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

2013
INTERIM REPORT

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CORPORATE INFORMATION

CORPORATE PROFILE

Merry Garden Holdings Limited ("the Company") is a wooden leisure product enterprise in the PRC with over 20 years of experience in production and sales 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. The Company established its distribution network via distributors and setting up self-operated retail stores. The Company was listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in 2012.

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

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

CORPORATE INFORMATION *(Continued)*

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
Wanchai
Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

WEBSITE

www.merrygardenholdings.com

STOCK CODE

1237

LEGAL ADVISOR

Eversheds
21st Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2013	2012	Change
	RMB'000	RMB'000	in %
	(unaudited)		
Revenue	**223,535**	215,918	3.5%
Gross profit	**76,098**	82,991	–8.3%
Profit before taxation	**47,633**	55,564	–14.3%
Profit for the period	**39,267**	45,838	–14.3%
Earnings per share — Basic (RMB)[1]	**0.04**	0.06	–33.3%
Gross profit margin (%)	**34.0%**	38.4%	
Profit after tax margin (%)	**17.6%**	21.2%	
As at 30 June/31 December			
Current ratio [2]	**1.52**	2.23	
Gearing ratio (%) [3]	**24.5%**	15.4%	

Notes:

1 Basic earnings per share is calculated based on the profit attributable to equity shareholders of the Company and weighted average of ordinary shares.

2 Current ratio is the ratio of current assets to current liabilities.

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

CHAIRMAN'S STATEMENT

On behalf of the Board ("the Board") of directors of the Company ("the Directors") and its subsidiaries (collectively "the Group"), I am pleased to present the interim results of the Group for the six months ended 30 June 2013 ("the Period").

BUSINESS REVIEW

The Group recorded a stable growth in revenue for the Period as compared to the six months ended 30 June 2012, but a drop in gross profit and operating profit. The growth in revenue was driven by the increase in export sales. The drop in gross profit and operating profit was a result of the change in customer portfolio, increase in timber price and operating costs.

Supported by our advanced wood processing technologies and the positive North American housing starts data which reflects the starting of construction of privately owned new houses in North America, the Group achieved an encouraging improvement in export of timber villa product to North America in the Period. During the Period, the Group set up a wholly-owned subsidiary in the United States ("U.S.") ("U.S. Subsidiary") which diversified the Group's customer portfolio in North America and established a direct sales channel to retailers in the region. The U.S. Subsidiary enables the Group to provide better services for the customers in North America. The Directors believe that the development of the U.S. Subsidiary will bring in more export sales to the Group and enlarge the Group's customer portfolio.

The Group's relationship with overseas customers has been stable and long-term. For the long-term development of the Group and in order to maintain the long-term relationship with the overseas customers, the Group has been placing more focus on export sales. The Group will continue to expand production capacity to meet the demand from overseas markets. As for the domestic market, the Group continued to set up self-operated retail stores in PRC during the Period to boost our sales and promote brand awareness. The stores are located at premier tourist spots in cities like Guangzhou.

The drop in gross profit margin was mainly attributable to the increase in timber price. Timber is the Group's key raw material. Timber price has been increasing during the Period. The Group will continue to manage raw material costs by diversifying our supplier base, making prepayments to suppliers to stabilise timber price, improving product design and improving the raw material utilisation.

Export sales generally commands a lower gross profit margin as the order size is usually larger and the majority of the products are sold on ODM and OEM basis. The increased proportion of export sales lowered the overall gross profit margin of the Group. Taking into account the long-term relationship and order size from our overseas customers, the Directors believe that a balanced customer portfolio would be beneficial to the Group's long-term development.

To focus on the production of our key products and allow more flexibility on production, the Group may consider to outsource the production of certain products to other local manufacturers. Thus, the Group established a wholly-owned subsidiary, Zhangping Merry Garden Import and Export Co, Ltd, in February 2013 to handle transactions with local manufacturers. The subsidiary had no activity during the Period.

CHAIRMAN'S STATEMENT *(Continued)*

PRODUCTION CAPACITIES

The construction of our new automatic production lines on the timber villas, sheds and their related parts and structures on the piece of land acquired by the Group in August 2012 ("Phase II") was substantially completed during the Period. With the commencement of the production lines in July 2013, the production capacity for timber villas, sheds and their related parts and structures of the Group increased by 70% to approximately 110,000 meter cube per annum.

Concerning the land resumption agreement the Group entered into on 8 March 2013 ("Land Resumption"), the Group will relocate the existing production facilities on the land concerned to Phase II. Phase II has sufficient capacity to accommodate the new production lines and the existing production lines. The existing production facilities will be suspended from production for six weeks during the relocation and we expect it will not cause any significant disruption to the Group's operation and production. We expect the relocation to be completed by the end of 2013.

Given the positive indication in the markets, the Group intends to further expand the production capacities on the production of timber villas, sheds and their related parts and structure by 60,000 meter cube by 2015 ("Phase III"). The Group had commenced dwelling and leveling activities for Phase III on a new piece of land adjacent to Phase II. Prepayments were made to the relevant contractors for the dwelling and leveling activities which are included in "Non-current prepayments for acquisitions of property, plant and equipment" in the consolidated balance sheet.

OUTLOOK

Along with the positive North American housing starts data, the gradually stabilised economy in Europe and our expanded customers base to new overseas markets like Maldives, the Directors are optimistic towards the export sales in the second half of the year, in particular, the export of timber villa products and outdoor and indoor furnitures to North America. The Group will continue to explore new overseas markets and diversify our customer base. In February 2013, the State Council of the PRC published the "Outline of national tourism and leisure" ("國民旅遊休閒綱要") (the "Outline") which set out the direction of promoting tourism and leisure facilities with traditional Chinese characteristics so as to satisfy the increasing demand on leisure activities from the public. The Directors believe that the Outline will stimulate the demand of our timber villa products and outdoor furniture product. The Group will continue to set up self-operated retail stores at selected major cities in the PRC. The Group will also continue to expand the distribution network and promote "Merry Garden" brand to the domestic market.

With the new production lines, the Directors believe that the automatic production lines will significantly improve the production efficiency and production capacity and prevent the Group from having insufficient capacity to capture the demand. To further improve the utilisation rate of our timber, the Group targets to acquire facilities that could utilise the scrap materials from production. The Group will continue to put our focus on research and development, product design and staff development to maintain our competitiveness in the market.

APPRECIATION

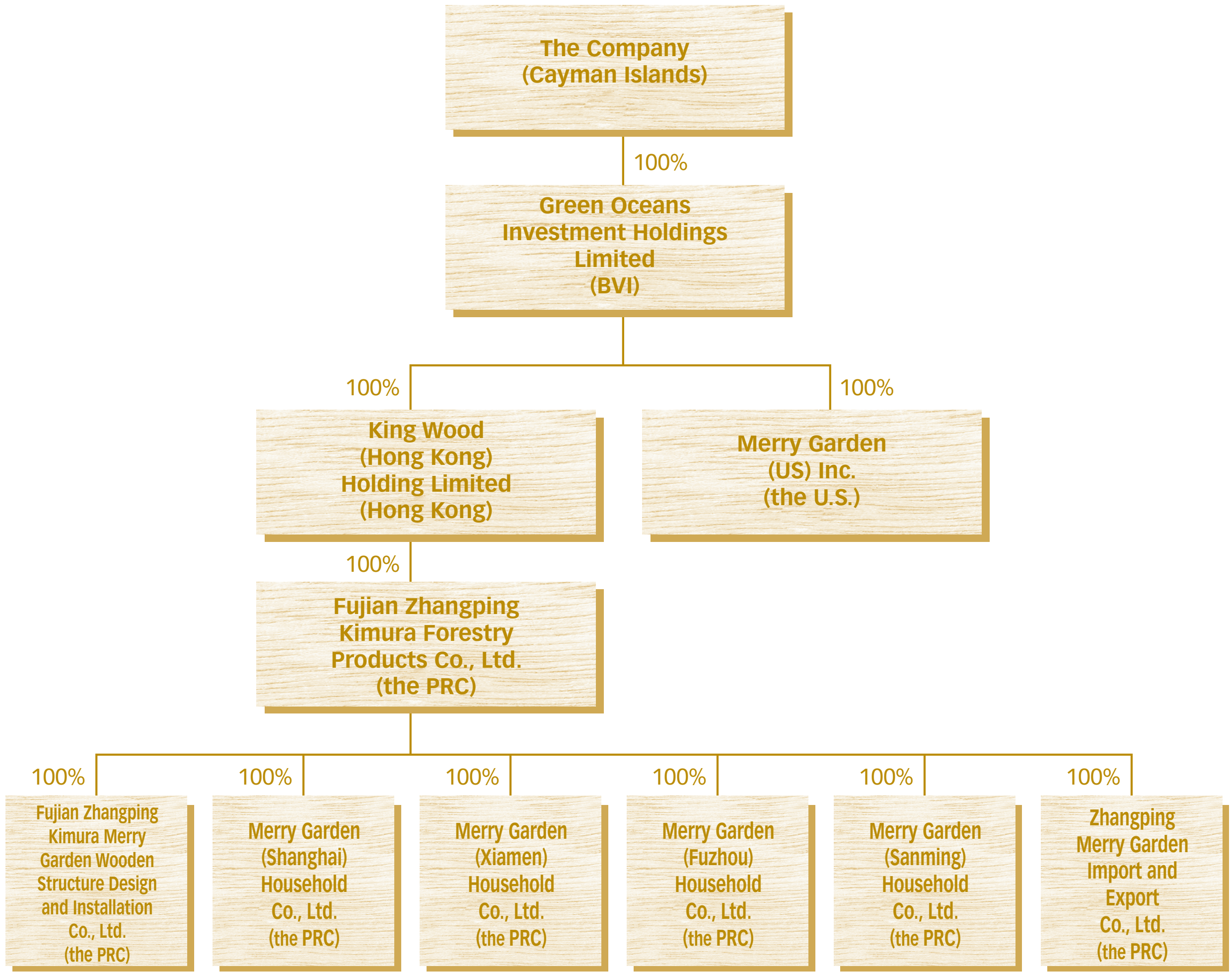
On behalf of the Board, I would like to extend my heartfelt thanks to the long-term support and trust of our shareholders and business partners. I would also like to thank the Group's employees for their consistent effort in aiding the Group to achieve an outstanding performance.

Wu Zheyan
Chairman and Chief Executive Officer

Hong Kong, 26 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is an organisation chart of the Group as of 30 June 2013:



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

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 growth in the PRC market and turnover from end-users; (iii) price of principal raw materials; and (iv) taxation.

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

Results of operation

During the Period, the Group recorded revenue and operating profit of RMB223.5 million and RMB50.2 million. Revenue increased by RMB7.6 million as a result of the increase in export sales, as compared to the six months ended 30 June 2012, operating profit dropped by RMB8.2 million as a result of the decrease in gross profit of RMB6.9 million and increase in selling and distribution expenses of RMB2.2 million.

	Six months ended 30 June			
	2013	2012	**Change**	
	RMB'000	RMB'000	RMB'000	in %
Turnover	**223,535**	215,918	7,617	3.5%
Cost of sales	**(147,437)**	(132,927)	(14,510)	10.9%
Gross profit	**76,098**	82,991	(6,893)	–8.3%
Other revenue	**2,898**	3,193	(295)	–9.2%
Other net gain	**695**	54	641	1,187.0%
Selling and distribution expenses	**(6,653)**	(4,476)	(2,177)	48.6%
Administrative expenses	**(22,823)**	(23,358)	535	–2.3%
Profit from operations	**50,215**	58,404	(8,189)	–14.0%
Finance costs	**(2,582)**	(2,840)	258	–9.1%
Profit before tax	**47,633**	55,564	(7,931)	–14.3%
Income tax	**(8,366)**	(9,726)	1,360	–14.0%
Profit after tax	**39,267**	45,838	(6,571)	14.3%

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Turnover

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

	Six months ended 30 June		
	2013	2012	Change
	RMB'000	RMB'000	in %
Timber villas, sheds and their related parts and structures	**95,306**	93,978	1.4%
Leisure household products	**121,038**	111,636	8.4%
Outdoor and indoor furnitures	**50,752**	46,868	8.3%
Recreational products	**41,296**	27,246	51.6%
Landscape garden products	**19,095**	25,928	–26.4%
Pet-home designs	**9,895**	11,594	–14.7%
Trading of timber log	**209**	–	N/A
Others	**6,982**	10,304	–32.2%
Total	**223,535**	215,918	3.5%

The growth in revenue was mainly due to the significant increase in our sales of recreational products as well as outdoor and indoor furnitures. The increase in sales of our recreational products was supported by recovery of economy in North America where there were more orders from several key existing customers. The Group also expanded the customer portfolio for these products. The increase in the sales of outdoor and indoor furniture was a result of the increased sales to trading companies in the PRC. Following the Group's change in customer portfolio, there were decreases in sales of pet-home designs products and landscape garden products.

The volume of timber log trading was insignificant during the Period as a result of the increase in the price of import timber and our increased demand on timber for production. The imported timber is less attractive to the local timber processing factories and to the Group at times when their prices are high. The Group purchased timber from local suppliers and the imported timber are reserved for the Group's production.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

	Six months ended 30 June		
	2013	2012	Change
	RMB'000	RMB'000	in %
The PRC	**109,900**	137,580	–20.1%
North America	**76,644**	48,036	59.6%
Europe	**19,612**	18,742	4.6%
Asia Pacific (exclusive of the PRC)	**17,379**	11,560	50.3%
	223,535	215,918	3.5%

We secured new international customers in 2013 through participation in various exhibitions and sales conventions. The increase in sales at North America was a result of the increased sales of timber villa products and recreational products in the region. The increase in sales at Asia Pacific (exclusive of the PRC) is contributed by the increase in sales to a customer in Hong Kong. The sales in the PRC was adversely affected by the Group's strategy of having a balanced customer portfolio.

Gross profit and gross profit margin

The gross profit decreased by RMB6.9 million from RMB83.0 million for the six months ended 30 June 2012 to RMB76.1 million for the Period. The gross profit margin decreased from 38.4% for the six months ended 30 June 2012 to 34.0% for the Period. The primary reason for the change is the increase in timber prices and change in customer portfolio during the Period.

Export sales generally commands a lower gross profit margin as the order size is usually larger and majority of the products are sold on ODM and OEM basis. The increased proportion of export sales lowered the overall gross profit margin of the Group. Taking into account the long-term relationship and order size from our overseas customers, the Directors believe that a balanced customer portfolio would be beneficial to the Group's long-term development.

Other revenue

Other revenue decreased by RMB0.3 million, or approximately 9.2%, from RMB3.2 million for the six months ended 30 June 2012 to RMB2.9 million for the Period. The decrease was primarily due to the drop of government subsidies during the Period.

Other net gain

This increase was primarily due to the unrealised fair value gain on outstanding forward foreign currency contracts.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Selling and distribution expenses

Our selling and distribution expenses were RMB6.7 million for the Period, which represented an increase of RMB2.2 million, or approximately 48.6%. It is a result of the increase in transportation charges and port charges along with the increase in export sales. The increase was also attributable to more selling and distribution expenses incurred at self-operated retail stores and commission expenses paid to an agent on sales of landscape garden products by the U.S. Subsidiary.

Administrative expenses

Our administrative expenses decreased by RMB0.6 million, or approximately 2.3%, from RMB23.4 million for the six months ended 30 June 2012 to RMB22.8 million for the Period. The decrease was primarily attributable to the non-recurring professional fees charged in connection with the Company's listing in the six months ended 30 June 2012 offset by the increase in staff costs along with the increase in average salary for the Period. There was also an increase in research and development expenses and miscellaneous expenses for setting up offices in Xiamen, Shanghai and the U.S..

Finance costs

Our finance costs decreased by approximately 9.1% for the Period. It was due to a decrease in effective interest rate, despite an increase in bank borrowings over the Period as a result of the continuous expansion of business operation and production volume.

Income tax

Our income tax decreased by RMB1.3 million, or approximately 14.0%, from RMB9.7 million for the six months ended 30 June 2012 to RMB8.4 million for the Period, primarily as a result of the decrease in profit before taxation from Zhangping Kimura Forestry Products Co., Ltd ("Zhangping Kimura") our principal PRC subsidiary. Zhangping Kimura applied for and was granted the High and New Technology Enterprise qualification and is entitled to the preferential enterprise income tax rate of 15% from 2013 to 2015.

Our effective tax rate remained stable at 17.6% for the Period.

Profit for the period

As a result of the foregoing factors, profit for the Period decreased by 14.3% from RMB45.8 million for the six months ended 30 June 2012 to RMB39.3 million for the Period, and net profit margin decreased from 21.2% for the six months ended 30 June 2012 to 17.6% for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Cash Flow

The Group meets its working capital and other capital requirements principally with the proceeds from new bank loans. The table below sets out selected cash flow data from our condensed consolidated cash flow statement.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(23)**	11,904
Net cash used in investing activities	**(15,785)**	(10,285)
Net cash generated from financing activities	**72,581**	12,912
Net increase in cash and cash equivalents	**56,773**	14,531
Cash and cash equivalents at 1 January	**70,041**	8,202
Effect of foreign exchange rate changes	**(339)**	15
Cash and cash equivalents at 30 June	**126,475**	22,748

Net cash (used in)/generated from operating activities

Net cash (used in)/generated from operating activities decreased by RMB11.9 million from a cash inflow of RMB11.9 million for the six months ended 30 June 2012 to a cash outflow of RMB0.02 million for the Period. The change was mainly attributable to the increased prepayments made to suppliers in the Period.

Net cash used in investing activities

Net cash used in investing activities for the Period represented the cash outflow on construction on production premises and buildings, purchase of property, plant and equipment, net with the consideration received from the Land Resumption.

Net cash generated from financing activities

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Working Capital

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current assets		
Inventories	**89,024**	72,252
Current portion of lease prepayments	**1,179**	1,368
Trade and other receivables	**211,852**	181,891
Pledged deposits	**33,127**	9,151
Cash and cash equivalents	**126,475**	70,041
	461,657	334,703
Non-current assets classified as held for sale	**17,588**	–
	479,245	334,703
Current liabilities		
Trade and other payables	**77,057**	12,810
Bank loans	**224,821**	125,682
Current portion of deferred income	**1,295**	1,295
Current taxation	**11,192**	10,015
	314,365	149,802
Net current assets	**164,880**	184,901

Our net current assets decreased from RMB184.9 million as at 31 December 2012 to RMB164.9 million as at 30 June 2013, representing a decrease of RMB20.0 million or 10.8%. The decrease was mainly due to the increase in trade and other payables and bank loans, which was partially offset by the increase in trade and other receivables and cash and cash equivalents. The increase in trade and other receivables was attributable to the increased prepayments to our suppliers so as to secure stable supply of timber at favourable prices.

The increase in cash and cash equivalents resulted from the consideration received from Land Resumption and net proceeds from bank loans which was partially offset by capital expenditure during the Period. The increase in trade and other payables mainly represented the consideration received from Land Resumption. The transaction is expected to be completed by the end of 2013 upon the completion of the Group's relocation.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Ratios

	At 30 June 2013	At 31 December 2012
Current Ratio [1]	**1.52**	2.23
Gearing Ratio [2]	**24.5%**	15.4%

(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 decreased from 2.23 as at 31 December 2012 to 1.52 as at 30 June 2013. Gearing ratio increased from 15.4% as at 31 December 2012 to 24.5% as at 30 June 2013. The change in both ratios is mainly due to the capital expenditure incurred on the construction of Phase II production facilities and the purchase of relevant machineries. The construction was financed by proceeds from the Company's global offering and bank loans.

Use of Proceeds from the Global Offering

The Shares were listed on the Main Board of the Stock Exchange on 6 July 2012. Net proceeds from the global offering were approximately HK$144.3 million (after deducting the underwriting commission and relevant expenses). As at 30 June 2013, the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC.

	Percentage to total amount	Net Proceeds HK$'million	Utilised amount as at 30 June 2013 HK$'million	Unutilised amount as at 30 June 2013 HK$'million
Establishing new production facilities	29.0%	41.80	41.80	–
Establishing own-brand self-operated stores network	27.6%	39.80	12.27	27.53
Merger and acquisition of small to medium sized companies, other timber processing plants, and/or other resources	19.3%	27.90	–	27.90
Own-brand promotion and other marketing events	7.7%	11.10	5.23	5.87
Increasing and enhancing our research and development activities	6.8%	9.80	9.80	–
General working capital	9.6%	13.90	13.90	–
		144.30	83.00	61.30

The Group intends to utilise the net proceeds balance in the same manner and proportion as set out in the Company's prospectus dated 25 June 2012 ("Prospectus").

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 US$. As at 30 June 2013, the Group had net current assets of RMB164.9 million (31 December 2012: RMB184.9 million), of which cash and cash equivalents and various bank deposits were RMB159.6 million (31 December 2012: RMB79.2 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 2013, total available banking facilities of the Group amounted to RMB380.8 million, among which the outstanding bank loans were RMB224.8 million (31 December 2012: available banking facilities were RMB196.2 million and outstanding bank loans were RMB125.7 million). The ratio of outstanding bank loans to total assets was 30.4% (31 December 2012: 23.5%). Details of the Group's bank loans are disclosed in note 17 to the unaudited interim financial report.

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.

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 Period.

CAPITAL EXPENDITURE

During the Period, 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 RMB57.5 million and RMB23.7 million, respectively.

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

During the Period, there was no significant investment, material acquisitions and disposal of subsidiaries by the Company. Save as the disposal of a subsidiary with no operation and the acquisition of two properties for office premises, research and development centre and product showroom, details of which are set out in the subsection headed "Subsequent Event" in this section, the Group has no other plan to make any substantial investment in or acquisition of capital assets.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2013.

HUMAN RESOURCES

As at 30 June 2013, the Group employed approximately 525 employees (as at 30 June 2012: 595 employees) with total staff cost of RMB13.0 million incurred for the Period (six months ended 30 June 2012: RMB10.3 million). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

MANAGING CURRENCY RISKS

The Group's sales are mainly denominated in US$ and RMB while our cost of sales and operating expenses are mainly denominated in RMB. The gross profit margin would be affected if RMB appreciates against US$ as the Group might not be able to reflect the appreciation in selling prices to overseas customers that were determined in US$. RMB against US$ was relatively stable during the Period.

The Group usually manages the fluctuations in the exchange rate of RMB against US$ by purchasing foreign currency forward contracts denominated in US$. As at 30 June 2013, the Group held outstanding US$ denominated forward foreign currency contracts of US$17.2 million. All the contracts are to be settled within one year. As at 30 June 2013, the Group had an unrealised fair value gain of approximately RMB0.2 million from these outstanding forward foreign currency contracts.

With the increasing level of our overseas purchases, the Group also manages the foreign exchange risks by matching the cash inflow from our export sales denominated in US$ with the cash outflow from our import of timber denominated in US$.

CHARGE ON ASSETS

As at 30 June 2013, the Group had pledged its plant and machinery, lease prepayments and buildings held for own use with aggregate net carrying book value of RMB65.8 million and deposits with banks of RMB33.1 million for the purposes of securing bank loans and entering into forward foreign currency contracts with banks.

SUBSEQUENT EVENT

On 22 July 2013, the Group entered into a sale and purchase agreement in relation to the acquisition of the two pieces of properties occupying gross floor area of approximately 2,300 square metres and 3,000 square metres respectively and the corresponding land use rights. The properties are designated for commercial use and the Group intends to use them as office premises, research and development centre and product showrooms. Further details were disclosed in the Company's announcement dated 22 July 2013.

OTHER INFORMATION

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

As at 30 June 2013, 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 Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), 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)*	467,621,200	46.76%
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.

Save as disclosed above, none of the Directors and chief executive of the Company had interests or in short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under 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 Issuers contained in Appendix 10 to the Listing Rules as at 30 June 2013.

OTHER INFORMATION *(Continued)*

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

As at 30 June 2013, 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)*	467,621,200	46.76%
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)*	69,150,000	6.92%
Mr. Ke Mingcai	Interest in controlled corporation/ Long position *(Note 3)*	69,150,000	6.92%
	Beneficial owner/Long position	13,000,000	1.30%

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.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, who had an interest or short positions in the Shares or underlying Shares that were required to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or recorded pursuant to Section 336 of Part XV of the SFO as of 30 June 2013.

OTHER INFORMATION *(Continued)*

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. Eligible participants include all Directors, employees, consultants or advisers of or to the Company or the Group, who, in the absolute opinion of the Board, have contributed to the Company or 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.

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 2013.

OTHER INFORMATION *(Continued)*

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Period, the Company complied with the principles set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules, except code provision A.2.1 of CG Code as explained below:

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 CG 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 CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established the audit committee and adopted the written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The audit committee comprises all independent non-executive Directors, namely, Mr. Lam Hin Chi, Mr. Jin Zhongwei and Mr. Su Wenqiang. Mr. Lam Hin Chi is the chairman of the audit committee.

The Group's interim results for the six months ended 30 June 2013 and this interim report have been reviewed by the audit committee of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of the Shares during the Period. 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 Period.

CONSOLIDATED INCOME STATEMENT — UNAUDITED

for the six months ended 30 June 2013
(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Turnover	3, 4	**223,535**	215,918
Cost of sales		**(147,437)**	(132,927)
Gross profit		**76,098**	82,991
Other revenue	6(a)	**2,898**	3,193
Other net gain	6(b)	**695**	54
Selling and distribution expenses		**(6,653)**	(4,476)
Administrative expenses		**(22,823)**	(23,358)
Profit from operations		**50,215**	58,404
Finance costs	7(a)	**(2,582)**	(2,840)
Profit before taxation	7	**47,633**	55,564
Income tax	8	**(8,366)**	(9,726)
Profit for the period		**39,267**	45,838
Earnings per share			
Basic and diluted (RMB)	9	**0.04**	0.06

The notes on pages 28 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

for the six months ended 30 June 2013
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
Profit for the period		**39,267**	45,838
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be classified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of subsidiaries outside the People's Republic of China (the "PRC"), net of nil tax		**322**	(390)
Total comprehensive income for the period		**39,589**	45,448

The notes on pages 28 to 45 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET — UNAUDITED

at 30 June 2013
(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment	10	**170,713**	127,134
Lease prepayments	10	**55,816**	64,179
Non-current prepayments for acquisitions of property, plant and equipment		**24,837**	1,090
Other financial assets		**2,495**	2,495
Deferred tax assets		**6,172**	6,172
		260,033	201,070
Current assets			
Inventories	11	**89,024**	72,252
Current portion of lease prepayments	10	**1,179**	1,368
Trade and other receivables	12	**211,852**	181,891
Pledged deposits	13	**33,127**	9,151
Cash and cash equivalents	14	**126,475**	70,041
		461,657	334,703
Non-current assets classified as held for sale	15	**17,588**	–
		479,245	334,703
Current liabilities			
Trade and other payables	16	**77,057**	12,810
Bank loans	17	**224,821**	125,682
Current portion of deferred income	18	**1,295**	1,295
Current taxation		**11,192**	10,015
		314,365	149,802
Net current assets		**164,880**	184,901

CONSOLIDATED BALANCE SHEET — UNAUDITED *(Continued)*

at 30 June 2013
(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Total assets less current liabilities		**424,913**	385,971
Non-current liabilities			
Non-current portion of deferred income	18	**22,023**	22,670
Deferred tax liabilities		**1,060**	1,060
		23,083	23,730
NET ASSETS		**401,830**	362,241
CAPITAL AND RESERVES			
Capital	19	**8,135**	8,135
Reserves		**393,695**	354,106
TOTAL EQUITY		**401,830**	362,241

The notes on pages 28 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

for the six months ended 30 June 2013
(Expressed in Renminbi)

	Attributable to equity holders of the Company					
	Capital RMB'000 (note 19(b))	Share premium RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	8	–	1,864	14,974	129,748	146,594
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 and 1 July 2012	8	–	1,474	20,509	170,051	192,042
Changes in equity for the six months ended 31 December 2012:						
Profit for the period	–	–	–	–	34,253	34,253
Other comprehensive income	–	–	1,557	–	–	1,557
Total comprehensive income for the period	–	–	1,557	–	34,253	35,810
Issue of shares upon initial public offering, net of issuing costs	1,464	132,925	–	–	–	134,389
Capitalisation issue	6,663	(6,663)	–	–	–	–
Appropriations to statutory reserve	–	–	–	4,103	(4,103)	–
	8,127	126,262	–	4,103	(4,103)	134,389
At 31 December 2012 and 1 January 2013	8,135	126,262	3,031	24,612	200,201	362,241

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED *(Continued)*

for the six months ended 30 June 2013
(Expressed in Renminbi)

	Attributable to equity holders of the Company					
	Capital RMB'000 (note 19(b))	Share premium 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 2013:						
Profit for the period	–	–	–	–	39,267	39,267
Other comprehensive income	–	–	322	–	–	322
Total comprehensive income	–	–	322	–	39,267	39,589
Appropriations to statutory reserve	–	–	–	4,831	(4,831)	–
	–	–	322	4,831	34,436	39,589
At 30 June 2013	8,135	126,262	3,353	29,443	234,637	401,830

The notes on pages 28 to 45 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED

for the six months ended 30 June 2013
(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Cash generated from operations		**7,166**	24,422
Income tax paid		**(7,189)**	(12,518)
Net cash (used in)/generated from operating activities		**(23)**	11,904
Net cash used in investing activities		**(15,785)**	(10,285)
Net cash generated from financing activities		**72,581**	12,912
Net increase in cash and cash equivalents		**56,773**	14,531
Cash and cash equivalents at 1 January	14	**70,041**	8,202
Effect of foreign exchange rate changes		**(339)**	15
Cash and cash equivalents at 30 June	14	**126,475**	22,748

The notes on pages 28 to 45 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 REPORTING ENTITY AND BASIS OF PREPARATION

(a) Reporting entity

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 the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 25 June 2012 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 6 July 2012.

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 interim financial report has 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. After the completion of the Reorganisation, the Group's financial statements are prepared on a consolidated basis thereafter.

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

(b) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue by the Board of Directors on 26 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

1 REPORTING ENTITY AND BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation *(Continued)*

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 46.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2013.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRS 2009–2011 Cycle*
- Amendments to IFRS 7, *Financial Instruments: Disclosures — Offsetting financial assets and financial liabilities*

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The adoption does not change the Group's presentation of other comprehensive income in the interim financial report.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC-12 *Consolidated — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 20. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group had not disclosed segment assets and liabilities in its previous financial statements as such information is not prepared and provided to the Group's CODM for regular review.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to IFRS 7, Financial Instruments: Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

3 TURNOVER

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

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	
	2013	2012
	RMB'000	RMB'000
Trading of outdoor wooden products	**218,947**	204,091
Contract revenue derived from projects of outdoor wooden products including the provision of design and installation services	**820**	7,520
Retail sales of wooden products	**3,768**	4,307
	223,535	215,918

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING

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

— Manufacturing and trading of wooden products: manufacturing and sales of outdoor wooden products to both domestic and overseas customers, and trading of timber log.

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

— Retail business: retail sales of outdoor wooden products through self-operated retail shops.

(a) Segment results

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

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

The measure used for reportable segment profit is "profit after taxation" of Manufacturing and trading of wooden products, Projects of outdoor wooden products and Retail business, 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 2013 and 2012 is set out below:

	Six months ended 30 June 2013			
	Manufacturing and trading of wooden products RMB'000	Projects of outdoor wooden products RMB'000	Retail business RMB'000	Total RMB'000
Revenue derived from the Group's external customers	218,947	820	3,768	223,535
Inter-segment revenue	19,568	–	–	19,568
Reportable segment revenue	238,515	820	3,768	243,103
Reportable segment profit/(loss) (profit/(loss) after taxation)	45,073	14	(3,302)	41,785

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING *(Continued)*

(a) Segment results *(Continued)*

	Six months ended 30 June 2012			
	Manufacturing and trading of wooden products RMB'000	Projects of outdoor wooden products RMB'000	Retail business RMB'000	Total 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	238	1,210	57,811

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Revenue		
Reportable segment revenue	**243,103**	221,236
Elimination of inter-segment revenue	**(19,568)**	(5,318)
Consolidated turnover	**223,535**	215,918
Profit		
Reportable segment profit derived from the Group's external customers	**41,785**	57,811
Elimination of inter-segment profits	**(2,074)**	(164)
Unallocated head office and corporate expenses	**(444)**	(11,809)
Consolidated profit after taxation	**39,267**	45,838

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING *(Continued)*

(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	
	2013	2012
	RMB'000	RMB'000
The PRC	**109,900**	137,580
North America	**76,644**	48,036
Europe	**19,612**	18,742
Asia Pacific (exclusive of the PRC)	**17,379**	11,560
	223,535	215,918

5 SEASONALITY OF OPERATIONS

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

6 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest income on bank deposits	**389**	20
Government subsidies	**1,862**	2,713
Amortisation of deferred income (note 18)	**647**	460
	2,898	3,193

The Group received unconditional government subsidies of RMB1,862,000 (six months ended 30 June 2012: RMB2,713,000) for the six months ended 30 June 2013. These government subsidies were granted to Zhangping Kimura for subsidising various expenses already incurred and were recognised as other revenue when they became receivable.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

6 OTHER REVENUE AND OTHER NET GAIN *(Continued)*

(b) Other net gain

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net foreign exchange gain	**465**	524
Net gain on disposal of property, plant and equipment	**–**	19
Changes in fair value of derivative financial instruments	**234**	(479)
Others	**(4)**	(10)
	695	54

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
(a) Finance costs		
Interest expense on bank loans wholly repayable within five years	**3,553**	3,300
Less: Interest expense capitalised into construction in progress*	**(971)**	(460)
	2,582	2,840

* The borrowing costs have been capitalised at a rate of 4.66% (30 June 2012: 7.52%) per annum for the six months ended 30 June 2013.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAXATION *(Continued)*

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
(b) Other items		
Cost of inventories	**147,437**	132,927
Depreciation of property, plant and equipment	**4,236**	2,751
Amortisation of lease prepayments	**683**	405
Operating lease charges for properties	**495**	91
Research and development costs	**6,841**	7,761
Listing expenses	**–**	12,405

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax — PRC corporate income tax	**8,366**	9,399
Deferred tax expense	**–**	327
	8,366	9,726

(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 2013 and 2012.

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of RMB39,267,000 (30 June 2012: RMB45,838,000) and weighted average of 1,000,000,000 shares (30 June 2012: 820,000,000 shares) in issue during the six months ended 30 June 2013, calculated as follows:

Weighted average number of ordinary shares

	Number of shares Six months ended 30 June	
	2013	2012
	'000	'000
Number of ordinary shares at 1 January (note 19(b)(v))	**1,000,000**	–
Effect of issue of shares upon incorporation (note 19(b)(i))	**–**	10
Effect of issue of shares upon subdivision (note 19(b)(ii))	**–**	990
Effect of capitalisation issue (note 19(b)(v))	**–**	819,000
Weighted average number of ordinary shares	**1,000,000**	820,000

The weighted average number of shares in issue during the six months ended 30 June 2012 was based on the assumption that the 820,000,000 shares before the listing of shares on the Stock Exchange were in issue, as if such shares had been outstanding throughout the six months ended 30 June 2012.

There were no potential dilutive ordinary shares during the six months ended 30 June 2013 and 2012 and, therefore, diluted earnings per share are the same as the basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT AND LEASE PREPAYMENTS

During the six months ended 30 June 2013, the Group acquired items of plant and machinery with a cost of RMB57,534,000 (six months ended 30 June 2012: RMB6,720,000). Lease prepayments and property, plant and equipment with net carrying value of RMB7,869,000, and RMB9,719,000, respectively were reclassified as non-current assets held for sale as a result of the land resumption transaction as disclosed in note 15.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

11 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Raw materials	**62,857**	33,115
Work in progress	**15,066**	14,894
Finished goods	**11,101**	24,243
	89,024	72,252

There was no write down of inventories during the six months ended 30 June 2013 and 2012.

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables (note (a))	**109,382**	133,935
Prepayments for raw materials	**92,653**	39,895
Deposits and other prepayments	**3,552**	900
Amount due from a related company (note 22(c))	**1,847**	724
Derivative financial instruments (note 20(a))	**453**	220
Gross amount due from customers for contract work (note (i))	**3,221**	3,139
Other receivables	**744**	3,078
	211,852	181,891

Note:

(i) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 30 June 2013 was RMB12,849,000 (31 December 2012: RMB12,029,000). This balance includes retention receivables at 30 June 2013 of RMB1,183,000 (31 December 2012: RMB1,137,000), of which RMB337,000 (31 December 2012: RMB292,000) was expected to be recovered after more than one year.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

As at 30 June 2013, the ageing analysis of trade receivables (which are included in trade and other receivables), based on invoice date and net of allowances of doubtful debts, is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 month	**36,189**	63,586
1 to 2 months	**21,681**	21,675
2 to 3 months	**11,109**	17,513
Over 3 months	**40,403**	31,161
	109,382	133,935

Trade receivables are normally due within 15 to 90 days from the date of billing.

13 PLEDGED DEPOSITS

Pledged deposits with banks have been placed as security for banking facilities and financial derivative contracts issued by banks to the Group.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash at bank and in hand	**126,475**	70,041

15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 8 March 2013, Zhangping Kimura entered into a land resumption agreement with Zhangping Land Reserve Centre (the "Land Reserve Centre"), an administrative body of the local government authority at Zhangping, Fujian province, in relation to the land resumption of eight parcels of land at Fushan Industrial Zone (the "Land" and the "Land Resumption") for a consideration of RMB62,390,000 (the "Consideration"). Zhangping Kimura had two of its seven production lines located on the Land as at 8 March 2013.

The Land Resumption is expected to be completed in the second half of 2013 when Zhangping Kimura completes its relocation from the Land. The aggregate carrying value of the Land and immovable structures erected on the Land expected to be disposed of as a result of the Land Resumption totalling approximately RMB17,588,000 was classified as non-current assets held for sale as at 30 June 2013.

Zhangping Kimura received the Consideration from the Land Reserve Centre in June 2013, and such amount was included in trade and other payables as at 30 June 2013 (note 16).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables (note (a))	**3,445**	6,138
Receipts in advance	**2,213**	683
Salaries, wages, bonus and other accrued benefits	**1,707**	1,698
Payables for the purchase of property, plant and equipment	**3,048**	331
Other tax payables	**1,916**	1,107
Professional fees payables	**618**	1,216
Consideration received from Land Resumption (note 15)	**62,390**	–
Others	**1,720**	1,637
	77,057	12,810

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

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

As at 30 June 2013, the maturity analysis of the trade payables balance is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	**2,015**	3,473
Due after 1 month but within 3 months	**1,430**	2,665
	3,445	6,138

17 BANK LOANS

(a) As at 30 June 2013, the bank loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year or on demand	**224,821**	125,682

As at 30 June 2013, bank loans of RMB34,681,000 (31 December 2012: RMB20,000,000) are due in 2015 and 2016. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

17 BANK LOANS *(Continued)*

(b) As at 30 June 2013, the bank loans were secured as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans (note (c))		
— Secured	**214,821**	92,104
— Unsecured	**10,000**	33,578
	224,821	125,682

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Pledged deposits (note 13)	**32,809**	8,500
Buildings	**26,070**	29,371
Plant and machinery	**10,084**	12,644
Lease prepayments (note 10)	**29,663**	37,937
	98,626	88,452

18 DEFERRED INCOME

Deferred income represented receipts of 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 (as other income) on a systematic basis over the useful life of the assets. The amortisation of deferred income is included in other revenue as disclosed in note 6(a).

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(a) Dividends *(Continued)*

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved during the interim period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividend in respect of the previous financial year approved during the following interim period, of 1.30 HK cents (equivalent to approximately 1.05 RMB cents) per ordinary share (six months ended 30 June 2012: Nil)	**10,540**	–

(b) Share capital

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

(ii) Pursuant to the special resolutions of shareholders of the Company passed on 27 March 2012, the 390,000 authorised shares and 10,000 issued shares of HK$1 each of the Company were sub-divided into 39,000,000 shares and 1,000,000 shares of HK$0.01 each, respectively.

(iii) 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.

(iv) 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.

(v) On 6 July 2012, the Company was listed on the Main Board of the Stock Exchange following the completion of its initial public offering of 180,000,000 shares of HK$1.0 each to the investors. The proceeds of HK$1,800,000 (equivalent to RMB1,464,300) representing the par value of these ordinary shares, were credited to the Company's share capital account. The remaining proceeds of HK$178,200,000 (equivalent to RMB144,965,000), less the share issuing costs of RMB12,040,000, amounted to RMB132,925,000, were credited to the Company's share premium account.

On the same date, 819,000,000 shares were issued at par value to the shareholders of the Company by way of capitalisation of HK$8,190,000 (equivalent to RMB6,663,000) from the Company's share premium account.

The Company has 1,000,000,000 issued shares after the completion of the initial public offering and capitalisation issue.

(vi) Capital in the consolidated balance sheet as at 1 January 2012 represented the aggregate amount of capital of the companies comprising the Group, after elimination of investments in subsidiaries.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

As at 31 December 2012, the Group's derivative financial instruments amounting to RMB453,000 (note 12) were carried at fair value, and these instruments fall into Level 2 of the fair value hierarchy described above.

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2012: None). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of balance sheet date in which they occur.

(i) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of balance sheet date plus an adequate constant credit spread.

There were no other financial assets or liabilities carried at fair value as at 30 June 2013 and 31 December 2012.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying values of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2013 and 31 December 2012.

21 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2013 not provided for in this interim financial report were as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Contracted for	**930**	36,748

(b) As at 30 June 2013, the total future minimum lease payments under non-cancellable operating leases in respect of rental of offices and retail shops are repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**1,248**	1,339
After 1 year but within 5 years	**201**	799
	1,449	2,138

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS

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 entity:

Name of party	Relationship
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. Wu Zheyan is the ultimate controlling shareholder and a director of the Company

The English translation of the name is for reference only. The official name of this related party is in Chinese.

(b) Significant related party transactions

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sales of wooden products and contract revenue of outdoor wooden projects derived from Jiupengxi	**1,820**	5,416

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

(c) Amount due from a related company

	At 30 June	At 31 December
	2013	2012
	RMB'000	RMB'000
Jiupengxi	**1,847**	724

The amount due from a related company arose 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Renminbi unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	**632**	598
Retirement scheme contributions	**18**	15
	650	613

23 NON-ADJUSTING POST BALANCE SHEET EVENTS

On 22 July 2013, Zhangping Kimura entered into an agreement (the "Acquisition Agreement") with an independent third party (the "Vendor") for the purchase of a property located at No. 996, Dong Huan Road, Jing Cheng Street, Zhangping City, Fujian province (the "Property") for a consideration of RMB46,500,000. Zhangping Kimura paid RMB23,250,000 to the Vendor on the same date as a deposit pursuant to the terms of the Acquisition Agreement. The remaining portion of the consideration will be paid to the Vendor at different stages after the completion of the construction of the Property. The Company made an announcement in respect of this transaction on 22 July 2013.

INDEPENDENT REVIEW REPORT

KPMG

Review report to the board of directors of
Merry Garden Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 45 which comprises the consolidated balance sheet of Merry Garden Holdings Limited as of 30 June 2013 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

26 August 2013