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 2010

RESULTS HIGHLIGHTS

- Turnover increased by 35.5% to approximately RMB189.4 million (2009: RMB139.8 million).
- Gross profit increased by 40.9% to approximately RMB120.2 million (2009: RMB85.3 million).
- Gross profit margin reached 63.4%, representing an increase of 2.4% (2009: 61.0%).
- Profit for the year ended 31 December 2010 increased by 44.0% to approximately RMB66.1 million (2009: RMB45.9 million).
- EBITDA goes up by 43.3% to approximately RMB92.4 million (2009: RMB64.5 million).
- Basic earnings per share increased to approximately RMB26 cents (2009: RMB24 cents).
- In view of the Group's satisfactory results, the Directors recommend a final dividend in respect of the year ended 31 December 2010 of HK15.71 cents (2009: HK10.45 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Monday, 23 May 2011.

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 (together the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	Notes	**2010**	2009
		RMB'000	RMB'000
Turnover	4	**189,418**	139,791
Cost of sales		**(69,240)**	(54,464)
Gross profit		**120,178**	85,327
Other revenue	5	**23,725**	18,158
Administrative expenses		**(24,192)**	(18,402)
Selling and distribution expenses		**(24,038)**	(19,001)
Other operating expenses		**(7,635)**	(5,360)
Profit from operations		**88,038**	60,722
Finance costs		**(2,446)**	(2,964)
Profit before taxation	6	**85,592**	57,758
Income tax	7	**(19,468)**	(11,836)
Profit for the year		**66,124**	45,922
Attributable to			
Owners of the Company		**66,124**	45,922
Dividends			
Proposed final	8	**33,062**	22,950
Earnings per share	9		
Basic and diluted		**RMB 26 cents**	RMB 24 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit for the year	**66,124**	45,922
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of foreign operations	**(923)**	683
Income tax related to components of other comprehensive income	**—**	—
Other comprehensive income for the year	**(923)**	683
Total comprehensive income for the year	**65,201**	46,605
Attributable to		
Owners of the Company	**65,201**	46,605

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**33,110**	35,779
Prepaid lease payments		**19,881**	20,430
Investment properties		**41,800**	34,650
Intangible assets		**—**	500
		94,791	91,359
Current assets			
Prepaid lease payments		**518**	495
Inventories	11	**53,213**	42,041
Amount due from a director		**—**	14
Trade receivables	12	**1,171**	427
Other receivables, deposits and prepayments		**8,406**	13,960
Cash and cash equivalents		**181,298**	194,797
		244,606	251,734
Current liabilities			
Bank loans		**—**	50,000
Trade payables	13	**3,009**	3,245
Other payables and accruals		**18,089**	19,489
Income tax payable		**4,939**	2,329
		(26,037)	(75,063)
Net current assets		**218,569**	176,671
Total assets less current liabilities		**313,360**	268,030
Non-current liabilities			
Deferred tax liabilities		**11,099**	6,142
Long-term payable		**—**	1,851
Deferred income		**952**	979
		(12,051)	(8,972)
NET ASSETS		**301,309**	259,058
CAPITAL AND RESERVES			
Share capital		**2,200**	2,200
Share premium and reserves		**299,109**	256,858
TOTAL EQUITY		**301,309**	259,058

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 functional currencies of the Company and its subsidiaries in Hong Kong, and subsidiaries in the PRC are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency for easy reference for international investors.

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 retail 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, which was ceased during the year due to the change in market environment and the Group's business strategy.

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 2010 comprise the Company and its subsidiaries (together referred to as 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.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties are stated at their fair value.

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.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two 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:

- HKFRS 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations-plan to sell the controlling interest in a subsidiary
- Amendment to HKAS 39, Financial instruments: Recognition and measurement - eligible hedged items
- Improvements to HKFRSs (2009)
- HK(IFRIC)-Int 17, Distributions of non-cash assets to owners
- HK(Int) 5, Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause

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

The amendment to HKAS 39 and the issuance of HK (Int) 5 have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC)-Int 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination occurred on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

    - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

    - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

    - Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

    - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

    - In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the noncontrolling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  - If the Group acquires an additional interest in a non-wholly-owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- As a result of the amendment to HKAS 17, *Leases,* arising from the *"Improvements to HKFRSs (2009)"* omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

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:

	2010	2009
	RMB'000	RMB'000
Sales of goods	**187,932**	138,228
Franchise fee income	**1,486**	1,563
	189,418	139,791

5. OTHER REVENUE

	2010	2009
	RMB'000	RMB'000
Other revenue		
Change in fair value of investment properties	**7,150**	5,350
Government grant	**86**	114
Government grant released from deferred income	**27**	21
Interest income on financial assets not at fair value through profit or loss - bank interest income	**616**	149
PRC VAT refunds (note 7(a)(i))	**12,046**	10,683
Subcontracting income	**22**	35
Rental income from operating leases	**1,908**	725
Reversal of impairment loss on other receivables	**520**	—
Write off of trade payables	**—**	189
Write off of other payables*	**614**	—
Others	**736**	892
	23,725	18,158

* Other payables represent certain administrative expenses accrued in previous years which are no longer payable. Hence, the other payables are written off accordingly and are recognised as other revenue.

6. PROFIT BEFORE TAXATION

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

	2010 RMB'000	2009 RMB'000
a) Staff costs (including directors' emoluments)		
- Salaries and other benefits	**30,189**	22,597
- Contribution to retirement scheme	**961**	473
Total staff costs	**31,150**	23,070
b) Other items		
Auditor's remuneration	**960**	718
Amortisation of prepaid lease payments	**518**	495
Amortisation of intangible assets	**125**	—
Cost of inventories (note 6(i) and 11)	**69,240**	54,464
Depreciation	**3,681**	3,258
Impairment on intangibie assets	**375**	—
Impairment on trade receivables	**4**	—
Impairment on other receivables	**—**	456
Listing fee	**—**	507
Loss on disposal of property, plant and equipment	**1,913**	930
Operating lease rentals in respect of land and buildings	**7,286**	6,260
Provision for sales returns	**3,687**	—
Write-down on inventories (note 11)	**2,275**	1,392
Gross rental income from investment properties	**(1,908)**	(725)
Less: Direct outgoings	**186**	167
Net rental income	**(1,722)**	(558)

Notes:

(i) Cost of inventories includes approximately RMB19,096,000 (2009: RMB13,149,000) 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:

	2010	2009
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax (notes 7(a)(i), (ii) and (iii))	**13,519**	7,798
Hong Kong profits tax (note 7(a)(v))	**—**	—
	13,519	7,798
Underprovision in prior years, net		
PRC enterprise income tax	**992**	280
Deferred tax		
Current year	**4,957**	3,758
Total	**19,468**	11,836

Notes:

(i) Chongqing City Wan Zhou Qu Ziqiang Muye Company Limited ("Ziqiang Muye"), a wholly-owned subsidiary of the Company, is a registered social welfare enterprise since 29 April 2004. Pursuant to the notice on preferential tax policies to social welfare enterprise issued by the State Administration of Taxation (the "SAT"), Ministry of Finance of the PRC effective from 1 October 2006, Ziqiang Muye is entitled to income tax concessions on a double deduction of salaries paid to its employees with disabilities, and VAT refund which is equivalent to the number of employees with disabilities multiplied by a specified annual cap amount as determined by the SAT.

The Group recognised the VAT refund in the Group's consolidated income statement on an accrual basis. The amounts of the VAT refunded to the Group during the year are detailed in note 5.

In addition, on 2 November 2006, Ziqiang Muye obtained the SAT's approval for a concessionary income tax rate reduction 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.

(ii) On 19 May 2010, Chongqing Carpenter Tan Handicrafts Company Limited ("Carpenter Tan"), a wholly-owned subsidiary of the Company, obtained the SAT's approval for a concessionary income tax rate reduction from 25% to 15% for two years for 1 January 2009 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.

(iii) 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% (2009: 25%) except for Ziqiang Muye and Carpenter Tan. Ziqiang Muye and Carpenter Tan follow the income tax concessions as stated in note 7(i) and 7(ii) above according to the tax preferential policies, respectively.

(iv) 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.

(v) No provision for Hong Kong profits tax has been made for the years ended 31 December 2010 and 2009 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for the above years.

(vi) 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 RMB3,170,000 (2009: RMB2,420,000) in respect of the withholding income tax on dividends has been recognised by the Group as at 31 December 2010.

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

	2010	2009
	RMB'000	RMB'000
Profit before taxation	**85,592**	57,758
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**22,773**	15,302
Tax effect of non-deductible expenses	**780**	616
Tax effect of non-taxable incomes	**(48)**	(2,691)
Effect of tax concessions granted to a subsidiary (note 7(a)(i))	**(1,726)**	(1,146)
Effect of concessionary tax rate granted to subsidiaries (note 7(a)(i) and (ii))	**(8,899)**	(4,156)
Unrecognised temporary differences	**588**	281
Unrecognised tax losses	**1,838**	961
Utilisation of tax losses previously not recognised	**—**	(1)
Withholding tax on dividends	**3,170**	2,420
Underprovision in prior years	**992**	280
Others	**—**	(30)
Actual tax expenses	**19,468**	11,836

8. DIVIDENDS

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

	2010	2009
	RMB'000	RMB'000
Interim dividends declared and paid of RMBNil per ordinary share (2009: RMB3 per ordinary share)	**—**	15,000
Final dividend proposed after the end of the reporting period of RMB13.22 cents per ordinary share (2009: RMB9.18 cents per ordinary share)	**33,062**	22,950
	33,062	37,950

9. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings 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 and is calculated as follows:

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

	2010	2009
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**66,124**	45,922

(ii) *Weighted average number of ordinary shares*

	Number of shares	
	2010	2009
	'000	'000
Issued ordinary shares at 1 January	**250,000**	187,500
Effect of shares issued under placing and public offer	**—**	514
Weighted average number of ordinary shares at 31 December	**250,000**	188,014

In determining the weighted average number of ordinary shares in issue, a total of 187,500,000 ordinary shares were deemed to be in issue on 1 January 2009, comprising 5,000,000 ordinary shares in issue as at 1 January 2009 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 2010 and 2009.

10. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about the components of the Group. The information is reported to and reviewed by the board of directors, which is the chief operating decision-makers ("CODM") of the Group, for the purpose of resources allocation and performance assessment.

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 mainly derived from activities in the PRC. Activities outside the PRC are insignificant. 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 are no transactions with a single external customer equal to or greater than 10% of the Group's total revenues.

11. INVENTORIES

	2010	2009
	RMB'000	RMB'000
Raw materials	**35,232**	26,469
Work-in-progress	**6,846**	3,737
Finished goods	**11,135**	11,835
	53,213	42,041

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

	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	**66,965**	53,072
Write-down of inventories	**2,275**	1,392
	69,240	54,464

12. TRADE RECEIVABLES

Customers are generally required to make payments for the orders 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:

	2010	2009
	RMB'000	RMB'000
Trade receivables	**1,178**	430
Less: Allowance for doubtful debts (note 12(b))	**(7)**	(3)
	1,171	427

a) Ageing analysis of trade receivables is as follows:

	2010	2009
	RMB'000	RMB'000
0 to 30 days	**865**	327
31 to 60 days	**197**	20
61 to 90 days	**40**	17
91 to 180 days	**34**	55
181 to 365 days	**21**	4
Over 1 year	**21**	7
	1,178	430

b) Movements in allowance account 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 written off against trade receivables directly.

The movements in the allowance account for doubtful debts are as follows:

	2010	2009
	RMB'000	RMB'000
At 1 January	**3**	3
Impairment loss recognised	**4**	—
At 31 December	**7**	3

Impairment of trade receivables are considered individually by reference to 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:

	2010	2009
	RMB'000	RMB'000
Past due but not impaired		
31 to 60 days past due	**197**	20
61 to 90 days past due	**40**	17
91 to 180 days past due	**34**	55
181 to 365 days past due	**21**	4
More than 1 year past due	**14**	4
	306	100
Neither past due nor impaired	**865**	327
	1,171	427

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 track record with the Group. Based on past experience, the management of the Group believes 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:

	2010	2009
	RMB'000	RMB'000
0 to 30 days	**2,227**	2,251
31 to 60 days	**251**	601
61 to 90 days	**74**	181
91 to 180 days	**9**	64
181 to 365 days	**374**	76
Over 1 year	**74**	72
	3,009	3,245

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Global economy recovered gradually in 2010. Foreign trade resumed its position as the driver of economic growth of the PRC. The weakening US dollars resulted in depreciation of assets denominated in the US dollars held by the PRC and triggered off asset bubble in the PRC. In order to offset the effects of Renminbi appreciation and the quantitative easing policy implemented by the United States, attempts were made for the restructuring of the PRC economy. Reliance on export trade in the past was replaced with a balanced development between investment of enterprises of the PRC and stimulation of domestic demands for maintaining sustainable economic growth.

The economic stimulus plans implemented by the PRC boosted domestic consumption and alleviated the impacts of economic depression in the United States and Europe on export-driven countries. After the PRC successfully maintained its economic growth of 8%, the PRC economy grew rapidly in 2010 with promising domestic economic development in general. With the support of the government in driving domestic demand and the implementation of the Twelfth Five-Year Plan, domestic consumption demand increased substantially. Moreover, the increasing purchasing power of the people directly benefited the retail industry.

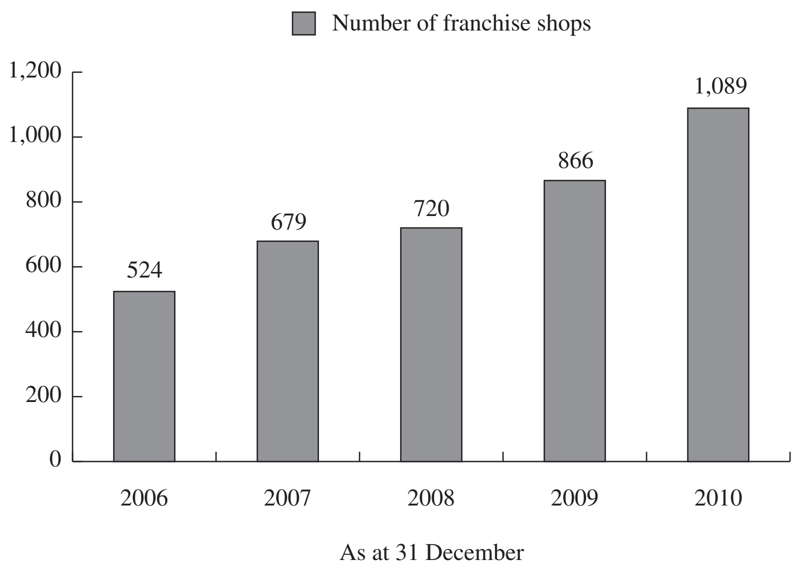
Strong economic growth in the PRC gave impetus to the development of the Group. During the year, the Group focused on building brand image, enhancing the efficiency in expansion of franchise shops and streamlining the management of franchise shops. For the year ended 31 December 2010, the number of franchise shops increased to more than 1,000. Moreover, the sales network further expanded and sales volume hit a record high. With further enhancement in brand value, satisfactory operating results were achieved.

BUSINESS REVIEW

Sales network

The PRC market

The Group successfully established a large-scale extensive sales network by implementing the franchise programme. During the year, the franchise shops of the Group further expanded. As at 31 December 2010, the Group has 1,089 franchise shops in the PRC, representing an increase of 223 shops as compared with the corresponding period last year. The franchise shops have a wide geographical coverage spanning 31 provinces and autonomous regions and more than 300 cities.



During the year, the Group focused on establishing modern shops in major markets. For the year ended 31 December 2010, the Group had established a total of 33 modern shops mainly in first tier cities and major provinces such as Beijing, Shanghai, Chongqing, Zhejiang, Jiangsu and Yunnan. Each shop has an area over 20 square metres. In 2011, the Group will continue to develop modern shops and plan to set up 40 modern shops.

Based on development strategies for its sales network, the Group will further consolidate and develop markets of first-tier cities while expanding markets of second and third-tier cities. The Group will further expand and enhance the market share and boost sales of first-tier cities in addition to developing markets of the second and third-tier cities.

Overseas market

The Group also actively expanded its overseas business. Through its expansion efforts over the past few years, the products under the brand name of "Carpenter Tan" were sold in more than 10 countries and regions overseas. As at 31 December 2010, there were a total of 7 overseas franchise shops of "Carpenter Tan", 3 of which were in Singapore, 1 in Malaysia, 1 in Korea, 1 in the United States and 1 in United Arab Emirates and 4 self-owned shops in Hong Kong. In addition, the Group had 11 distributors in Germany, Italy, Russia, Australia, the United States, Canada, Japan and Taiwan.

Sales management

The Group has placed emphasis on the management of franchise shops. It believes that effective and strict management can enhance operation efficiency. The Group has formulated the Operation Manual for Franchise Shops (專賣店運營手冊), specifying the management policy and procedures. The management and standardisation of each franchise shop are required to strictly comply with the policy and procedures specified therein. As a result, the operating model of each franchise shop was standardised. Moreover, the Group was able to provide support for each franchise shop.

As the Group understood the challenges and issues encountered by the franchise shops, the Group strived to support the development of franchise shops by catering for their needs.

In order to upgrade the image of franchise shops, the Group provided supervising and training programmes for staff of franchise shops to enable them to understand their scope of responsibilities and optimise services for boosting sales. In addition to quality and professional services, the Group requires all franchise shops to have unified colour, materials, designs in shop decoration and window display to build a consistent and outstanding enterprise image. Besides, the design of modern shops integrated traditional Chinese culture with modern decoration to render an "upgrade version" of franchise shops.

The Group also offers a free 24 hours service hotline to handle customers and franchisees' inquiries.

Design and product development

As at 31 December 2010, the Group's design and development team comprised more than 20 staff with experience and expertise in colouring, inlaying, packaging, catalog design and graphic design for diversifying product development. In addition, the

Group engaged external designers from Europe on a contract basis to enhance its product development. The Group developed various new techniques with the use of different materials to accentuate its innovative products such as implanted teeth comb（插齒梳）, round hair-caring comb（滾筒護髮梳）, high-end shell embedded comb（高檔鑲貝梳） and silver inlaid comb（鑲銀梳）.

During the year, the Group launched 147 new products, comprising 62 box sets, 6 mirrors, 12 lockets and 67 accessories. The new products were developed into different series and for enriching different product lines. Moreover, the average selling price of products also increased. The Group has developed and launched over 2,000 products to the market so far, in respect of which the Group has registered 75 patents and has filed applications for registration of 15 patents.

The Group has established a technology centre in Wanzhou, which is responsible to study on the stabilisation and maintenance technology of wood. The Group's technology centre was granted the status of "Municipal Technology Centre" designated by Chongqing Municipal Government in 2005. The achievements of the Centre were as follows:

— Most of the logs were covered and moisturised on a timely manner to effectively avoid cracking on the surface and edge of wood.

— Small amount of logs was soaked to effectively avoid cracking.

— The craftsmanship in drying materials was improved. The Group carried out automatic control system to ensure quality consistency and stability of dry materials.

— Technology for maintaining consistency of the wood sizes was adopted. The Group also adopted the technology to block the holes of the wood to effectively prevent the products from deforming and cracking.

— Technology for safe storage of wood and materials was developed and adopted. The Group maintained wood quality by effectively adjusting the environment conditions such as temperature, humidity and wind velocity.

In 2010, in order to consolidate the competitive advantages of "Carpenter Tan" and other brands, the Group coordinated and reclassified the existing product system, and created more professional designs and marketing slogan so as to enrich its product lines. During the year, the Group further developed a new series and continued to extend its well-received series. The Group also carried on its research and development for new craftsmanship.

Growth of production capacity

As at 31 December 2010, the Wanzhou Factory of the Group had in total 779 full-time staff members for production. The factory, which mainly produces combs and mirrors, is expected to be able to support the sales of combs and mirrors in the foreseeable future.

	For the year ended 31 December			
	2007	**2008**	**2009**	**2010**
	Actual production volume	**Actual production volume**	**Actual production volume**	**Actual production volume**
	(Units)	*(Units)*	*(Units)*	*(Units)*
Combs	3,750,400	2,682,700	3,151,000	4,024,900
Mirrors	496,000	342,000	480,900	664,800

Marketing and promotion

The Group attached great importance to marketing and promotion and believes that successful marketing strategies can enhance brand awareness.

The Group has a professional sales and marketing team. During the year, the Group held 3 nationwide marketing campaigns, namely "It's All About Love"（愛從頭開始）on Valentine's Day, "Show Appreciation with Delicate Combs on Mother's Day"（感恩母愛、為母親梳梳頭）, "Sending Message of Love at Christmas"（浪漫聖誕、愛的傳遞） and other marketing activities in other festivals. These activities enhanced brand awareness and brought positive effect on marketing and promotion of products.

In respect of brand building, the awareness and image of the brand were enhanced significantly as the Group promoted the brand through different channels, including advertisement, the internet, promotion in shops and different trade fairs. Its professional customer service staff provided efficient and quality services before, during and after sale to further consolidate and enhance brand image among customers.

High-end home accessories shops and lifestyle handicraft stores

Due to the change in market environment and the Group's business strategy, the Group has decided to hold-up the business plan in developing the high-end home accessories shops and lifestyle handicraft stores. During 2010, the whole operation of high-end home accessories shops and lifestyle handicraft store was closed down and the loss on the related disposal of RMB3.3 million has been reflected in the profit and loss accounts for the year.

Awards and accreditation

The Group has won various awards in its history. In 2010, the Group was awarded "China Outstanding Retail Franchiser Brand 2009-2010" (2009至2010年度中國零售業優秀特許加盟品牌) and "Top 120 China Franchiser 2009" (2009年中國特許經營連鎖120強) and "Chongqing Famous Export Brand" (重慶市出口知名品牌).

The Group's product, engraving comb (高風亮節) was awarded gold medal and engraving comb (一品清廉) and (瓜瓞綿綿) were awarded silver medals in the Third Chongqing Art and Craft Exhibition.

FINANCIAL REVIEW

Turnover

The Group recorded turnover of approximately RMB189.4 million for the year ended 31 December 2010, representing a growth of 35.5% as compared to that of approximately RMB139.8 million 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 was approximately RMB1.5 million which was close to that of last year.

	For the year ended 31 December			
	2010		**2009**	
	(RMB '000)	%	*(RMB '000)*	%
Sales				
— Combs	57,207	30.2	49,878	35.7
— Mirrors	1,930	1.0	1,762	1.3
— Box sets	117,660	62.1	78,328	56.0
— Other accessories*	11,135	5.9	8,260	5.9
Franchise fee income	1,486	0.8	1,563	1.1
	189,418	100.0	139,791	100.0

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

Cost of Sales

The cost of sales of the Group was approximately RMB69.2 million for the year ended 31 December 2010, representing an increase of 27.0% as compared to that of approximately RMB54.5 million of last year, which was basically consistent with the growth of turnover.

Gross Profit and Gross Profit Margin

As at 31 December 2010, gross profit of the Group was approximately RMB120.2 million, representing an increase of 40.9% as compared to that of approximately RMB85.3 million of last year. The gross profit margin rose from 61.0% in 2009 to 63.4% in 2010. 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

Other revenue was approximately RMB23.7 million for the year ended 31 December 2010, representing an increase of 30.2% as compared to that of approximately RMB18.2 million of last year. The increase was mainly due to (i) an increase of PRC VAT tax concession from approximately RMB10.7 million in 2009 to approximately RMB12.0 million in 2010; (ii) an increase of change in fair value of investment properties from approximately RMB5.4 million in 2009 to approximately RMB7.2 million in 2010; and (iii) an increase of rental income from approximately RMB0.7 million in 2009 to approximately RMB1.9 million in 2010.

Administrative Expenses

The administrative expenses of the Group was approximately RMB24.2 million for the year ended 31 December 2010, representing an increase of 31.5% as compared to that of approximately RMB18.4 million of last year. The increase was mainly due to (i) an increase of consultancy fee from approximately RMB1.5 million in 2009 to approximately RMB2.4 million in 2010; (ii) an increase of registration fee from approximately RMB0.1 million in 2009 to approximately RMB1.2 million in 2010; and (iii) an increase of salary from approximately RMB6.7 million in 2009 to approximately RMB8.0 million in 2010.

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 RMB24.0 million for the year ended 31 December 2010, representing an increase of 26.3% as compared to that of approximately RMB19.0 million in 2009. The increase was primarily attributable to substantial resources that were invested in advertising and market expansion by the Group during the year.

Advertising expenses increased from approximately RMB1.0 million in 2009 to approximately RMB2.8 million in 2010. The increase was also due to an increase of salary from approximately RMB4.7 million in 2009 to approximately RMB5.6 million in 2010.

Finance Costs

The Group's interest on bank borrowings decreased by 16.0% from approximately RMB2.5 million in 2009 to approximately RMB2.1 million in 2010, which was primarily due to the decrease in bank borrowing in 2010.

Income Tax

Tax charge increased by 65.3% from approximately RMB11.8 million in 2009 to approximately RMB19.5 million in 2010 primarily due to the increase in profit before taxation. The Group's effective tax rates in 2009 and 2010 were 20.5% and 22.7% respectively.

Profit for the Year

The Profit for the year ended 31 December 2010 was approximately RMB66.1 million, representing an increase of 44.0% as compared to that of approximately RMB45.9 million in 2009. 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 HK$15.71 cents per share for the financial year ended 31 December 2010 to shareholders whose names appear on the register of members of the Company on Monday, 23 May 2011, subject to the approval of the Company's annual general meeting on the same date. The expected date for such dividend is on Tuesday, 21 June 2011.

Contingent liabilities

For the year ended 31 December 2010, the Group did not have any significant contingent liabilities.

Property, Plant and Equipment

The Group's property, plant and equipment consists of building, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2010, the net book value of property, plant and equipment amounted to approximately RMB33.1 million, representing an decrease of RMB2.7 million, or 7.5%, as compared with the previous year. The decrease was mainly attributable to the depreciation charges of RMB3.7 million for the year.

Inventories

The Group's inventories as at 31 December 2010 increased by 26.7% from RMB42.0 million as at 31 December 2009 to RMB53.2 million, primarily due to the stocking of raw materials for coming year's production as the Group anticipated that there would be an increase in sales demand in 2011.

Trade Receivables

Generally, franchisees are required to settle the payments for the products prior to delivery. The Group's trade receivables consist of credit sales of products to be paid by some of the Group's franchisees who had better sales performance. The Group's trade receivables increased by RMB0.8 million from RMB0.4 million as at 31 December 2009 to RMB1.2 million as at 31 December 2010, increase in trade receivables was mainly due to the increase in credit sales to some of the Group's franchisees with whom the Group have long-term relationship.

Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments decreased by RMB5.6 million from RMB14.0 million as at 31 December 2009 to RMB8.4 million as at 31 December 2010. Decrease in other receivables, deposits and prepayments was mainly due to the return of part of the proceeds from the Company's initial public offering from the lead manager of the initial public offering, First Shanghai Securities Limited.

Trade Payables

As at 31 December 2010, the Group's trade payables was RMB3.0 million, a slight decrease of RMB0.2 million as compared with that of 2009.

Other Payables and Accruals

The balance consists of other payables, accruals, trade deposits received, provision for sales return, VAT and other non-income tax payables. The Group's payables and accruals as at 31 December 2010 decreased slightly by 7.2% from RMB19.5 million as at 31 December 2009 to RMB18.1 million, primarily due to the decrease in accruals which was related to the Company's listing expenses for the initial public offering in December 2009.

Capital Expenditure

During the year, the Group invested approximately RMB3.2 million (2009 : RMB3.6 million) for purchase of property, plant and equipment.

OUTLOOK

With the emphasis on seven emerging industries and the introduction of the Twelfth Five-Year Plan by the PRC government, the increasing purchasing power of the people and growing domestic consumption, the Group is optimistic about its development prospect. The Group will be devoted to consolidating the successful and sustainable brand of Carpenter Tan and actively develop innovative products. Quality technologies will be introduced for product development and sales network will be expanded. As such, Carpenter Tan will develop into a successful and sustainable enterprise and its business will advance to a higher level.

In 2011, the Group will continue to strengthen the expansion and development for its sales network in the PRC and overseas. Market development will be conducted in major cities including Beijing, Zhejiang, Shanghai, Chongqing, Guangzhou, etc. Through increasing the number of franchise shops, exploring new sales channels and developing bulk-purchasing business, the market share of "Carpenter Tan" will be further enhanced and the "Carpenter Tan" brand will be more well-known. In addition, the Group will actively communicate and cooperate with the franchise shops to achieve remarkable results.

In order to cater for the need of customers with higher consumption power, the Group plans to set up approximately 40 new modern shops in 2011. The new shops are mainly located in major cities, major markets, such as Chongqing, Beijing, Shanghai and Guangzhou, to provide quality wooden products for customers.

In 2011, with regard to the business development plan for overseas markets, the Group plans to provide more operation support for existing franchise shops and authorised distributors overseas. Their operation capability in oversea markets will be enhanced to further expand the Group's market share. The Group will also encourage longstanding customers to establish new shops for increasing its overseas market share. In addition to stabilising its existing markets, the Group will exert effort in attracting partnership and new customers by participating in trade fairs.

As for the Asian market, the Group will expand its business mainly by way of setting up franchise shops. It plans to establish a total of 7 franchise shops, 2 of which were in Hong Kong, 2 in Singapore, 1 in Malaysia, 1 in Taiwan and 1 in Korea. Franchise shops will also be set up in the markets in America (the United States and Canada), Oceania (Australia) and Europe (the United Kingdom, Italy, Germany, the Netherlands and Russia) for further market expansion. Moreover, diversified development methods such as sale through concessionary counters and authorised distributors will be adopted for accelerating market penetration. In 2011, the development focus in overseas markets will be on identifying the general distributors in the United States, Canada, Australia and the United Kingdom for extending the sales channels of brand products and boosting export volume.

Aside from expanding its market network, the Group will also attach great importance to product quality. In 2011, the Group will adopt the production and quality control strategy to further enhance production efficiency and product quality. Currently, the Group has commenced recruiting new staff and strengthened their training, so that the staff members will be more familiar with the production procedures. As a result, the efficiency of production process will be enhanced and the production quality will be upgraded. In response to the changes and demands in the market, the Group will actively improve existing facilities and acquire new facilities in a timely manner. In respect of production, the production plants will be committed to upgrading production technology, improving management and streamlining the procedures to strength production efficiency. Moreover, the Group will step up effort to renovate the production sites and prepare to carry out two-shift work schedule according to production needs.

Looking forward, leveraging its practical marketing strategies and robust financial position, the Group will actively and aggressively expand domestic and overseas business with integrity. By further increasing market share and strengthening the successful and sustainable brand image of Carpenter Tan, the Group aims to establish "Carpenter Tan" as the "Leading Brand of Wooden Comb in the World". The Group will seize business opportunities to strive for sustainable growth of operating profits and higher sales record in order to bring better returns to shareholders and investors.

SOCIAL RESPONSIBILITY

The society, employees and the investors are the core of the Group. Apart from actively expanding business, the Group also makes contribution to society so as to make "Carpenter Tan" an enterprise honouring social values. Adhering to its corporate culture, the Group encourages the recruitment of the disabled and provides them with job opportunities. Besides, they are provided with job training to allow them to earn their own living. Since the receipt of the social welfare enterprise permit from Chongqing City Affairs Burea (重慶市民政局) in 2004, Ziqiang Muye of the Group has been recognised as a social welfare enterprise in the PRC.

During the year, the Group employed 396 handicapped persons. The Group strictly complied with the criteria of social welfare enterprises to ensure that disabled staff members accounted for 25% of the total number of staff and were employed under labour contracts of more than 1 year. Over these years, they have made significant achievements and contributions to the Group.

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

During the year, the Group participated in various charity events. One of events was a year-round activity in which 9 caring groups of employees of the Group visited homes for the elderly, the Hope Schools, rehabilitation centres and the underprivileged every month. The activity was well-received by different levels of the Group with over 1,000 staff members participated.

Moreover, the Group put emphasis on environment protection and supported the "Green Yangtze River" (綠色長江) activity. The employees participate in tree-planting activities twice a year for raising the awareness on environment protection. In March 2010, the Group organised an activity of weeding and fertilising for trees planted in Shapin Town, Yubei District, Chongqing, in the past few years. The Group also organised a tree-planting activity in Gulu Town and Caoping Town in Yubei District, Chongqing and planted a total of 1,000 trees.

The Group also participated in post-disaster relief activities. In April 2010, the Group organised a team to visit to Haifa Village, Qinglin Town, Liupanshui, Guizhou. The team donated drinking water for two Hope Schools in the village and built water cellars for the villagers to relieve their immediate needs.

HUMAN RESOURCES AND TRAINING

During the year, the Group had a total of 968 employees in Mainland China, Hong Kong and overseas. Its total staff cost was approximately RMB31.2 million for the year ended 31 December 2010 (2009: RMB23.1 million).

Besides providing employment opportunities for disabled persons, the Group is committed to seeking talents and enhancing their values. Through various incentive schemes, the Group encouraged all staff to participate in product design and development to explore different capabilities of staff. The Group held training activities for the staff to upgrade their knowledge, marketing skills and services.

Furthermore, sense of belonging was cultivated among staff members when they participated in the training. In 2010, over 700 online learning programmes were available for its staff. Training on corporate culture and service skills was offered through classes, examination, data sharing and CD playing. During the year, Ziqiang Muye commenced training on cost control, while the Group organised an outward bound programme in Baishiyi Town, Chongqing.

In addition, the future success of the Group is mainly attributable to the effort of our executive Directors. As such, the Group entered into service agreements with all executive Directors with an initial term of three years since the date of listing.

Based on the Group's corporate value of "Honesty, Work and Happiness", it always educates its staff about the importance of honesty and places emphasis on providing practical and sincere services to customers. During the year, the Group organised the first "I know I will I can do, honest to work will be more happy"（我知我會我能行，誠實勞動更快樂）skill competition for the Company and its factories. Through this competition, the skills of staff were further enhanced. The staff also realised the corporate culture of "Honesty, Work and Happiness". In December 2010, the Group organised an interesting "game-playing" Christmas party to enhance staff coherence.

MATERIAL ACQUISITION AND DISPOSAL OF THE GROUP

For the year ended 31 December 2010, 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 2010, the Group did not have any bank loan (2009: RMB50 million) and held approximately RMB181.3 million (2009: RMB194.8 million) cash reserves. There was no gearing ratio (total borrowings to shareholders' fund) as at 31 December 2010 (2009: 19.3%).

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 2010, the Group did not have any assets pledged to the bank (2009: nil).

CAPITAL COMMITMENTS

As at 31 December 2010, the Group's capital commitments were approximately RMB1.5 million (2009 : RMB0.1 million), all of which were related to acquisition of property, plant and equipment.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 29 December 2009 (the "Listing Date"), after deducting of the related issuance expenses, amounted to approximately HK$132.9 million (equivalent to approximately RMB116.8 million). As at 31 December 2010, the Group had used net proceeds of approximately RMB23.1 million of which RMB7.9 million had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, RMB4.0 million for enhancement for sales network and sales support services, construction of production base and RMB11.2 million as working capital. The remaining net proceeds have been deposited into banks which are intended to be applied in accordance with the proposed application set forth in the Company's prospectus dated 15 December 2009 except for the proposed application of HK$24.0 million for setting up high-end home accessories shops in the PRC and the application of HK$6.0 million for setting up lifestyle handicraft stores. Due to the change in market environment and the Group's business strategy, the Group has decided to hold-up the business plan in developing the high-end home accessories shops and lifestyle handicraft stores.

The Board is now studying other alternative business development opportunities, which would generate better investment return to the Group's shareholders.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued capital were held by members of the public for the year ended 31 December 2010 and up to the date of this announcement as required under the Listing Rules.

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 2011 AGM, the register of members of the Company will be closed from Tuesday, 17 May 2011 to Monday, 23 May 2011, 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 Monday, 16 May 2011.

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 during the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2010, 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 arrangement 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 in the Board. The Board believes that the arrangement 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 2010. 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 written guidelines. 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 for the year ended 31 December 2010, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

PUBLICATION OF 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 2010 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, 25 March 2011

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tan Chuan Hua, Mr. Tan Di Fu 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*