income for the period	**45,448**	40,234

The notes on pages 27 to 84 form part of these consolidated interim financial statements.

CONSOLIDATED BALANCE SHEET

at 30 June 2012
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment	12	**75,974**	72,011
Lease prepayments	13	**37,530**	37,935
Non-current prepayments for acquisitions of property, plant and equipment		**14,369**	8,947
Other financial assets	14	**2,495**	2,495
Deferred tax assets	15(b)	**4,488**	4,815
		134,856	126,203
Current assets			
Inventories	16	**56,019**	51,672
Current portion of lease prepayments	13	**812**	812
Trade and other receivables	17	**140,274**	94,676
Pledged deposits	18	**510**	847
Cash and cash equivalents	19(a)	**22,748**	8,202
		220,363	156,209
Current liabilities			
Trade and other payables	20	**31,662**	16,133
Bank loans	21	**101,206**	85,797
Current portion of deferred income	22	**920**	920
Current taxation	15(a)	**12,680**	15,799
		146,468	118,649
Net current assets		**73,895**	37,560
Total assets less current liabilities		**208,751**	163,763
Non-current liabilities			
Non-current portion of deferred income	22	**16,709**	17,169
NET ASSETS		**192,042**	146,594
CAPITAL AND RESERVES			
Capital	23	**8**	8
Reserves	24	**192,034**	146,586
TOTAL EQUITY		**192,042**	146,594

Approved and authorised for issue by the board of directors on 27 August 2012

Wu Zheyan
Director

Wu Qingshan
Director

The notes on pages 27 to 84 form part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012
(Expressed in Renminbi)

	Attributable to equity holders of the Company				
	Capital RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	8	327	7,381	66,634	74,350
Changes in equity for the six months ended 30 June 2011 (unaudited):					
Profit for the period	—	—	—	39,537	39,537
Other comprehensive income	—	697	—	—	697
Total comprehensive income for the period	—	697	—	39,537	40,234
Appropriations to statutory reserve	—	—	3,963	(3,963)	—
	—	697	3,963	35,574	40,234
At 30 June 2011 and 1 July 2011 (unaudited)	8	1,024	11,344	102,208	114,584
Changes in equity for the six months ended 31 December 2011 (unaudited):					
Profit for the period	—	—	—	31,170	31,170
Other comprehensive income	—	840	—	—	840
Total comprehensive income for the period	—	840	—	31,170	32,010
Appropriations to statutory reserve	—	—	3,630	(3,630)	—
	—	840	3,630	27,540	32,010
At 31 December 2011 and 1 January 2012	8	1,864	14,974	129,748	146,594

for the six months ended 30 June 2012

(Expressed in Renminbi)

	Attributable to equity holders of the Company				
	Capital RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Changes in equity for the six months ended 30 June 2012:					
Profit for the period	—	—	—	45,838	45,838
Other comprehensive income	—	(390)	—	—	(390)
Total comprehensive income for the period	—	(390)	—	45,838	45,448
Appropriations to statutory reserve	—	—	5,535	(5,535)	—
	—	(390)	5,535	40,303	45,448
At 30 June 2012	8	1,474	20,509	170,051	192,042

The notes on pages 27 to 84 form part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2012
(Expressed in Renminbi)

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000 (unaudited)
Operating activities			
Cash generated from operations	19(b)	**24,422**	38,253
Income tax paid		**(12,518)**	(8,428)
Net cash generated from operating activities		**11,904**	29,825
Investing activities			
Payment for purchase of property, plant and equipment		**(10,330)**	(34,810)
Payment for lease prepayments		**—**	(20,119)
Receipt of government grants to subsidise capital expenditure		**—**	16,077
Interest received		**20**	72
Proceeds for disposal of property, plant and equipment		**25**	114
Net cash used in investing activities		**(10,285)**	(38,666)
Financing activities			
Proceeds from new bank loans		**108,981**	89,481
Repayments of bank loans		**(93,572)**	(64,181)
Interest paid		**(3,300)**	(1,650)
Changes in amount due to the Ultimate Controlling Shareholder		**803**	(7,047)
Net cash generated from financing activities		**12,912**	16,603
Net increase in cash and cash equivalents		**14,531**	7,762
Cash and cash equivalents at beginning of the period		**8,202**	2,584
Effect of foreign exchange rate changes		**15**	(3)
Cash and cash equivalents at end of the period	19(a)	**22,748**	10,343

The notes on pages 27 to 84 form part of these consolidated interim financial statements.

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND GROUP REORGANISATION

Merry Garden Holdings Limited (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 and its subsidiaries hereinafter are collectively referred to as the "Group".

Pursuant to a group reorganisation completed on 16 April 2012 (the "Reorganisation") to rationalise the group structure in preparation of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of all of its subsidiaries.

The companies that took part in the Reorganisation were controlled by the same ultimate controlling shareholder, Mr Wu Zheyan (referred to as "the Ultimate Controlling Shareholder") before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of Fujian Zhangping Kimura Forestry Products Co., Ltd. ("Zhangping Kimura") and Zhangping Kimura Merry Garden Wooden Structure Design and Installation Co., Ltd. ("Merry Garden Wooden Structure"), which were the Group's operating entities for each of the periods presented. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in International Financial Reporting Standard 3, *Business combinations*, with Zhangping Kimura treated as the acquirer for accounting purposes. The consolidated interim financial statements have been prepared and presented as a continuation of the financial statements of Zhangping Kimura and Merry Garden Wooden Structure with the assets and liabilities of Zhangping Kimura and Merry Garden Wooden Structure recognised and measured at their historical carrying amounts prior to the Reorganisation.

All material intra-group transactions and balances have been eliminated in preparing the consolidated interim financial statements.

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND GROUP REORGANISATION *(Continued)*

At 30 June 2012, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Green Oceans Investment Holdings Limited ("Green Oceans")	The British Virgin Islands ("BVI") 7 November 2011	United States Dollars ("USD") 10	100%	—	Investment holding
King Wood (Hong Kong) Holding Limited ("King Wood")	Hong Kong 5 August 2010	Hong Kong dollars ("HK$") 10,000	—	100%	Investment holding
Fujian Zhangping Kimura Forestry Products Co., Ltd. 福建省漳平木村林產有限公司 (notes (i) and (iii))	The People's Republic of China (the "PRC") 17 December 1995	Renminbi ("RMB") 50,000,000	—	100%	Manufacture and sales of outdoor wooden products
Zhangping Kimura Merry Garden Wooden Structure Design and Installation Co., Ltd 漳平市木村美麗家園木結構設計安裝有限公司 (notes (ii) and (iii))	The PRC 12 June 2010	RMB1,000,000	—	100%	Engaged in projects of outdoor wooden products including the provision of design and installation services
Merry Garden (Shanghai) Household Co., Ltd. 美麗家園(上海)家居有限公司 (notes (ii) and (iii))	The PRC 24 February 2012	RMB1,000,000	—	100%	Sales of outdoor wooden products

Notes:

(i) This entity is a wholly foreign-owned enterprise established in the PRC.

(ii) These entities are limited liability companies established in the PRC and are wholly-owned subsidiaries of Zhangping Kimura.

(iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim financial reporting*, all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated interim financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. However, the directors consider that none of these developments are relevant to the Group. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2012, which have not been adopted by the Group are set out in note 30.

(b) Basis of preparation and presentation

The consolidated interim financial statements for the six months ended 30 June 2012 comprise the results of operations and state of affairs of all companies comprising the Group.

The comparatives of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement in respect of the six months ended 30 June 2011 and the related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts and have not been audited.

(c) Basis of measurement

These consolidated interim financial statements are presented in RMB, rounded to the nearest thousand, and are prepared on the historical cost basis except that derivative financial instruments which are stated at their fair value as explained in the accounting policies set out in note 2(g).

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated interim financial statements and major sources of estimation uncertainty are discussed in note 28.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated interim financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated interim financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the consolidated balance sheet at cost less impairment losses (see note 2(k)(i)).

Investments in equity securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss. When these investments are derecognised or impaired (see note 2(k)(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

— Buildings	The shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
— Plant and machinery	10 years
— Furniture, fittings and equipment	5 years
— Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(k)(ii)). Cost comprises direct costs of construction and installation during the construction period. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of the construction in progress until it is substantially completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets

(i) Impairment of investments in subsidiaries, trade and other receivables and investment in equity securities

Investments in subsidiaries, trade and other receivables and investment in equity securities that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries, trade and other receivables and investment in equity securities *(Continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For other receivables carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated recoverable amount.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— non-current prepayments for acquisitions of property, plant and equipment. If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(u)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated balance sheet as the "Gross amount due from customers for contract work" under "Trade and other receivables" or the "Gross amount due to customers for contract work" under "Trade and other payables", as applicable. Progress billings not yet paid by the customer are presented as trade receivables under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipt in advance" under "Trade and other payables".

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Contract revenue

When the outcome of a contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the physical completion proportion of the contract work.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Interest income

Interest income from bank deposits is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation with functional currency other than Renminbi is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties

For the purposes of these consolidated interim financial statements, a related party is a person or entity that is related to the Group.

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third party and the other entity is an associate of the same third party or vice versa.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly-controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated interim financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 TURNOVER

The principal activities of the Group are manufacturing and sales of outdoor wooden products and engaged in projects of outdoor wooden products including the provision of design and installation services.

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	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Sales of outdoor wooden products	**208,398**	157,287
Contract revenue derived from projects of outdoor wooden products including the provision of design and installation services	**7,520**	495
	215,918	157,782

3 TURNOVER *(Continued)*

Individual external customers accounting for 10% or more of the Group's revenue for the six months ended 30 June 2012 and 2011 are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Customer A	**23,440**	5,111
Customer B	**16,845**	22,736
Customer C	**16,180**	16,166
Customer D	**14,678**	31,966
	71,143	75,979

Customer A accounted for 10% or more of the Group's revenue for the six months ended 30 June 2012.

Customers B, C, and D accounted for 10% or more of the Group's revenue for the six months ended 30 June 2011.

Details of concentrations of credit risk arising from these customers are set out in note 27(a). Further details regarding the Group's principal activities are disclosed in note 4.

4 SEGMENT REPORTING

The Group manages its businesses by its operating units in the PRC, which are engaged in the manufacture and sales of outdoor wooden products and projects of outdoor wooden products including the provision of design and installation services. In a manner consistent with 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 three reportable segments, namely Zhangping Kimura, Merry Garden Wooden Structure and Merry Garden Flagship Store. No operating segments have been aggregated to form the above reportable segments.

— Zhangping Kimura: manufacturing and sales of outdoor wooden products to both domestic and overseas customers.

— Merry Garden Wooden Structure: engaged in projects of outdoor wooden products including the provision of design and installation services to domestic customers.

— Merry Garden Flagship Store: domestic retail sales of outdoor wooden products.

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING *(Continued)*

(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 Zhangping Kimura, Merry Garden Wooden Structure and Merry Garden Flagship Store, respectively.

The measure used for reportable segment profit is "profit after taxation" of Zhangping Kimura, Merry Garden Wooden Structure and Merry Garden Flagship Store, 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 2012 and 2011 is set out below:

	Six months ended 30 June 2012			
	Zhangping Kimura	**Merry Garden Wooden Structure**	**Merry Garden Flagship Store**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue derived from the Group's external customers	**204,091**	**7,520**	**4,307**	**215,918**
Inter-segment revenue	**5,318**	**—**	**—**	**5,318**
Reportable segment revenue	**209,409**	**7,520**	**4,307**	**221,236**
Reportable segment profit (profit after taxation)	**56,363**	**1,210**	**238**	**57,811**

	Six months ended 30 June 2011			
	Zhangping Kimura	Merry Garden Wooden Structure	Merry Garden Flagship Store	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Reportable segment revenue	157,287	495	—	157,782
Reportable segment profit/(loss) (profit/(loss) after taxation)	39,627	(90)	—	39,537

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING *(Continued)*

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Revenue		
Reportable segment revenue	**221,236**	157,782
Elimination of inter-segment revenue	**(5,318)**	—
Consolidated turnover	**215,918**	157,782
Profit		
Reportable segment profit derived from the Group's external customers	**57,811**	39,537
Elimination of inter-segment profits	**(164)**	—
Unallocated head office and corporate expenses	**(11,809)**	—
Consolidated profit after taxation	**45,838**	39,537

(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	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
The PRC	**137,580**	57,180
North America	**48,036**	68,143
Europe	**18,742**	20,371
Asia Pacific (exclusive of the PRC)	**11,560**	12,088
	215,918	157,782

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

(a) Other revenue

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Interest income on bank deposits	**20**	72
Government subsidies	**3,173**	1,691
	3,193	1,763

The Group was entitled to unconditional government subsidies of RMB2,713,000 (30 June 2011 (unaudited): RMB1,347,000) for the six months ended 30 June 2012. 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 was entitled to and received conditional government subsidies of RMB16,077,000 for the six months ended 30 June 2011 (unaudited). The Group recognised the amounts as deferred income that compensates the Group for the cost of its land use right and the cost of infrastructure development. Government subsidies of RMB460,000 (30 June 2011 (unaudited): RMB344,000) were recognised as other revenue for the six months ended 30 June 2012, which is on a systematic basis over the useful life of the relevant assets (note 22). The Group was not entitled to nor has received any such conditional government subsidies during the six months ended 30 June 2012.

(b) Other net income/(loss)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Net foreign exchange gain	**524**	52
Net gain on disposal of property, plant and equipment	**19**	46
Changes in fair value of derivative financial instruments	**(479)**	(466)
Others	**(10)**	(1)
	54	(369)

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
(a) Finance costs		(unaudited)
Interest expense on bank loans wholly repayable within five years	**3,300**	1,650
Less: Interest expense capitalised into construction in progress*	**(460)**	(665)
	2,840	985

* The borrowing costs have been capitalised at a rate of 7.52% (30 June 2011 (unaudited): 6.08%) per annum for the six months ended 30 June 2012.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
(b) Staff costs		(unaudited)
Salaries, wages and other benefits	**9,343**	8,328
Contributions to defined contribution retirement schemes	**918**	492
	10,261	8,820

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 six months ended 30 June 2012 and 2011. 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.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$20,000. The cap has been increased to HK$25,000 effective from June 2012. Contributions to the plan vest immediately.

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived at after charging/(crediting): *(Continued)*

(b) Staff costs *(Continued)*

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(c) Other items

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Cost of inventories# (note 16(b))	**132,927**	101,382
Depreciation of property, plant and equipment	**2,751**	1,869
Amortisation of lease prepayments	**405**	221
Operating lease charges for properties	**91**	—
Research and development costs	**7,761**	2,887
Auditors' remuneration	**4,046**	7
Listing expenses	**12,405**	—

Cost of inventories includes RMB17,056,000 (30 June 2011 (unaudited): RMB10,308,000) for the six months ended 30 June 2012 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 6(b) for each of these types of expenses.

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Current tax - PRC corporate income tax		
Provision for the period	**9,399**	8,893
Deferred tax		
Origination and reversal of temporary differences (note 15(b))	**327**	(4,050)
	9,726	4,843

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Profit before taxation	**55,564**	44,380
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned (note (i))	**14,888**	11,117
Effect of PRC tax concession (note (ii))	**(6,165)**	(5,928)
Effect of non-deductible expenses	**1,973**	15
Effect of research and development expense bonus deduction (note (iii))	**(970)**	(361)
Actual tax expense	**9,726**	4,843

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and 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 2012 and 2011. The payments of dividends by the subsidiary incorporated in Hong Kong are not subject to any Hong Kong withholding tax.

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

(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 2010, and therefore is entitled to the preferential income tax rate of 15% for a period of three years from 2010 to 2012.

(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 investors from PRC resident enterprises are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

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 provided to the extent that such profit are expected to be distributed in the foreseeable future.

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Six months ended 30 June 2012				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Wu Zheyan	—	135	—	4	139
Wu Qingshan	—	49	—	3	52
Xie Qingmei	—	42	—	3	45
	—	226	—	10	236
Non-executive director					
Wu Dongping	—	72	—	3	75
Independent non-executive directors					
Lam Hin Chi	—	—	—	—	—
Jin Zhongwei	—	—	—	—	—
Su Wenqiang	—	—	—	—	—
	—	—	—	—	—
	—	298	—	13	311

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' REMUNERATION *(Continued)*

	Six months ended 30 June 2011				
	Directors' fees RMB'000 (unaudited)	Salaries, allowances and benefits in kind RMB'000 (unaudited)	Discretionary bonuses RMB'000 (unaudited)	Retirement scheme contributions RMB'000 (unaudited)	Total RMB'000 (unaudited)
Executive directors					
Wu Zheyan	—	135	—	1	136
Wu Qingshan	—	48	—	2	50
Xie Qingmei	—	41	—	2	43
	—	224	—	5	229
Non-executive director					
Wu Dongping	—	72	—	2	74
Independent non-executive directors					
Lam Hin Chi	—	—	—	—	—
Jin Zhongwei	—	—	—	—	—
Su Wenqiang	—	—	—	—	—
	—	—	—	—	—
	—	296	—	7	303

During the six months ended 30 June 2012 and 2011, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the six months ended 30 June 2012 and 2011.

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9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four are directors for the six months ended 30 June 2012 (30 June 2011 (unaudited): four), whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining individual are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Salaries and other emoluments	**265**	33
Retirement scheme contributions	**5**	3
	270	36

The above individuals' emoluments are within the following band:

	Six months ended 30 June	
	2012	2011
	Number of individuals	Number of individuals
		(unaudited)
Nil to HK$1,000,000	**5**	5

10 DIVIDENDS

No dividends have been declared or paid by the Company since its incorporation.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011 (unaudited): RMB Nil).

11 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of RMB45,838,000 (30 June 2011 (unaudited): RMB39,537,000) and weighted average number of 820,000,000 shares during the six months ended 30 June 2012 (30 June 2011 (unaudited): 820,000,000 shares). The weighted average number of shares comprise 1,000,000 shares in issue at 30 June 2012 and 819,000,000 shares issued pursuant to the capitalisation issue which took place immediately before the Company's listing of its shares on the Stock Exchange on 6 July 2012 as if the shares were outstanding throughout the entire six months ended 30 June 2012 and 2011.

There were no potential dilutive ordinary shares during the six months ended 30 June 2012 and 2011 and, therefore, diluted earnings per share are the same as the basic earnings per share.

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2011	24,494	8,379	1,633	2,824	4,355	41,685
Additions	21,432	9,070	1,124	809	11,399	43,834
Transfers	15,076	247	—	—	(15,323)	—
Disposals	—	(870)	(30)	(588)	—	(1,488)
At 31 December 2011	61,002	16,826	2,727	3,045	431	84,031
At 1 January 2012	61,002	16,826	2,727	3,045	431	84,031
Additions	12	768	200	813	4,927	6,720
Transfers	4,983	375	—	—	(5,358)	—
Disposals	—	—	—	(98)	—	(98)
At 30 June 2012	65,997	17,969	2,927	3,760	—	90,653
Accumulated depreciation:						
At 1 January 2011	3,476	2,571	736	1,998	—	8,781
Charge for the year	2,268	1,268	321	347	—	4,204
Written back on disposals	—	(431)	(27)	(507)	—	(965)
At 31 December 2011	5,744	3,408	1,030	1,838	—	12,020
At 1 January 2012	5,744	3,408	1,030	1,838	—	12,020
Charge for the period	1,511	816	209	215	—	2,751
Written back on disposals	—	—	—	(92)	—	(92)
At 30 June 2012	7,255	4,224	1,239	1,961	—	14,679
Net book value:						
At 30 June 2012	58,742	13,745	1,688	1,799	—	75,974
At 31 December 2011	55,258	13,418	1,697	1,207	431	72,011

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Buildings which are held for own use are situated in the PRC. At 30 June 2012, buildings with net book value of RMB30,238,000 (31 December 2011: RMB31,105,000) and plant and machinery with net book value of RMB13,499,000 (31 December 2011: RMB Nil) were pledged as securities for certain banking facilities granted to the Group (see note 21(c)).

(b) In January 2010, Zhangping Kimura entered into an agreement ("the Agreement") with the developer of Fushan Industrial Zone which is authorised by the relevant land authorities ("the Developer"). Pursuant to the Agreement, the Developer granted Zhangping Kimura the right to commence dwelling and leveling activities on a piece of land in Zone C of the Group's manufacturing complex of approximately 57,000 square meters ("the Land").

The Group has incurred dwelling and leveling costs on the Land of approximately RMB13,576,000 (31 December 2011: RMB8,750,000) at 30 June 2012 which amount is included as non-current prepayments for acquisition of property, plant and equipment in the consolidated balance sheet. Pursuant to the Agreement, dwelling and leveling costs would be repaid in full by the Developer to the Group in case the Group fails to obtain the land use right through the land auction procedure. At 30 June 2012, since the land auction procedure has not been commenced by the relevant land authorities, the Group is unable to enter into the procedure for procuring the relevant land use right certificate of the Land.

Upon the completion of the bidding procedure held on 27 August 2012, the Group obtained a sales confirmation from the Land and Resources Bureau of Zhangping and the Group is entitled to acquire the Land for a consideration of RMB8,560,000.

(Expressed in Renminbi unless otherwise indicated)

13 LEASE PREPAYMENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
At 1 January	**38,747**	8,091
Add: Additions for the period/year	**—**	31,262
Less: Amortisation for the period/year	**(405)**	(606)
	38,342	38,747
Represented by:		
Current portion	**812**	812
Non-current portion	**37,530**	37,935
	38,342	38,747

The lease prepayments represent cost of obtaining the land use rights in respect of land located in the PRC, on which the Group built its production premises and buildings. These leases expire between 2047 and 2061.

At 30 June 2012, land use rights with net book value of RMB38,342,000 (31 December 2011: RMB38,141,000) were pledged as securities for certain banking facilities granted to the Group (see note 21(c)).

14 OTHER FINANCIAL ASSETS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Available-for-sale equity securities:		
Unlisted equity securities, at cost	**2,495**	2,495

The above financial assets represent investment in equity securities of a PRC local bank in Zhangping City, Fujian Province.

(Expressed in Renminbi unless otherwise indicated)

15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
At 1 January	**15,799**	9,216
Charged to profit or loss	**9,399**	15,076
PRC corporate income tax paid	**(12,518)**	(8,493)
	12,680	15,799

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year/period are as follows:

	Deferred income RMB'000	**Unrealised profits on inventories** RMB'000	**Unrealised (gain)/loss on derivative financial instruments** RMB'000	**Total** RMB'000
Deferred tax arising from:				
At 1 January 2011	226	—	(117)	109
Credited to profit or loss	4,296	338	72	4,706
At 31 December 2011	4,522	338	(45)	4,815
At 1 January 2012	**4,522**	**338**	**(45)**	**4,815**
(Charged)/credited to profit or loss	**(115)**	**(283)**	**71**	**(327)**
At 30 June 2012	**4,407**	**55**	**26**	**4,488**

(Expressed in Renminbi unless otherwise indicated)

15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(c) Deferred tax liabilities not recognised

As at 30 June 2012, taxable temporary differences relating to the undistributed profits of the Group's PRC subsidiaries to overseas holding company amounted to RMB182,156,000 (31 December 2011: RMB130,993,000). No deferred tax liabilities in respect of the 10%, or 5% should tax treaty/arrangement benefit be available, PRC dividend withholding tax on these undistributed profits have been recognised as the Company controls the dividend policy of these subsidiaries and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

16 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Raw materials	**28,007**	19,644
Work in progress	**9,378**	21,073
Finished goods	**18,634**	10,955
	56,019	51,672

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (unaudited)
Carrying amount of inventories sold	**132,927**	101,382

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade receivables	**95,313**	81,892
Deposits and prepayments (notes (i) and (ii))	**37,809**	9,516
Amount due from a related company (note 26(c))	**1,676**	508
Amount due from a director (note 26(d))	**480**	480
Derivative financial instruments (note 27(d))	**29**	305
Gross amount due from customers for contract work (note (iii))	**3,201**	276
Other receivables	**1,766**	1,699
	140,274	94,676

Notes:

(i) Included in the deposits as at 30 June 2012 were guarantee deposits of RMB1,000,000 (31 December 2011: RMB3,580,000) with guarantee companies providing guarantee services in relation to the Group's bank loans (note 21(c)) and rental and utility deposits of RMB164,000 (31 December 2011: RMB nil) in relation to rental of an office. The rental and utility deposits were expected to be recovered after more than one year.

(ii) Prepayments consist of advance payments made to suppliers for purchases of raw materials. At 30 June 2012, the balance also included prepaid professional fees in relation to the issue of new shares in the initial public offering of RMB6,654,000 (31 December 2011: RMB281,000), which will be recognised in the share premium account in equity upon the issue of new shares on 6 July 2012.

(iii) 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 2012 was RMB9,047,000 (31 December 2011: RMB7,193,000). This balance includes retention receivables at 30 June 2012 of RMB867,000 (31 December 2011: RMB53,000), of which RMB87,000 (31 December 2011: RMB Nil) was expected to be recovered after more than one year.

All of the trade and other receivables, apart from those balances specified in (i) and (iii) above, are expected to be recovered or recognised as expense within one year.

17 TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	**78,225**	73,040
Less than 1 month past due	**12,813**	7,616
1 to 3 months past due	**3,673**	239
More than 3 months but less than 12 months past due	**602**	997
Amounts past due	**17,088**	8,852
	95,313	81,892

Trade receivables are normally due within 30 to 90 days from the date of billing. Further details of the Group's credit policy are set out in note 27(a).

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.

(Expressed in Renminbi unless otherwise indicated)

18 PLEDGED DEPOSITS

Pledged deposits with banks have been placed as security for banking facilities and foreign currency forward contracts (see note 21(c)).

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents in the consolidated balance sheet and consolidated cash flow statement comprise:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Cash at bank and in hand	**22,748**	8,202

At 30 June 2012, cash and cash equivalents in the amount of RMB10,438,000 (31 December 2011: RMB7,437,000) are denominated in RMB and are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(Expressed in Renminbi unless otherwise indicated)

19 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Six months ended 30 June **2012** **RMB'000**	2011 RMB'000 (unaudited)
Profit before taxation		**55,564**	44,380
Adjustments for:			
Interest expense	6(a)	**2,840**	985
Depreciation	12	**2,751**	1,869
Amortisation of lease prepayments	13	**405**	221
Amortisation of deferred income	22	**(460)**	(344)
Net foreign exchange gain		**(8)**	(152)
Interest income	5(a)	**(20)**	(72)
Changes in fair value of derivative financial instruments	5(b)	**479**	466
Net gain on disposal of property, plant and equipment	5(b)	**(19)**	(46)
Changes in working capital:			
(Increase)/decrease in inventories		**(4,347)**	1,455
Increase in trade and other receivables		**(45,843)**	(2,396)
Increase/(decrease) in trade and other payables		**12,743**	(9,374)
Decrease in pledged deposits		**337**	1,261
Cash generated from operations		**24,422**	38,253

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade payables (note 20(a))	**7,577**	9,723
Amount due to the Ultimate Controlling Shareholder (note 26(e))	**1,246**	443
Receipts in advance	**1,565**	167
Other payables and accruals (note 20(b))	**21,274**	5,800
	31,662	16,133

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

(a) An ageing analysis of the trade payables of the Group is analysed as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 1 month or on demand	**3,221**	2,893
Due after 1 month but within 3 months	**4,356**	6,830
	7,577	9,723

20 TRADE AND OTHER PAYABLES *(Continued)*

(b) An analysis of the other payables and accruals of the Group is analysed as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Salaries, wages, bonus and other accrued benefits	**1,296**	1,733
Payables for the purchase of property, plant and equipment	**2,270**	919
Other tax payables	**3,754**	639
Professional fees payable	**12,719**	1,068
Derivative financial instruments (note 27(d))	**203**	—
Others	**1,032**	1,441
	21,274	5,800

21 BANK LOANS

(a) At 30 June 2012, the bank loans were repayable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year or on demand	**101,206**	85,797

(b) At 30 June 2012, the bank loans were secured as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bank loans (note 21(c))		
– secured	**81,206**	65,918
– unsecured	**20,000**	19,879
	101,206	85,797

(Expressed in Renminbi unless otherwise indicated)

21 BANK LOANS *(Continued)*

(c) The amounts of banking facilities available to the Group and the utilisation at 30 June 2012 are set out as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Banking facilities available		
– secured	**110,300**	144,500
– unsecured	**20,000**	27,600
	130,300	172,100
Amounts utilised		
– bank loans	**101,206**	85,797

The secured banking facilities were secured by the carrying values of the following assets:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Pledged deposits (note 18)	**255**	—
Buildings (note 12)	**30,238**	31,105
Plant and machinery (note 12)	**13,499**	—
Lease prepayments (note 13)	**38,342**	38,141
	82,334	69,246

21 BANK LOANS *(Continued)*

(c) The amounts of banking facilities available to the Group and the utilisation at 30 June 2012 are set out as follows: *(Continued)*

At 30 June 2012, RMB20,000,000 of the Group's utilised banking facilities are due in 2015. However, since the loan agreements of these bank loans allowed the banks an unconditional right to call back these bank loans at any time at their own discretion, the Group classified these bank loans as current liabilities in the consolidated balance sheet.

At 30 June 2012, RMB10,000,000 of the Group's utilised banking facilities were guaranteed by a third party guarantee company, which charges guarantee fees to the Group and requires the Group to place guarantee deposits (note 17(i)). At the same time, this guarantee company also requires Zhangping Jiupengxi Ecological Tourism Development Company Limited, a company controlled by the Ultimate Controlling Shareholder, to provide back-to-back guarantee to them in relation to such banking facilities utilised by the Group. The directors of the Company confirmed that the back-to-back guarantee provided by Jiupengxi had been released as of the date of approval of these consolidated interim financial statements.

At 31 December 2011, certain of the Group's utilised banking facilities were secured by personal guarantee from Wu Zheyan at nil fee, corporate guarantee from Jiupengxi at nil fee and personal properties owned by Wu Zheyan and Liu Yingyan (Wife of Wu Zheyan) at nil fee. Certain of the Group's utilised banking facilities were guaranteed by third party guarantee companies, which charge guarantee fees to the Group and require the Group to place guarantee deposits (note 17(i)). At the same time, these guarantee companies also require Wu Zheyan to provide back-to-back guarantee to them in relation to the banking facilities utilised by the Group. At 30 June 2012, all such personal guarantee and back-to-back guarantee provided by Wu Zheyan and all pledged properties owned by Wu Zheyan and Liu Yingyan in relation to the Group's bank loans have been released.

At 30 June 2012, all of the Group's banking facilities were subject to the fulfilment of certain covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). At 30 June 2012, none of the covenants relating to drawn down facilities had been breached.

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22 DEFERRED INCOME

The movements of deferred income are as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
At 1 January	**18,089**	903
Additions during the period/year	**—**	18,025
Government grant recognised in profit or loss as other revenue	**(460)**	(839)
	17,629	18,089
Represented by:		
Current portion	**920**	920
Non-current portion	**16,709**	17,169
	17,629	18,089

Deferred income represented government subsidies that compensated the Group for the cost of its land use right and the cost of infrastructure development which are recognised in profit or loss on a systematic basis over the useful life of the assets (note 5(a)).

23 CAPITAL

The Company was incorporated on 17 October 2011 with an authorised share capital of $390,000 divided into 390,000 shares of $1 each. On the same date, the Company issued 10,000 shares at par value of $1.

Pursuant to the special resolutions of shareholders of the Company passed on 27 March 2012, the 390,000 authorised shares of HK$1 each of the Company were sub-divided into 39,000,000 shares of HK$0.01 each.

On 16 April 2012, the Group completed the Reorganisation to rationalise the Group's structure in preparing for the listing of the Company's shares on the Main Board of the Stock Exchange. As a result of the Reorganisation, the Company became the holding company of the Group on 16 April 2012.

Pursuant to the written resolutions of all shareholders of the Company passed on 15 June 2012, the authorised share capital of the Company increased from HK$390,000 divided into 39,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of an additional 9,961,000,000 shares of HK$0.01 each.

23 CAPITAL *(Continued)*

At 30 June 2012, issued and fully paid up capital of the Company amounted to HK$10,000 divided into 1,000,000 shares of HK$0.01 each.

At 6 July 2012, 819,000,000 shares of HK$0.01 each were issued pursuant to the capitalisation issue which took place immediately before the Company's listing of its shares on the Stock Exchange. 180,000,000 new shares of HK$0.01 each were also issued to investors following the completion of the Company's initial public offering on the same day. The issued and fully paid up capital of the Company was then increased to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each.

24 RESERVES

(a) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

(b) Statutory reserve

Transfers from retained profits to PRC statutory reserve are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

24 RESERVES *(Continued)*

(c) Distributable reserves

The Company was incorporated on 17 October 2011 and there was no reserve available for distribution to shareholders as at 30 June 2012 (31 December 2011: RMB Nil).

The aggregate amounts of distributable reserves of the companies comprising the Group at 30 June 2012 were RMB170,051,000 (31 December 2011: RMB129,748,000).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group defined "capital" as including all components of equity. Trade balances and short-term bank loans that arise in the course of ordinary business are not regarded by the Group as capital. On this basis, the amount of capital employed by the Group at 30 June 2012 were RMB192,042,000 (31 December 2011: RMB146,594,000).

The Group manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 21(c), neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

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25 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2012 not provided for in these consolidated interim financial statements were as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	**4,324**	15,016
Authorised but not contracted for	**—**	—
	4,324	15,016

(b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases in respect of rental of an office are repayable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year	**541**	—
After 1 year but within 5 years	**495**	—
	1,036	—

The leases typically run for an initial period of two years, with an option to renew when all terms are renegotiated. None of the leases include contingent rentals.

26 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in notes 8, 9, 17, 20 and 21 of these consolidated interim financial statements, the Group entered into the following significant related party transactions during the periods presented.

(a) Name and relationship with related parties

During the periods presented, the directors are of the view that related parties of the Group include the following individuals/entities:

Name of party	**Relationships**
Wu Zheyan 吳哲彥	Ultimate Controlling Shareholder, a director of the Company and key management personnel of the Group
Wu Qingshan 吳青山	A director of the Company, key management personnel and a shareholder of the Group
Xie Qingmei 謝清美	A director of the Company, key management personnel and a shareholder of the Group
Wu Dongping 吳冬平	Father of Wu Zheyan and a director of the Company
Chen Tianfu 陳天福	Key management personnel of the Group
Wong On Lai 黃安麗	Key management personnel of the Group
Liu Yingyan 劉瑩燕	Wife of Wu Zheyan
Zhangping Jiupengxi Ecological Tourism Development Company Limited 漳平市九鵬溪生態旅遊發展有限責任公司 ("Jiupengxi")	A private company controlled by Wu Zheyan
Zhangping Jiajia Anti-corrosion Wooden Products Manufacturing Co., Ltd. 漳平市佳家 防腐木材製品廠 ("JJMC") (note)	A private company controlled by Wu Dongping

The English translation of the name is for reference only. The official name of these related parties is in Chinese.

Note: JJMC ceased to be a related party of the Group since November 2011 because Wu Dongping has transferred his controlling interests in JJMC to a third party.

(Expressed in Renminbi unless otherwise indicated)

26 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

Particulars of significant related party transactions during the periods presented are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Sales of wooden products to:		
Jiupengxi	**4,063**	1,307
Contract revenue of outdoor wooden projects derived from:		
Jiupengxi	**2,274**	—
Purchase of raw materials from:		
JJMC	**—**	2,090

The directors confirm that the above sales and purchase transactions are entered into with trading terms similar to those with third parties.

(c) Amount due from a related company

	At 30 June 2012	At 31 December 2011
	RMB'000	RMB'000
Jiupengxi	**1,676**	508

The amount due from a related company was arisen from normal sales transactions. It was unsecured, interest-free and expected to be settled according to credit term which is similar to that with third parties.

26 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Amount due from a director

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Wu Qingshan	**480**	480

The amount due from a director was unsecured, interest-free and expected to be recovered within one year. The maximum balance outstanding during the six months ended 30 June 2012 was RMB480,000 (year ended 31 December 2011: RMB480,000). There was no provision made against the amount at 30 June 2012 (31 December 2011: RMB Nil). The balance had been repaid by the director as of the approval date of these consolidated interim financial statements.

(e) Amount due to the Ultimate Controlling Shareholder

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Wu Zheyan	**1,246**	443

The amount due to the Ultimate Controlling Shareholder was unsecured, interest-free and repayable on demand. The balance had been repaid by the Group as of the approval date of these consolidated interim financial statements.

(f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000 (unaudited)
Short-term employee benefits	**598**	325
Retirement scheme contributions	**15**	7
	613	332

Total remuneration was included in "staff costs" (see note 6(b)).

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency, commodity price and business risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of cash and cash equivalents, the Group only places deposits with major financial institutions, which management believe are of high credit rating.

In respect of trade and other receivables, the Group usually requires upfront payment for sales of goods to new customers. For export sales, the Group generally requests settlement by letter of credit issued by financial institutions or by wire transfer for certain customers with good trading history. Individual credit evaluations are performed on all new customers requiring credit over a certain amount and are also performed on existing customers on a periodic basis. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group offers 15 to 60 days of credit to export sales customers with good trading history and offers 30 to 90 days of credit to the existing domestic sales customers. Generally, debtors with balances that are more than 1 year past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 30 June 2012, 14% (31 December 2011: 3%), of the total trade and other receivables was due from the Group's largest customer and 28% (31 December 2011: 41%), was due from the five largest customers. All of these debtors are within the Zhangping Kimura segment.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose it to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 17.

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at 30 June 2012 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group is required to settle these liabilities.

	At 30 June 2012		
	Within 1 year or on demand RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Balance sheet carrying amount RMB'000**
Bank loans	**106,217**	**106,217**	**101,206**
Trade and other payables	**31,662**	**31,662**	**31,662**
	137,879	**137,879**	**132,868**

	At 31 December 2011		
	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flow RMB'000	Balance sheet carrying amount RMB'000
Bank loans	88,151	88,151	85,797
Trade and other payables	16,133	16,133	16,133
	104,284	104,284	101,930

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings at 30 June 2012:

	At 30 June 2012		At 31 December 2011	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
RMB, Euros and USD bank loans	**5.69%**	**27,406**	6.17%	12,279
Variable rate borrowings:				
RMB and USD bank loans	**8.00%**	**73,800**	7.35%	73,518
Total net borrowings		**101,206**		85,797
Net fixed rate borrowings as a percentage of total net borrowings		**27%**		14%

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 30 June 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax (annualised) and retained profits by approximately RMB627,000 (31 December 2011: RMB625,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis at 31 December 2011 has been performed on the same basis.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in USD and Euros, currencies other than the functional currency of the entity to which they relate.

All of the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

During the periods presented, the Group entered into foreign currency forward contracts with major state-owned banks in the PRC to mitigate its currency risk. All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

At 30 June 2012, the Group had foreign currency forward contracts with an unrealised gain of RMB29,000 (31 December 2011: RMB305,000) recognised as derivative financial instruments and are included within "Trade and other receivables" (note 17) and an unrealised loss of RMB203,000 (31 December 2011: RMB Nil) recognised as derivative financial instruments and are included within "Trade and other payables" (note 20). The changes in fair value of the foreign currency forward contracts were recognised in the consolidated income statement (note 5(b)).

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at 30 June 2012 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of the entities with functional currency other than RMB into the Group's presentation currency are excluded.

	At 30 June 2012		At 31 December 2011		
	United States Dollars	**Euros**	United States Dollars	Euros	RMB against HK$
	RMB'000	**RMB'000**	RMB'000	RMB'000	RMB'000
Trade and other receivables	**7,043**	**47**	25,412	81	—
Cash and cash equivalents	**11,108**	**587**	534	1	—
Bank loans	**(1,490)**	**(2,916)**	(3,697)	—	—
Trade and other payables	**(326)**	**—**	(8,863)	—	(21,000)
Net exposure arising from recognised assets and liabilities	**16,335**	**(2,282)**	13,386	82	(21,000)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. Other components of equity would not be affected by changes in the foreign exchange rates.

	At 30 June 2012		At 31 December 2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
United States Dollars	**5%**	**694**	5%	588
	(5)%	**(694)**	(5)%	(588)
Euros	**5%**	**(97)**	5%	3
	(5)%	**97**	(5)%	(3)
RMB against HK$			5%	(877)
			(5)%	877

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis at 31 December 2011 has been performed on the same basis.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Commodity price risk

The major raw materials used in the production of the Group's products include redwood, fir and pinewood. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by the global market as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Fair values

(i) Financial instruments carried at fair value

The below presents the carrying value of financial instruments measured at fair value at the consolidated balance sheet date across the three levels of the fair value hierarchy defined in the amendment to IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 30 June 2012, the only financial instruments of the Group carried at fair value were derivative financial instruments (notes 17 and 20). These instruments falls into Level 2 of the fair value hierarchy described above.

During the periods presented, there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 30 June 2012.

28 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated interim financial statements.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Management reassesses these estimations at the balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

The management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade receivables at the balance sheet date.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of these transactions are reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets, if any, are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(Expressed in Renminbi unless otherwise indicated)

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

Upon the completion of the Reorganisation on 16 April 2012, the Company became the parent company of the Group. The directors consider the immediate holding company and ultimate controlling shareholder of the Company since 16 April 2012 to be Green Seas Capital Limited and Wu Zheyan respectively.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2012

Up to the date of issue of these consolidated interim financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2012 and which have not been adopted in the consolidated interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*	1 July 2012
IAS 27, *Separate financial statements (2011)*	1 January 2013
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

31 NON-ADJUSTING POST BALANCE SHEET EVENTS

The following significant event took place subsequent to 30 June 2012:

Listing of the Company's shares and increase in issued share capital

On 6 July 2012, the Company was listed on the Stock Exchange following the completion of its initial public offering of 180,000,000 shares of HK$0.01 each to investors.

The issued and fully paid up capital of the Company was then increased to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each (note 23).