CARPENTER TAN HOLDINGS LIMITED
譚木匠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 837)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

RESULTS HIGHLIGHTS

- Turnover increased by 28.7% to approximately RMB139.8 million (2008: RMB108.7 million).
- Gross profit increased by 39.8% to approximately RMB85.3 million (2008: RMB61.0 million).
- Gross profit margin reached 61.0%, representing an increase of 4.8% (2008: 56.2%).
- Profit for the year ended 31 December 2009 increased by 77.5% to approximately RMB45.9 million (2008: RMB25.9 million).
- EBITDA goes up by 67.3% to approximately RMB64.5 million (2008: RMB38.5 million).
- Basic earnings per share increased to approximately RMB24 cents (2008: RMB14 cents).
- In view of the Group's satisfactory results, the Directors recommend a final dividend in respect of the year ended 31 December 2009 of HK10.45 cents (2008: nil) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Friday, 11 June 2010.

The board (the "Board") of directors (the "Directors") of Carpenter Tan Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with the comparative figures for the year ended 31 December 2008 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	Notes	**2009**	2008
		RMB'000	RMB'000
Turnover	4	**139,791**	108,656
Cost of sales		**(54,464)**	(47,629)
Gross profit		**85,327**	61,027
Other revenue and net income	5	**18,158**	11,990
Administrative expenses		**(18,402)**	(17,684)
Selling and distribution expenses		**(19,001)**	(16,626)
Other operating expenses		**(5,360)**	(4,191)
Profit from operations		**60,722**	34,516
Finance costs		**(2,964)**	(2,331)
Profit before taxation	6	**57,758**	32,185
Income tax	7	**(11,836)**	(6,311)
Profit for the year		**45,922**	25,874
Attributable to			
Owners of the Company		**45,922**	25,874
Dividends			
Proposed final	8	**22,950**	—
Earnings per share	9		
Basic and diluted		**RMB 24 cents**	RMB 14 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit for the year	**45,922**	25,874
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of foreign operations	**683**	(294)
Tax expense	**—**	—
Exchange differences on translation of financial statements of foreign operations, net of tax	**683**	(294)
Surplus on revaluation of land and buildings held for own use	**—**	2,297
Tax expense	**—**	(574)
Surplus on revaluation of land and buildings held for own use, net of tax	**—**	1,723
Other comprehensive income for the year	**683**	1,429
Total comprehensive income for the year	**46,605**	27,303
Attributable to		
Owners of the Company	**46,605**	27,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2009 RMB'000**	2008 RMB'000
Non-current assets			
Property, plant and equipment		**35,779**	36,481
Prepaid lease payments		**20,430**	20,950
Investment properties		**34,650**	29,300
Intangible assets		**500**	—
		91,359	86,731
Current assets			
Prepaid lease payments		**495**	444
Inventories	11	**42,041**	40,944
Amounts due from related parties		**14**	4,759
Trade receivables	12	**427**	420
Other receivables, deposits and prepayments		**13,960**	18,986
Cash and cash equivalents		**194,797**	50,883
		251,734	116,436
Current liabilities			
Amount due to ultimate holding company		**—**	607
Bank loans		**50,000**	40,000
Trade payables	13	**3,245**	2,616
Other payables and accruals		**19,489**	41,746
Income tax payable		**2,329**	614
		(75,063)	(85,583)
Net current assets		**176,671**	30,853
Total assets less current liabilities		**268,030**	117,584
Non-current liabilities			
Deferred tax liabilities		**6,142**	2,384
Long-term payable		**1,851**	3,574
Deferred income		**979**	1,000
		(8,972)	(6,958)
NET ASSETS		**259,058**	110,626
CAPITAL AND RESERVES			
Share capital		**2,200**	47
Reserves		**256,858**	110,579
TOTAL EQUITY		**259,058**	110,626

SELECTED NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 June 2006 as an exempted company with limited liability under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and the principal place of business are at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and 43rd Floor, Future International Building, Guanyinqiao, Jiangbei District, Chongqing, the People's Republic of China (the "PRC") respectively.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in (i) design, manufacture and distribution of small size wooden handicrafts and accessories, including wooden combs, wooden mirrors, wooden box set and other wooden accessories and adornments, under the brand name of "Carpenter Tan"; (ii) the operation of a franchise and distribution network primarily in the PRC; (iii) the operation of retailing shops for direct sale of the Group's products in Hong Kong; and (iv) manufacture and sale of high-end home accessories and Chinese-style furniture.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Group.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in RMB, rounded to the nearest thousand except for per share data. RMB is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise set out in the accounting policies.

The preparation of financial statements in conformity with HKFRSs 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.

c) **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 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 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.

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less any impairment losses, unless the investment is classified as held for sale.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one HKFRS, a number of amendments to HKFRSs and new Interpretations 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.

HKAS 1 (revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendment)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 2 (Amendment)	Shared-based payment-vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 which is effective for annual period, beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — Int 13	Customer loyalty programmes
HK(IFRIC) — Int 15	Agreements for the construction of real estate
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — Int 18	Transfers of assets from customers

HKFRS 8, the amendments to HKAS 23, HKAS 32 & 1, HK(IFRIC) — Int 9 and HKAS 39, HKFRS 2 and HKFRS 7, Interpretations HK(IFRIC) — Int 13, HK(IFRIC) — Int 15 and HK(IFRIC) — Int 16, HK(IFRIC) — Int 18 and Improvements to HKFRSs (2008) and HKFRSs (2009) have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognsied as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the entity's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4. TURNOVER

Turnover represents the net invoiced value of goods sold to customers, less value added tax and sale tax, returns and allowances, and franchise fee income. An analysis of the Group's turnover for the year is as follows:

	2009	2008
	RMB'000	RMB'000
Sales of goods	**138,228**	107,808
Franchise fee income	**1,563**	848
	139,791	108,656

5. OTHER REVENUE AND NET INCOME

	2009	2008
	RMB'000	RMB'000
Other revenue		
Interest income on financial assets not at fair value through profit or loss - Bank interest income	**149**	413
Government grant	**114**	900
Government grant released from deferred income	**21**	—
PRC VAT tax concession (note 7(a)(i))	**10,683**	7,697
Subcontracting income	**35**	—
Rental income from operating leases	**725**	195
Write back of impairment on trade receivables	**—**	3
Write off of trade payable	**189**	—
Others	**892**	552
	12,808	9,760
Other net income		
Change in fair value of investment properties	**5,350**	2,230
	18,158	11,990

6. PROFIT BEFORE TAXATION

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

		2009 RMB'000	2008 RMB'000
a)	Staff costs (including directors' emoluments)		
	- Salaries and other allowances	**22,597**	21,591
	- Contribution to retirement scheme	**473**	503
	Total staff costs	**23,070**	22,094
b)	Other items		
	Auditor's remuneration	**718**	44
	Amortisation of prepaid lease payments	**495**	465
	Amortisation of intangible assets	**—**	16
	Change in fair value of long-term payable	**—**	1,783
	Cost of inventories (note 6(i) and 11)	**54,464**	47,629
	Depreciation	**3,258**	3,551
	Impairment on other receivables	**456**	17
	Listing fee	**507**	—
	Loss on disposal of property, plant and equipment	**930**	128
	Operating lease rentals in respect of land and buildings	**6,260**	5,908
	Gross rental income from investment properties	**(725)**	(195)
	Less: Direct outgoings	**167**	6
		(558)	(189)

Notes:

(i) Cost of inventories includes approximately RMB13,149,000 (2008: RMB12,737,000) relating to staff costs, depreciation and operating lease rentals, which are included in the respective total amounts disclosed separately above.

7. INCOME TAX

a) Taxation in the consolidated income statements represents:

	2009 RMB'000	2008 RMB'000
Current tax		
PRC enterprise income tax (notes 7(a)(i) and (ii))	**7,798**	4,501
Hong Kong profits tax (note 7(a)(iv))	**—**	—
	7,798	4,501
Underprovision in prior years		
PRC enterprise income tax	**280**	—
Deferred tax		
Current year	**3,758**	1,810
Total	**11,836**	6,311

Notes:

(i) Pursuant to the notice of the State Administration of Taxation (the "SAT"), Ministry of Finance of the PRC on preferential tax policies to social welfare enterprise and the legal opinion issued by the Company's solicitors in the PRC, Ziqiang Muye was registered as a social welfare enterprise in the PRC on 29 April 2004 and was entitled to the tax concessions for the refund of the entire income tax and value added tax ("VAT") paid since its incorporation on 26 February 2004 up to 30 September 2006. According to the preferential tax policies on social welfare enterprise issued by the SAT effective from 1 October 2006, Ziqiang Muye is entitled to income tax concession on a double deduction of salaries paid for its employees with disabilities, and VAT concession on tax refund which is equivalent to its employees with disabilities multiplied by a specified annual cap amount as determined by the SAT. In addition, on 2 November 2006, Ziqiang Muye obtained the SAT's approval for a concessionary income tax rate reduced from 33% to 15% for the five years from 1 January 2006 to 31 December 2010 according to the preferential tax policies granted to companies located in western part of the PRC and the national encouraged business activities.

The Group recognised the VAT and income tax refund in the Group's consolidated income statement on an accrual basis. The amounts of the VAT and income tax refunded to the Group during the year are detailed in notes 5 and 7(b) respectively.

(ii) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2008: 25%) except for Ziqiang Muye.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). The New Law and the Implementation Regulations would impose a single income tax rate of 25% for all the enterprises as from 1 January 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa 2007 No. 39) (the "Circular"), transitional arrangement will be imposed for those entities that previously enjoyed the tax preferential treatment prior to the effective date of the New Law. All the Group's subsidiaries incorporated in the PRC will change the income tax rate from 33% to 25% from 1 January 2008 under the New Law, except for Ziqiang Muye. Ziqiang Muye will continue to be entitled to the existing income tax concessions as stated in note 7(a)(i) above according to the tax preferential policies of the Circular.

(iii) The Company is incorporated in the Cayman Islands and is exempted from income tax in the Cayman Islands. The Company's subsidiary established in the British Virgin Islands is exempted from income tax in the British Virgin Islands.

(iv) No provision for Hong Kong profits tax has been made for the years ended 31 December 2009 and 2008 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for the above years.

(v) Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. Deferred tax liabilities of RMB2,420,000 (2008: RMB1,252,000) in respect of the withholding income tax on dividends has been recognised by the Group as at 31 December 2008.

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

	2009	2008
	RMB'000	RMB'000
Profit before taxation	**57,758**	32,185
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**15,302**	8,532
Tax effect of non-deductible expenses	**616**	1,104
Tax effect of non-taxable incomes	**(2,691)**	(1,962)
Effect of tax concessions granted to a subsidiary (note 7(a)(i))	**(1,146)**	(1,063)
Effect of concessionary tax rate granted to a subsidiary (note 7(a)(i))	**(4,156)**	(2,965)
Unrecognised temporary differences	**281**	635
Unrecognised tax losses	**961**	1,149
Utilisation of tax losses previously not recognised	**(1)**	(371)
Withholding tax on dividends	**2,420**	1,252
Underprovision in prior years	**280**	—
Others	**(30)**	—
Actual tax expenses	**11,836**	6,311

8. DIVIDENDS

During the year, dividend paid and proposed to owners of the Company comprised:

	2009	2008
	RMB'000	RMB'000
Interim dividends declared and paid of RMB3 per ordinary share (2008: nil)	**15,000**	—
Final dividend proposed after the end of the reporting period of RMB9.18 cents (HK10.45 cents) per ordinary share (2008: nil)	**22,950**	—
	37,950	—

9. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earning per share

The calculation of basic earnings per share is based on the net profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

(i) *Profit attributable to owners of the Company*

	2009	2008
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**45,922**	25,874

(ii) *Weighted average number of ordinary shares*

	Number of shares	
	'000	'000
Issued ordinary shares at 1 January	**187,500**	187,500
Effect of shares issued under placing and public offer	**514**	—
Weighted average number of ordinary shares at 31 December	**188,014**	187,500

In determining the weighted average number of ordinary share in issue, a total of 187,500,000 ordinary shares were deemed to be in issue on 1 January 2008, comprising 5,000,000 ordinary shares in issue as at 1 January 2008 and 182,500,000 ordinary shares issued as at 29 December 2009 pursuant to the capitalisation issue.

b) Diluted earning per share

There were no dilutive potential shares in issue during the year, the diluted earnings per share is same as the basic earnings per share during the years ended 31 December 2009 and 2008.

10. SEGMENT REPORTING

Over 90% of the Group's turnover, results and assets are derived from a single business segment which is manufacture and sales of wooden handicrafts and accessories. No business segment information is presented accordingly.

The Group's turnover and results from operations are mainly derived from activities in the PRC. The principal assets of the Group are located in the PRC. Accordingly, no analysis by geographical segment is provided.

Major customers

No analysis of the Group's turnover and contribution from operations by major customers has been presented as there is no transactions with a single external customer equal to or greater than 10 per cent of the Group's total revenues.

11. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**26,469**	25,141
Work-in-progress	**3,737**	2,395
Finished goods	**11,835**	13,408
	42,041	40,944

The analysis of the amount of inventories recognised as an expense is as follows:

	2009 RMB'000	2008 RMB'000
Carrying amount of inventories sold	**53,072**	43,941
Write-down of inventories	**1,392**	3,688
	54,464	47,629

12. TRADE RECEIVABLES

Customers are generally required to make payments on the products prior to delivery. Credit terms within 30 days are granted to those customers with high credibility. An ageing analysis of the trade receivables is as follows:

	2009	2008
	RMB'000	RMB'000
Trade receivables	**430**	423
Less: Allowance for doubtful debts (note 12(b))	**(3)**	(3)
	427	420

a) Ageing analysis of trade receivables is as follows:

	2009	2008
	RMB'000	RMB'000
0 to 30 days	**327**	262
31 to 60 days	**20**	20
61 to 90 days	**17**	19
91 to 180 days	**55**	111
181 to 365 days	**4**	8
Over 1 year	**7**	3
	430	423

b) Movements in allowance for doubtful debts

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is made against trade receivables directly.

The movement in the allowance for doubtful debts is as follows:

	2009	2008
	RMB'000	RMB'000
At 1 January	**3**	6
Reversal of impairment loss recognised in prior years	**—**	(3)
At 31 December	**3**	3

Trade receivables are individually considered to be impaired in accordance with their ageing and their recoverability. The Group does not hold any collateral over these balances.

c) The ageing analysis of trade receivables that are not impaired.

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

	2009	2008
	RMB'000	RMB'000
Past due but not impaired		
31 to 60 days past due	**20**	20
61 to 90 days past due	**17**	19
91 to 180 days past due	**55**	111
181 to 365 days past due	**4**	7
More than 1 year past due	**4**	1
	100	158
Neither past due nor impaired	**327**	262

At 31 December 2009 and 31 December 2008, trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good tract record with the Group. Based on past experience, the management of the Group believe that no impairment 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.

13. TRADE PAYABLES

The credit terms granted by the suppliers are generally 30 days. Ageing analysis of trade payables is as follows:

	2009	2008
	RMB'000	RMB'000
0 to 30 days	**2,251**	818
31 to 60 days	**601**	205
61 to 90 days	**181**	553
91 to 180 days	**64**	18
181 to 365 days	**76**	75
Over 1 year	**72**	947
	3,245	2,616

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2009 was a challenging year that consumers' confidence was noticeably shaken by the global financial crisis. Although China is an emerging market with rapid growth, the economy of the Mainland China was still affected to a certain extent and the domestic consumer goods retailing industry was confronted by difficulties and challenges. Nevertheless, facing the weakening domestic economy, the Government fully implemented a package of measures and policies to cope with the global financial crisis, including carrying out aggressive fiscal policies and easing monetary policies, implementing policies to stimulate domestic demand gradually, and launching stimulus policies such as the Top Ten Industry Promotion Planning. As a result, China's economy has recovered gradually. Being driven by the investment and consumption led by the Central Government, the economy of the Mainland China was back on track for rapid growth in 2009 and the GDP for the year reached 8.7%. The Group adopted a prudent and positive attitude to cope with the changing operational environment and thus satisfactory results have been achieved.

BUSINESS REVIEW

Sales networks

The Group has developed an extensive distribution network by operating the franchise programme in the PRC. As at 31 December 2009, the Group had 866 franchise shops in the PRC, representing an increase of 146 shops as compared with that in the last year, with wide geographical spread covering 31 provinces and autonomous regions and more than 300 cities. The franchise shops are generally operated in convenient shopping areas and business districts in order to increase the market penetration of its products. In addition, the Group has five franchise shops each in Singapore and Malaysia and one franchise shop in the United States and Korea respectively. The Group has also established four overseas self-operated retail shops under the name of "Carpenter Tan" in Hong Kong.

	As at 31 December			
	2009	**2008**	**2007**	**2006**
The number of franchise shops	866	720	679	524

Sales management

The Group carries out an effective management for its franchise shops and distributes to every franchisee an operation manual which contain detailed policies and procedures that are important for operating a franchise shop. Such policies and procedures help the franchisees to train their staff and outline duties of them. The Group also offers a free 24 hours service hotline to handle customers and franchisees' inquiries.

To assure a consistent quality of services and corporate image of franchise shops, the Group requires all franchise shops to have unified colour, materials, designs in shop decoration and window dressing.

Modern shops are the "upgrade version" of franchise shops. Unlike the franchise shops, modern shops have an outlook characterized by contemporary decoration mixed with traditional Chinese cultural elements, and the shops sell products at a price higher than the products sold in franchise shops. The Group intends that these modern shops will be operated by its franchisees. Existing franchisees who are interested to operate modern shops are required to open new shops rather than redecorating or renovating their existing shops.

Design and product development

As at 31 December 2009, the Group's design and development team comprised 15 staff with experience and expertise in colouring, inlaying, packaging, catalog design and graphic design. The Group engaged external designers from Europe to enhance its product development capability on a contract basis.

The Group has developed and launched over 2,000 products to the market so far, in which the Group has registered 66 patents and has filed applications for registration of 9 patients. The Group has established a technology centre in Wanzhou which is responsible to study on stabilising wood size and discolouration of wooden materials. In 2005, the Group's technology centre was granted the status of "Municipal Technology Centre" designated by Chongqing Municipal Government. The Group's technology centre is planning to apply for the State Technology Centre status which is expected to be issued by the Central Government in September 2010.

Production capacity

As at 31 December 2009, the Wanzhou Factory of the Group had in total 690 full-time staff for production. The Group's existing production capacity is mainly designed for the production of combs and mirrors, which is expected to be able to support its sales of combs and mirrors in the foreseeable future.

Marketing and Promotion

The Group believes that successful marketing is an important element to make a brand popular among the public. There are 101 staff in the sales and marketing department of the Group, who are responsible for formulating the Group's marketing strategy and carrying out promotional events.

As a long term promotion strategy, the Group distributes healthcare brochures and booklets at the franchise shops in order to raise understanding of the public about "Carpenter Tan" including its culture, product characteristics as well as advantages of using products of the Group. The brochures and booklets mainly introduce the benefits of wooden combs, the history of the Group, the importance of healthy body, and provide information relating to Chinese traditional handicraft and the source and development of small wooden accessories.

The Group organizes various promotional activities and publishes advertisements regularly to draw attention of the public, especially during festivals. In addition, the Group has launched advertising campaigns through different media to enhance the popularity of the brand.

Awards and Accreditation

The Group has won various awards in its history. During 2007, the Group was awarded China Outstanding Retail Franchiser Top 10 Brand 2006-2007 (二零零六至二零零七年度中國零售業十大優秀特許加盟品牌) and Certificate of Chongqing Famous Trademark (重慶市著名商標證書) from China Chain Store and Franchise Association (中國連鎖經營協會) and Chongqing Administration for Industry and Commerce (重慶市工商行政管理局) respectively. It was also listed as One of the Top 100 Highest Growth Potential Enterprises in the PRC (中國潛力100榜) by Forbes, China Edition. During 2008, the Group was again awarded China Outstanding Retail Franchiser Top 10 Brand 2007-2008 (二零零七至二零零八年度中國零售業十大優秀特許加盟品牌) from China Chain Store and Franchise Association (中國連鎖經營協會). The Group also listed as One of the Top 100 Highest Growth Potential Enterprises in the PRC (中國潛力100榜) by Forbes, China Edition for the year 2008 and 2009.

FINANCIAL REVIEW

Turnover

The Group recorded turnover of approximately RMB139.8 million for the year ended 31 December 2009, representing a growth of 28.7% as compared with that of last year. The growth was attributable to the enhanced competitiveness by grasping opportunities in the recovery of the China economy, which resulted in an increase in the number of franchise shops and purchase of products. The franchise fee income also significantly rose by 84.3% to approximately RMB1.6 million as compared with that of last year.

	For the year ended 31 December			
	2009		2008	
	(RMB '000)	%	*(RMB '000)*	%
Sales				
— Combs	49,878	35.7	44,292	40.8
— Mirrors	1,762	1.3	2,568	2.4
— Box sets	78,328	56.0	54,544	50.1
— Other accessories*	8,260	5.9	6,404	5.9
Franchise fee income	1,563	1.1	848	0.8
	139,791	100.0	108,656	100.0

* *Other accessories include small home accessories as well as furniture.*

Cost of Sales

The cost of sales of the Group was approximately RMB54.5 million for the year ended 31 December 2009, representing an increase of 14.3% as compared to approximately RMB47.6 million of last year, which was basically consistent with the growth of turnover.

Gross Profit and Gross Profit Margin

As at 31 December 2009, gross profit of the Group was approximately RMB85.3 million, representing an increase of 39.8% as compared with that of last year. The gross profit margin rose from 56.2% in 2008 to 61.0% in 2009. The increase in gross profit margin was mainly due to the adjustment of sales mix of the Group and growing market demands for some products with a higher profit margin. Besides, the Group has committed to develop innovative products with high added values, and increased its investments in promotion and marketing to strengthen its long term competitive edges.

Other Revenue and Net Income

Other revenue and net income was approximately RMB18.2 million for the year ended 31 December 2009, representing an increase of 51.4% as compared to that of approximately RMB12.0 million of last year. The increase was mainly due to an increase of PRC VAT tax concession from approximately RMB7.7 million in 2008 to approximately RMB10.7 million in 2009; and an increase of change in fair value of investment properties from approximately RMB2.2 million in 2008 to approximately RMB5.4 million in 2009.

Administrative Expenses

The administrative expenses of the Group was approximately RMB18.4 million for the year ended 31 December 2009, representing a slight increase of 4.1% as compared to that of approximately RMB17.7 million of last year. The increase was mainly due to an increase of design and sampling expenses from approximately RMB0.4 million in 2008 to approximately RMB1.5 million in 2009.

Selling and Distribution Expenses

The selling and distribution expenses, including advertising and market expansion expenses, design fees, rental expenses, salaries and benefits, and travelling expenses, amounted approximately RMB19.0 million for the year ended 31 December 2009, representing an increase of 14.3% as compared to that of approximately RMB16.6 million in 2008. The increase was primarily attributable to substantial resources that were invested in advertising and market expansion by the Group during the year.

Profit for the Year

The Profit for the year ended 31 December 2009 was approximately RMB45.9 million, representing an increase of 77.5% as compared to that of approximately RMB25.9 million in 2008. The increase was due to the growth of profit margin as well as turnover.

Final dividends

In order to express its gratitude for the supports of all shareholders, the Company recommends a final dividend of HK10.45 cents per share for the financial year ended 31 December 2009, representing a total payout ratio of 50% of the profit attributable to owners of the Company, to shareholders whose names appear on the register of members of the Company on 11 June 2010, subject to the approval of the Company's annual general meeting on the same date. The expected date for such dividend is on or before 25 June 2010.

Contingent liabilities

For the year ended 31 December 2009, the Group did not have any significant contingent liabilities.

OUTLOOK

With the promising outlook of the Chinese economy, the economic growth is expected to improve gradually as driven by the domestic demand. The Group is optimistic towards the development outlook. We will continue to enhance our edges in respect of brand value, capability of product design and sales network in order to grasp more opportunities for business growth.

In 2010, as a part of its major development strategies, the Group will develop the domestic sales network and establish different kinds of shops. Targeted at customers with higher consumption power, approximately 60 modern shops will be established mainly in major cities such as Chongqing, Beijing and Shanghai by the end of 2010. In addition, the Group plans to establish approximately 30 Tan's high-end home accessories shops mainly in major cities such as Shanghai and Beijing for developing the high-end market in the PRC by the end of 2011. Leveraged on our well-established brand value of "Carpenter Tan", we will establish flagship shops in the PRC.

The Group plans to set up three Lifestyle Handicrafts Company, the lifestyle handicraft stores which mainly display and sell most of the products of the brands of "Carpenter Tan" and "Tan's".

The Group also plans to develop the overseas market. It is expected that approximately 25 international shops will be established by the end of 2010. The Group plans to develop the "Tan's" brand into one of the internationally recognised brand of wooden home accessories products. The Group is registering the trademark of Tan's, which is specially designed, in various regions, such as Hong Kong and the United States.

The Group plans to enhance the image of its consignment shops. The Group strives to develop the brand of "Carpenter Tan" in the overseas market through selected distributors in different regions and to improve the image of existing consignment shops.

The Group plans to strengthen the capability in product design and development and operating efficiency. In order to enhance the Group's innovation capability, it plans to cooperate with domestic and overseas well-known design houses and development companies for improving and innovating its products and packaging. In addition, the Group also plans to acquire new production equipment and apply new manufacturing techniques to the production of wooden handicrafts and high-end home accessories in order to improve the quality and design of products. In respect of operating efficiency, the Group plans to develop a point-of-sales (POS) system which allows it to access the sales and inventories of the franchisees. The POS system will be integrated with the enterprise resources planning system. As a result, the planning of production, sales, distribution and procurement of raw materials will be more accurate.

Looking forward, the Group strives to make further development and continue to develop potential business opportunities with its market insight. The Group is committed to moving forward and developing "Carpenter Tan" into a time-honored and leading brand of wooden accessories products in the world, as well as bringing remarkable returns for its investors.

SOCIAL RESPONSIBILITY

As a responsible enterprise, the Group always considers contribution to the community as its principal goal. The Group employs a number of disabled persons and provides them with practical job training and employment opportunities, so that they can move from welfare-reliance to self-reliance. Ziqiang Muye, a subsidiary of the Group, obtained a social welfare enterprise permit since April 2004 from Chongqing City Affairs Bureau (重慶市民政局) and was regarded as a social welfare enterprise in the PRC.

The Group is in strict compliance with the criteria of social welfare enterprise. The actual number of the disabled persons employed by an enterprise accounts for 25% and the enterprise enters into work agreement with a term of not less than one year with each disabled employee. During the year, the Group provided employment opportunities to 301 disabled persons to prove to the public that their abilities are not inferior than that of the able-bodies.

In addition, the Group has actively participated in other charity events.

HUMAN RESOURCES AND TRAINING

During the year, the Group employed a total of 874 employees in the mainland China, Hong Kong and overseas, with a total staff cost of approximately RMB23.1 million (2008: RMB22.1 million).

Besides providing employment opportunities for disabled persons, the Group is committed to seeking talents and retaining capable staff. Through various incentive schemes, forums and activities, the Group encourages all staff to participate in product design and development. In addition, the future success of the Group is mainly attributable to the effort of our executive directors. Therefore, the Group entered into service agreements with all executive directors with an initial term of three years since the date of listing.

The attitude, behaviour, belief and value of the staff of the Company are highly influenced by our corporate culture. Based on our corporate value of "Honesty, Work and Happiness", the Group always educates its staff and franchisees about the importance of honesty to customers and encourages its employees to progress and pursue excellence through sharing and on-the-job training. As a result, the staff will feel happy as the customers are satisfied.

MATERIAL ACQUISITION AND DISPOSAL OF THE GROUP

For the year ended 31 December 2009, the Group did not have any material acquisition and disposal.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations. Bank loans will be raised occasionally to meet the different demands of its business. As at 31 December 2009, the Group had raised bank loans of approximately RMB50 million (2008: RMB40 million) and held approximately RMB194.8 million (2008: RMB50.9 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 19.3% (2008: 36.2%).

The Group's principal operations are transacted and recorded in RMB and Hong Kong dollars. The Group expects that RMB will appreciate in a stable pattern in the future. The Group has no significant exposure to other foreign exchange fluctuations.

PLEDGE OF ASSETS

As at 31 December 2009, the Group did not have any assets pledged to the bank (2008: book value of RMB11.1 million).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to receive the final dividend, and attend and vote at the 2010 AGM, the register of members of the Company will be closed from Monday, 7 June 2010 to Friday, 11 June 2010, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2009, except for the deviation from provision A.2.1 of the CG Code.

The CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Tan Chuan Hua holds both the positions of the Chairman of the Board and the Chief Executive Officer. The Board believes that vesting the role of both positions in Mr. Tan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Each of the Director has confirmed his compliance with the Model Code for the financial year ended 31 December 2009. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished price sensitive information, has been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the year under review.

AUDIT COMMITTEE

The Company has established an audit committee on 17 November 2009 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in appendix 14 to the Listing Rules.

The Audit Committee currently comprises the three independent non-executive Directors, namely, Mr. Chau Kam Wing, Donald, Madam Du Xin Li and Mr. Yu Ming Yang. Mr. Chau is the Chairman of the Audit Committee, and he possesses recognised professional qualifications in accounting as required by the Listing Rules.

The Audit Committee has reviewed with the management of the Company and the external independent auditors, the Group's consolidated financial statements, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

This announcement of annual results is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and the Company at http://www.ctans.com under "Investor Relations". The 2009 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and the Company at http://www.ctans.com under "Investor Relations" in due course.

By order of the Board
Carpenter Tan Holdings Limited
Tan Chuan Hua
Chairman

Hong Kong, 17 April 2010

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tan Chuan Hua and Mr. Geng Chang Sheng; two non-executive Directors, namely Mr. Tan Cao and Mr. Liu Chang; and three independent non-executive Directors, namely Madam Du Xin Li, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald.

* *For identification purpose only*