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 2011

RESULTS HIGHLIGHTS

- Turnover increased by 28.8% to approximately RMB244.0 million (2010: RMB189.4 million).
- Gross profit increased by 38.9% to approximately RMB166.9 million (2010: RMB120.2 million).
- Gross profit margin reached 68.4%, representing an increase of 5.0% (2010: 63.4%).
- Profit for the year ended 31 December 2011 increased by 41.6% to approximately RMB93.6 million (2010: RMB66.1 million).
- Basic earnings per share increased to approximately RMB37 cents (2010: RMB26 cents).
- In view of the Group's satisfactory results, the Directors recommend a final dividend in respect of the year ended 31 December 2011 of HK22.97 cents (2010: HK15.71 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Friday, 18 May 2012.

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 31December 2011 together with the comparative figures for the year ended 31December 2010 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	Notes	**2011**	2010
		RMB'000	*RMB'000*
Turnover	4	**244,001**	189,418
Cost of sales		**(77,091)**	(69,240)
Gross profit		**166,910**	120,178
Other revenue and other net income	5	**20,366**	23,725
Administrative expenses		**(24,659)**	(24,192)
Selling and distribution expenses		**(23,868)**	(24,038)
Other operating expenses		**(7,247)**	(7,635)
Profit from operations		**131,502**	88,038
Finance costs		**(144)**	(2,446)
Profit before taxation	6	**131,358**	85,592
Income tax	7	**(37,788)**	(19,468)
Profit for the year		**93,570**	66,124
Attributable to			
Owners of the Company		**93,570**	66,124
Dividends			
Proposed final	8	**46,800**	33,062
Earnings per share	9		
Basic and diluted		**RMB 37 cents**	RMB 26 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**93,570**	66,124
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of foreign operations	**(754)**	(923)
Income tax related to components of other comprehensive income	**—**	—
Other comprehensive income for the year	**(754)**	(923)
Total comprehensive income for the year	**92,816**	65,201
Attributable to		
Owners of the Company	**92,816**	65,201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2011 *RMB'000***	2010 *RMB'000*
Non-current assets			
Property, plant and equipment		**32,449**	33,110
Prepaid lease payments		**19,363**	19,881
Investment properties		**42,800**	41,800
Intangible assets		**—**	—
		94,612	94,791
Current assets			
Prepaid lease payments		**518**	518
Inventories	11	**60,697**	53,213
Trade receivables	12	**1,262**	1,171
Other receivables, deposits and prepayments		**7,576**	8,406
Cash and cash equivalents		**250,790**	181,298
		320,843	244,606
Current liabilities			
Trade payables	13	**2,005**	3,009
Other payables and accruals		**19,309**	18,089
Income tax payable		**18,197**	4,939
		(39,511)	(26,037)
Net current assets		**281,332**	218,569
Total assets less current liabilities		**375,944**	313,360
Non-current liabilities			
Deferred tax liabilities		**13,964**	11,099
Deferred income		**917**	952
		(14,881)	(12,051)
NET ASSETS		**361,063**	301,309
CAPITAL AND RESERVES			
Share capital		**2,200**	2,200
Share premium and reserves		**358,863**	299,109
TOTAL EQUITY		**361,063**	301,309

Notes to the Financial Statement

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 its 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; and (iii) the operation of retail shops for direct sale of the Group's products in Hong Kong.

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 2011 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 believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities 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 a number of new and revised accounting standards, amendments and an interpretion to HKFRSs 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 24 (revised 2009), *Related party disclosures*

- Improvements to HKFRSs (2010)

- HK(IFRIC) Int 19, *Extinguishing financial liabilities with equity instruments*

- Amendments to HK(IFRIC) Int 14, *HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*

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

The amendment to HK(IFRIC) Int 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) Int 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because no entity within the Group is a government-related entity.

- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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:

	2011	2010
	RMB'000	*RMB'000*
Sales of goods	**242,256**	187,932
Franchise fee income	**1,745**	1,486
	244,001	189,418

5. OTHER REVENUE AND OTHER NET INCOME

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Government grant	**34**	86
Government grant released from deferred income	**35**	27
Interest income on financial assets not at fair value through profit or loss - bank interest income	**2,346**	616
PRC VAT refunds (note 7(a)(i))	**12,562**	12,046
Subcontracting income	**—**	22
Rental income from operating leases	**2,613**	1,908
Reversal of impairment loss on other receivables	**—**	520
Reversal of accrued payables*	**—**	614
Others	**1,735**	736
	19,325	16,575
Other net income		
Gain on disposal of fixed assets	**41**	—
Change in fair value of investment properties	**1,000**	7,150
	20,366	23,725

* The amount represented certain administrative expenses accrued in previous years which was no longer payable. Hence, it was written back accordingly and was recognised as other revenue.

6. PROFIT BEFORE TAXATION

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

	2011	2010
	RMB'000	*RMB'000*
a) Staff costs (including directors' emoluments)		
- Salaries and other benefits	**37,747**	30,189
- Contribution to retirement scheme	**1,321**	961
Total staff costs	**39,068**	31,150
b) Other items		
Auditor's remuneration	**991**	960
Amortisation of prepaid lease payments	**518**	518
Amortisation of intangible assets	**—**	125
Cost of inventories (note 6(b)(i) and 11)	**77,091**	69,240
Depreciation	**2,862**	3,681
Impairment for intangibie assets	**—**	375
Impairment for trade receivables	**1**	4
(Gain)/loss on disposal of property, plant and equipment	**(41)**	1,913
Operating lease rentals in respect of land and buildings	**5,553**	7,286
Provision for sales returns	**595**	3,687
Write-down of inventories (note 11)	**1,807**	2,275
Reversal of write-down of inventories	**(695)**	—
Gross rental income from investment properties	**(2,613)**	(1,908)
Less: Direct outgoings	**176**	186
Net rental income	**(2,437)**	(1,722)

Notes:

(i) Cost of inventories includes approximately RMB23,088,000 (2010: RMB19,096,000) 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:

	2011	2010
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax (notes 7(a)(i), (ii), (iii) and (iv))	**33,195**	13,519
Hong Kong profits tax (note 7(a)(vi))	**—**	—
Withholding tax on dividends (notes 7(a)(vii))	**1,723**	—
	34,918	13,519
Underprovision in prior years, net		
PRC enterprise income tax	**5**	992
Deferred tax		
Distribution of dividends	**(1,723)**	—
Current year	**4,588**	4,957
Total	**37,788**	19,468

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 that with effect 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 involved in national encouraged business activities.

(iii) Due to the expiry of preferential tax policies from 1 January 2011, the provision for PRC income tax for Ziqiang Muye and Carpenter Tan is calculated on the statutory income tax rate of 25% on their assessable profits.

The Group is uncertain that Ziqiang Muye and Carpenter Tan will be eligible for income tax rate of 15% under the new preferential tax policies granted to companies located in western part of the PRC in accordance with Caisui (2011) No. 58, as the list of national encouraged business activities eligible for Caisui (2011) No. 58 is not yet announced as at the date of this report.

(iv) 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% (2010: 25%) except that for the year ended 31 December 2010, Ziqiang Muye and Carpenter Tan. Ziqiang Muye and Carpenter Tan were eligible for the income tax concessions according to the tax preferential policies as stated in note 7(a)(i) and 7(a)(ii).

(v) 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.

(vi) No provision for Hong Kong profits tax has been made for the years ended 31 December 2011 and 2010 as the Group did not have assessable profits subject to Hong Kong profits tax for these years.

(vii) 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 from 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caisui (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 RMB4,338,000 (2010: RMB3,170,000) in respect of the withholding income tax on dividends has been recognised by the Group for the year ended 31 December 2011.

Withholding tax on dividends represents tax charged by the PRC tax authority on dividends distributed by the Group's subsidiaries in Mainland China during the year.

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

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**131,358**	85,592
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**35,224**	22,773
Tax effect of non-deductible expenses	**1,134**	780
Tax effect of non-taxable incomes	**(135)**	(48)
Effect of tax concessions enjoyed by a subsidiary (note 7(a)(i))	**(2,175)**	(1,726)
Effect of concessionary tax rate enjoyed by subsidiaries (note 7(a)(i) and (ii))	**—**	(8,899)
Unrecognised temporary differences	**(602)**	588
Unrecognised tax losses	**711**	1,838
Utilisation of tax losses previously not recognised	**(325)**	—
Utilisation of tax losses	**(387)**	—
Withholding tax on dividends (note 7(a)(vii))	**4,338**	3,170
Underprovision in prior years	**5**	992
Actual tax expenses	**37,788**	19,468

8. DIVIDENDS

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

	2011	2010
	RMB'000	*RMB'000*
Interim dividends of RMB Nil per ordinary share (2010: RMB Nil) declared and paid	**—**	—
Final dividend of RMB18.72 cents per ordinary share (2010: RMB13.22 cents) proposed after the end of the reporting period	**46,800**	33,062
	46,800	33,062

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*

	2011	2010
	RMB'000	*RMB'000*
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**93,570**	66,124

(ii) *Weighted average number of ordinary shares*

	Number of shares	
	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**250,000**	250,000

b) Diluted earning per share

There were no dilutive potential shares in issue during the year, the diluted earnings per share is the same as the basic earnings per share during the years ended 31 December 2011 and 2010.

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 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

	2011	2010
	RMB'000	*RMB'000*
Raw materials	**37,790**	35,232
Work-in-progress	**7,637**	6,846
Finished goods	**15,270**	11,135
	60,697	53,213

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

	2011	2010
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**75,979**	66,965
Write-down of inventories	**1,807**	2,275
Reversal of write-down of inventories	**(695)**	—
	77,091	69,240

During the year, the Group sold inventories which had been written down in prior years. The written-down of RMB695,000 made in prior year was therefore reversed in current year.

12. TRADE RECEIVABLES

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

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**1,270**	1,178
Less: Allowance for doubtful debts (note 12(b))	**(8)**	(7)
	1,262	1,171

a) Ageing analysis of trade receivables is as follows:

	2011	2010
	RMB'000	*RMB'000*
0 to 30 days	**1,118**	865
31 to 60 days	**19**	197
61 to 90 days	**38**	40
91 to 180 days	**23**	34
181 to 365 days	**32**	21
Over 1 year	**40**	21
	1,270	1,178

b) Movements in allowance account for doubtful debts

Impairment losses in respect of trade receivables 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:

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**7**	3
Impairment loss recognised	**1**	4
At 31 December	**8**	7

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:

	2011	2010
	RMB'000	*RMB'000*
Past due but not impaired		
31 to 60 days past due	**19**	197
61 to 90 days past due	**38**	40
91 to 180 days past due	**23**	34
181 to 365 days past due	**32**	21
More than 1 year past due	**32**	14
	144	306
Neither past due nor impaired	**1,118**	865
	1,262	1,171

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:

	2011	2010
	RMB'000	*RMB'000*
0 to 30 days	**1,693**	2,227
31 to 60 days	**164**	251
61 to 90 days	**1**	74
91 to 180 days	**49**	9
181 to 365 days	**20**	374
Over 1 year	**78**	74
	2,005	3,009

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global economy was in turmoil in 2011. The global financial crisis triggered by the Greek debt crisis resulted in a drop of the sovereign ratings for many European countries and the continuous depreciation of US Dollar. The global economy was unstable and experienced a slow growth. As the economic growth of China slowed down in the second half of 2011, aiming to maintain the sustainable and sound economic growth, the Chinese government carried out various measures regarding the reserve requirement and consumption tax as well as the control of overheating property prices and rising costs in 2011 to tackle external challenges and stimulate domestic demand and thus domestic consumption. Under the guidance of the Chinese government, Chinese economy maintained its steady growth and the GDP increased rapidly by 9.2% in 2011 over the corresponding period of the previous year, which is the highest among the major economies of the world.

Attributable to the rapid growth of retailing and the increasing demand for consumptions, the Group recorded a rapid growth in the year. The potential opportunities brought by the huge demand in domestic market enhanced the competitive advantages of the Group in the industry and major markets in 2011. In 2011, the Group established a comprehensive information system to expand its distribution network and refined the sales process system, sales service system and management process of its franchised outlets. Despite the ever-changing business environment, the Group adhered to its prudent and positive operation approach. Remarkable results were achieved leveraging on the experienced and efficient management of the Group.

Business Review

1. Retail outlets

The Group has developed an extensive retail and distribution network mainly by operating the franchise programme in the PRC and abroad. In addition, the Group has also established directly-operated retail shops in Hong Kong. As at 31 December 2011, the Group had 1,332 retail outlets, representing a net increase of 239 shops during the year under review. The following table sets out the number of the Group's franchised outlets and directly-operated retail outlets:

No. of shops	For the year ended 31 December			
	2011		2010	
	Franchise shops	Directly-operated outlets	Franchise shops	Directly-operated outlets
Hong Kong	**0**	**7**	0	4
PRC	**1,315**	**0**	1,082	0
Other countries and regions	**10**	**0**	7	0
Total	**1,325**	**7**	1,089	4

2. Sales network

The PRC Market

The number of the Group's franchise shops in 2011 increased steadily. As at 31 December 2011, the Group had 1,315 franchise shops in PRC, representing an increase of 315 new shops, after deducting the closure of 82 old shops, there was a net increase of 233 shops as compared with the previous year. The franchise shops have a wide geographical coverage spanning 30 provinces in China.

The Group put efforts in establishing modern shops in first tier cities and coastal cities. The Group has established a total of 71 shops in the year (2010: 33 shops) with a total area of approximately 1,500 square meters in the core urban commercial areas of major cities, including Beijing, Tianjin, Shanghai, Shenzhen, Kunming, Guangzhou, Wuhan, Changsha and Chongqing.

As part of its strategies for sales network expansion, the Group adopted specific development strategies in different cities in China according to the local development situation. In the municipalities directly under the Central Government and provincial capitals, the Group expanded the sales network in store-in-stores such as shops in shopping malls, to further expand its distribution network and enhance its brand recognition. In prefecture-level cities and county-level cities, the Group proactively encouraged its existing franchise shop owners to establish new franchise shops so as to enhance the Group's brand recognition in the second and third tier cities.

Through implementing diversified development strategies, the Group introduced and launched innovative sales model. In response to the rapid development of e-commerce market in China, the Group established e-commerce team in the year to strengthen the brand building of Carpenter Tan, logistics services, advertisement and products promotion. The Group achieved a breakthrough in the growth of network sales. The establishment of e-commerce team represented the innovation of a new sales model and removed the geographical sales barriers, and the franchise shops developed in line with the network sales.

Overseas market

As the business scale kept growing, the Group established more overseas sales outlets in the year. As at 31 December 2011, there were a total of 17 sales outlets in the overseas markets, including 7 directly-operated outlets in Hong Kong and 10 franchise shops. Of which, 3 franchise shops were in Singapore, 1 in Malaysia, 1 in Korea, 4 in the United States and 1 in Japan. In addition, the Group expanded its businesses by conducting sales through authorized and general distribution agency. The products under the brand name "Carpenter Tan" were sold in various overseas countries or regions, including Germany, Britain, Australia, the United States, Canada and Taiwan.

3. Sales management

The Group has placed emphasis on the update and management of its marketing systems to enhance the management of franchise shops. In the year, the Group refined its Point of Sale ("POS") system and conducted random checks of the POS data uploaded and inventory of franchise shops from time to time. Furthermore, market researchers of the Group supervised the upload process of franchise shops to ensure a smooth upload. The adoption of information technology in management enhanced the transparency of franchise shops, facilitating the management to keep informed of and promptly respond to the market information. It also improved the communication between the Group and its franchise shops, and enhanced the efficiency of employees and management effectiveness.

In order to further refine the operating mechanism of its franchise shops, provincial managers and market supervisors arranged site inspection for the operations of franchise shops monthly in strict compliance with the ISO Management Manual and rectified problems timely to ensure the smooth operation of sales system. In addition, the Group organized online test for employees every month to understand the operation of franchise shops and mobility of employees timely.

4. Products design and development

The Group has established a strong design and development team comprising staff with extensive experience and expertise in colouring, inlaying, packaging, product design and graphic design for diversifying product development. The Group also invited external outstanding designers participating in product design to improve the products development capacity.

As at 31 December 2011, the Group has launched 621 products, comprising 246 box sets, 228 lockets, 28 mirrors, 85 accessories and 34 limited editions. In 2011, the Group launched 124 new products, comprising 71 box sets, 17 lockets, 15 accessories and 21 limited editions.

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 "Provincial Technology Centre" designated by Chongqing Municipal Government in 2005. The achievements, honour and research progress of the Centre were as follows:

- Quality of 5 types of woods was standardized and the product quality was further improved. Number of goods returned due to poor product quality decreased and cost efficiency improved. Currently, the Group is undergoing environmental experiment and market experiment for this project with satisfactory progress. All technical requirement has been fulfilled.

- Functions of the fast growing materials were improved, aiming to replace the materials used by the Group currently by sustainable materials in order to protect the environment and fulfill the Group's social responsibility while expanding business.

- The Group carried out research on and conducted experiments for mildew proof and insect proof technologies in order to safeguard the inventory and values of its materials. The Group has passed the small batch tests and will proceed to batch inspections and trial application.

The Group has placed emphasis on the research and development of new products. In the year, the Group carried out research and development in the following 6 aspects:

- Overall development: Aiming on launching 150 new products and developing two new materials in 2012 for the promotion of new product design, the Group would formulate plans and make adjustments for the long-term development of products and packages.

- Theme design: Targeting on developing 5 theme products in 2012, the Group would design new themes for the future product series.

- Product series refinement: The Group would refine its products and replace products with unsatisfactory sales according to the analysis of product series.

- Annual design: The Group would design its products with annual or festival features.

- Personalized design: The Group would launch conventional products and innovative products developed by the designer.

- Market-oriented design: The Group would design products according to market demand and the development of new technologies in addition to the production plan.

5. Production capacity

The production plant of the Group located in Wanzhou, which mainly produces combs and mirrors, is expected to be able to support the sales of combs and mirrors in the foreseeable future.

Actual Production (Pieces)	**For the year ended 31 December**	
	2011	**2010**
Combs	4,058,200	4,024,900
Mirrors	783,700	664,800
Total	4,841,900	4,689,700

6. Marketing and promotion

The Group has adopted proactive marketing and promotion strategies to maintain and enhance the brand recognition of "Carpenter Tan". In the year, the promotion and advertisement activities organized by the Group were mainly promotion activities held in festivals and advertisements launched through media.

In the year, the Group placed advertorials in "Healthy Lifestyle" (健康生活), a lifestyle channel broadcasted in Beijing, to spread the message of healthy combing among consumers. Such advertisements were welcomed by franchise shops. In addition, the Group also educated consumers that combing hair is a healthy life-style through publishing articles in the internet, key word search of search engines, popular presses, online media and blogs.

Furthermore, the Group promoted its products through organizing promotion activities in conventional festivals. In the year, the Group organized "The History of Carpenter Tan" (譚木匠品牌之路), a 3-day training camp in the head office of the Group. The training camp attracted 20 trainees from 10 enterprises in China. The objectives of the training camp were to promote the corporate culture and concept of the Group through visiting, studying, training and exchanging activities.

By publishing internal magazine "Carpenter Tan" (譚木匠), leaflet "Wood to Integrity" (以木立信) and comic about maintaining a healthy life by combing hair and scraping, the brand image was further enhanced.

7. Awards and accreditation

In the year, the Group ranked 30th among "the Top 100 Innovative Enterprises in China" organized by "Innovative Enterprises Summit Forum in 2011"（2011中國微創新高峰論壇中國企業微創新100榜）and was granted the Certificate of Environmental Management System and the Certificate of Occupational Health and Safety Management System. In addition, the Group also became the "International E-commerce Demonstration Enterprise of Chongqing"（重慶市國際電子商務示範企業）and was named as "Chongqing Famous Brand" again.

Financial Review

1. Turnover

The Group recorded turnover of approximately RMB244.0 million for the year ended 31 December 2011, representing a growth of RMB54.6 million or 28.8% as compared to that of approximately RMB189.4 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. As at 31 December 2011, the Group had 1,325 franchise shops and 7 directly-operated outlets respectively while as at 31 December 2010, the Group had 1,089 franchise shops and 4 directly-operated outlets respectively. The franchise fee income was approximately RMB1.7 million which was close to that of RMB1.5 million of last year.

	For the year ended 31 December			
	2011		2010	
	(RMB'000)	**%**	(RMB'000)	%
Sales				
— Combs	**68,518**	**28.1**	57,207	30.2
— Mirrors	**2,062**	**0.9**	1,930	1.0
— Box sets	**159,670**	**65.4**	117,660	62.1
— Other accessories*	**12,006**	**4.9**	11,135	5.9
Franchise fee income	**1,745**	**0.7**	1,486	0.8
Total	**244,001**	**100.0**	189,418	100.0

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

2. **Cost of Sales**

The cost of sales of the Group was approximately RMB77.1 million for the year ended 31 December 2011, representing an increase of RMB7.9 million or 11.4% as compared to that of approximately RMB69.2 million of last year, which was basically consistent with the growth of our turnover.

3. **Gross Profit and Gross Profit Margin**

For the year ended 31 December 2011, gross profit of the Group was approximately RMB166.9 million, representing an increase of RMB46.7 million or 38.9% as compared to that of approximately RMB120.2 million of last year. The gross profit margin rose from 63.4% in 2010 to 68.4% in 2011. 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.

4. **Other Revenue and Other Net Income**

Other revenue and other net income was approximately RMB20.4 million for the year ended 31 December 2011, representing a decrease of RMB3.3 million or 13.9% as compared to that of approximately RMB23.7 million of 2010. Other revenue and other net income is mainly comprised of PRC VAT refunds of approximately RMB12.6 million, rental income of approximately RMB2.6 million, interest income of approximately RMB2.3 million and fair value change of investment property of RMB1.0 million respectively (2010 : PRC VAT refunds of approximately RMB12.0 million, rental income of approximately RMB1.9 million, interest income of approximately RMB0.6 million and fair value change of investment property of RMB7.2 million respectively).

5. **Selling and Distribution Expenses**

The selling and distribution expenses amounted to approximately RMB23.9 million for the year ended 31 December 2011, which was close to that of approximately RMB24.0 million in 2010. The selling and distribution expenses mainly including advertising and market expansion expenses of approximately RMB2.5 million, delivery charges of approximately RMB3.2 million, rental expenses of approximately RMB5.3 million, salaries and benefits of approximately RMB6.3 million and travelling expenses of approximately RMB2.0 million respectively (2010 : advertising and market expansion expenses of approximately RMB2.8 million, delivery charges of approximately RMB2.5 million, rental expenses of approximately RMB6.9 million, salaries and benefits of approximately RMB5.6 million and travelling expenses of approximately RMB1.8 million respectively).

6. **Administrative Expenses**

The administrative expenses of the Group was approximately RMB24.7 million for the year ended 31 December 2011, representing a slight increase of RMB0.5 million or 2.1% as compared to that of approximately RMB24.2 million of last year. The administrative expenses is mainly comprised of salaries and benefits of approximately RMB11.3 million, legal and professional fee of approximately RMB1.8 million, consultancy fee of approximately RMB1.4 million, depreciation charges of approximately RMB0.9 million and audit fee of approximately RMB1.1 million respectively (2010 : salaries and benefits of approximately RMB8.1 million, legal and professional fee of approximately RMB2.1 million, consultancy fee of approximately RMB2.4 million, depreciation charges of approximately RMB0.8 million and audit fee of approximately RMB0.9 million respectively).

7. **Other Operating Expenses**

Other operating expenses of the Group was approximately RMB7.3 million for the year ended 31 December 2011, representing a decrease of RMB0.3 million or 3.9% as compared to that of approximately RMB7.6 million of 2010. The decrease was primarily attributable to a decrease in loss on disposal of fixed assets of RMB1.9 million which was partly off-set by the increase in sales and other tax as a result of the increase in our Group's turnover and operation.

8. **Finance Costs**

For the year ended 31 December 2011, finance costs amounted to approximately RMB0.1 million, decreased by approximately RMB2.3 million or 95.8% when compared to approximately RMB2.4 million for the year ended 31 December 2010. The decrease was mainly due to the decrease in interest on bank borrowing as a result of the decrease in the average bank borrowings. The average bank borrowings decreased from approximately RMB25 million as at 31 December 2010 to nil as at 31 December 2011.

9. **Income Tax**

For the year ended 31 December 2011, income tax expenses for the Group amounted to approximately RMB37.8 million, increased by approximately RMB18.3 million or 93.8% when compared to approximately RMB19.5 million for the year ended 31 December 2010. This increase was mainly due to an increase in profit before taxation and a rise in the actual tax rate.

The effective tax rate for the year ended 31 December 2011 was 28.7% when compared to 22.7% for the year ended 31 December 2010.

10. **Profit for the Year**

The Profit for the year ended 31 December 2011 was approximately RMB93.6 million, representing an increase of approximately RMB27.5 million or 41.6% as compared to that of approximately RMB66.1 million in 2010. The increase was mainly due to the growth of our turnover as well as profit margin for the year under review.

Analysis of Major Balance Sheet Items

1. **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 2011, the net book value of property, plant and equipment amounted to approximately RMB32.5 million, representing a decrease of RMB0.6 million, or 1.8%, as compared with the previous year of approximately RMB33.1 million. The decrease was mainly attributable to the depreciation charges of approximately RMB2.8 million for the year ended 31 December 2011.

2. **Inventories**

The Group's inventories as at 31 December 2011 increased by approximately RMB7.5 million or 14.1% from approximately RMB53.2 million as at 31 December 2010 to approximately RMB60.7 million as at 31 December 2011, 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 2012.

3. **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 slightly by approximately RMB0.1 million from approximately RMB1.2 million as at 31December 2010 to RMB1.3 million as at 31 December 2011, 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.

4. **Other Receivables, Deposits and Prepayments**

The Group's other receivables, deposits and prepayments decreased by approximately RMB0.8 million from approximatelyRMB8.4 million as at 31 December 2010 to approximately RMB7.6 million as at 31December 2011. Decrease in other receivables, deposits and prepayments was mainly due to a decrease in other receivables of approximatelyRMB0.7 million when compared to last year.

5. **Trade Payables**

As at 31 December 2011, the Group's trade payables was approximately RMB2.0 million, representing a decrease of approximately RMB1.0 million as compared with approximately RMB3.0 million of 2010.

6. **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 2011 increased by approximately RMB1.2 million or 6.6% from approximately RMB18.1 million of 2010 to approximately RMB19.3 million as at 31 December 2011, primarily due to an increase in other tax payable of approximately RMB1.6 million as a result of the growth in our business.

Cash Flow

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

1. **Net cash generated from operating activities**

The Group's cash inflow from operations primarily derives from payments for the sale of the Group's products. For the year ended 31 December 2011, the Group's net cash generated from operating activities amounted to approximately RMB107.5 million, representing an increase of net cash generated from operating activities of approximately RMB42.2 million from approximately RMB65.3 million for the year ended 31 December 2010. The increase was primarily due to the continued growth of the Group's turnover and operations.

2. **Net cash used in investing activities**

For the year ended 31 December 2011, the Group's net cash used in investing activities amounted to approximately RMB2.2 million, representing a decrease of approximately RMB0.7 million as compared with approximately RMB2.9 million for the year ended 31 December 2010. The decrease is mainly due to the reduction in payment for purchasing fixed assets during the year under review.

3. **Net cash used in financing activities**

For the year ended 31 December 2011, the Group's net cash used in financing activities amounted to approximately RMB35.1 million, representing a decrease of approximately RMB39.9 million as compared with approximately RMB75.0 million for the year ended 31December 2010. The decrease was primarily due to a one-off repayment of bank borrowings of RMB50 million in last year which was not occurred during the year under review.

Capital Structure

1. **Indebtedness**

As at 31 December 2011 and during the year under review, the Group did not have any bank borrowings.

2. **Gearing ratio**

As at 31 December 2011 and 2010, the Group did not have any bank borrowings. The calculation of gearing ratio was not meaningful.

3. **Pledge of assets**

As at 31 December 2011, the Group did not have any assets pledged to the banks (31 December 2010 : nil).

4. **Capital expenditure**

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and purchases of motor vehicles. The Group's capital expenditures amounted to approximately RMB2.3 and approximately RMB3.2 million for the year ended 31 December 2011 and 2010 respectively.

5. **Foreign exchange risk**

The major business of the Group has used RMB and HK$ as the functional and operational currencies. The Group expects that RMB will maintain a stable development. The Group has no major risks in changes in other currency exchange.

Liquidity and Capital Resources

The Group has met its working capital needs mainly through cash generated from operations and various short term bank borrowings when required. For the year ended 31 December 2011, the Group did not have any bank borrowings. Taking into account the cash flow generated from operation and the bank borrowing facilities available to the Group, the directors of the Company are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least twelve months from the date of this announcement.

As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB250.8 million mainly generated from operations of the Group and funds raised by the Company in 2009.

FUTURE OUTLOOK

According to the Twelfth Five-Year Plan, the Chinese government stressed to expand the domestic demand and promote cultural development. Benefitting from the policies of the Chinese government, the GDP of China maintained steady growth. The continuous increase in per capita income has boosted domestic consumption, driving the demand for the Chinese traditional crafts to grow. In 2011, as the domestic demand for small wooden decoration kept increasing, the sales networks of the Group successfully penetrated to the second and third tier cities as well as overseas markets and contributed satisfactory results in 2011. The Group will increase investment in building its brand and strengthen research and development in order to improve product quality and production efficiency. The Group aims to achieve better results in the future by grasping market opportunities and leveraging on its competitive edges in the industry.

Looking forward, the Group will expand its sales network prudently and actively in 2012 and plans to establish approximately 200 new franchise shops. As the domestic purchasing power in China will continue to grow, the Group plans to open 30 modern shops (demo shops) and store-in-stores in key markets and well-known chain shopping malls in municipalities directly under the Central Government and provincial capitals, including Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Hangzhou, Nanjing, Suzhou, Wuhan, Shenyuang, Chengdu and Dalian, in 2012 to consolidate the sales network of the Group.

As for the development in overseas markets, the Group plans to provide more operational support to the general distributors and existing franchise shops in Singapore, the United States and Australia to improve their profitability. The Group will expand its customer bases in Europe and other new markets through participating in overseas exhibitions and the online platform. In order to further increase the market share of its products in the international market, the Group intends to establish 7 new franchise shops through regional distributors in overseas markets in 2012.

In addition to the market expansion, the Group will also improve its information management and POS system to strengthen the communication between the Group and franchise shops and the supervision of the franchise shops. Through upgrading and refining the functions of POS system, the Group will enhance the supervision and management of the operating data and improve the working efficiency of franchise shops, laying a solid foundation for the delicacy management of the shops.

Besides, the Group will organize different training programmes for its employees according to the development needs of each department. Through video training, online test, seminar, exhibition and outdoor training, the Group aims to strengthen the training for employees and encourage employees to achieve self-improvement by upgrading their technology level and professional knowledge.

For e-commerce business, the Group will continue to strengthen its e-commerce team in terms of products modification, logistics services, products promotion and advertisement so as to further develop the potential in e-commerce business.

Looking ahead, by capitalizing on its sound financial system and practical marketing strategies, the Group will further expand its domestic and overseas market shares and strengthen and consolidate its leading position in the industry. While developing the business of the Group, the Group will endeavor to fulfill its corporate social responsibilities and improve staff welfare to promote the corporate value of "Honesty, Work and Happiness" and the long-lasting brand image of Carpenter Tan in China and overseas. The Group will strive to achieve better results in order to bring better returns to investors.

Corporate Social Responsibilities

The Company insists on shouldering its social responsibilities and caring its staff and investors as the core values apart from expanding its businesses. The Group encourages the recruitment of the disabled and provides them with more job opportunities. During the year, the Group employed 355 disabled staff in total and provided them with suitable training. They have made significant contribution to the Group. The Group has been recognized as a social welfare enterprise in China.

The Group also expressed its care to the society through taking part in other charity activities. One of the events was a year-round activity at which 9 caring groups formed by our staff. Care and assistance work visited homes for the elderly, the Hope Schools, rehabilitation centers and the underprivileged every month.

Moreover, the Group launched various green activities to promote environmental protection.

HUMAN RESOURCES AND TRAINING

As at 31 December 2011, the Group had a total of 985 employees in Mainland China, Hong Kong and overseas. Its total staff cost was approximately RMB39.1 million for the year ended 31 December 2011 (2010: approximately RMB31.2 million).

In addition to providing job opportunities to the disabled, the Group has attached high emphasis on the self-upgrade of its staff. By holding various themed exhibitions, workshops, seminars and staff training, the working skills of the staff as well as their sense of belonging to the Group were further enhanced. In 2011, the Group held a skill contest and a singing contest in order to develop positive, optimistic and harmonic cultures of the staff. The Group also provided various on-job training to the staff such as classes, examinations, data sharing and CD playing for the development have team spirits, courtesy, production management and accounting practice in order to consolidate and spread the corporate culture of Carpenter Tan.

DIVIDENDS

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend for the financial year ended 31 December 2011 of HK$22.97 cents per share to shareholders whose names appear on the register of members of the Company on Monday, 28 May 2012, amounting to approximately HK$57,425,000 subject to the approval from the Company's forthcoming annual general meeting to be held on Friday, 18 May 2012. Total dividend payout ratio is 50% of the profit for the year or 62% of the distributable profit of the Company, after deducting non-distributable statutory reserves for the year ended 31 December 2011 of approximately RMB18,300,000. The above-mentioned final dividend is expected to be paid on or before Friday, 15 June 2012.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2011, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2011, the Group has not made any material acquisition and disposal.

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited on 29 December 2009, after deducting the related issuance expenses, amounted to approximately HK$132.9 million (equivalent to approximately RMB116.8 million). As at 31 December 2011, the Group had used net proceeds of approximately RMB35.1 million, of which approximately RMB10.5 million had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, approximately RMB12.4 million for enhancement for sales network and sales support services, construction of production base and approximately RMB12.2 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 approximately RMB19.5 million (HK$24.0 million) for setting up high-end home accessories shops in the PRC and the application of approximately RMB4.9 million (HK$6.0 million) for setting up lifestyle handicraft stores. As disclosed in the Company's 2010 annual report, 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 studying other alternative business development opportunities, which would generate better investment return to the Group's shareholders.

CAPITAL COMMITMENT

As at 31 December 2011, the Group had capital commitment amounted to approximately RMB0.2 million (31 December 2010 : approximately RMB1.5 million).

SHARE OPTION SCHEME

The Company operates a share option scheme ("Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including Directors, eligible employees, consultants, suppliers, customers, any shareholder of each member of the Group or associated company or any of their respective associates, who contribute to the success of the Group. The Share Option Scheme was conditionally approved by a written resolution of the shareholders of the Company dated 17 November 2009. Details of the Share Option Scheme are set out in the prospectus of the Company dated 15 December 2009.

As at 31 December 2011, no share option was granted based on the Share Option Scheme.

ONGOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a "going concern" basis.

PUBLIC FLOAT

According to information disclosed publicly and as far as the Directors are aware, for the year ended 31 December 2011 and up to the date of this announcement, at least 25% issued shares of the Company was held by public shareholders.

CLOSURE OF THE REGISTER OF MEMBERS

To be eligible to attend and vote in the coming annual general meeting

The register of members of the Company will be closed from Wednesday,16 May 2012 to Friday, 18 May 2012 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investors Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Tuesday,15 May 2012.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Thursday, 24 May 2012 to Monday, 28 May 2012 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified for receiving the proposed final dividend, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investors Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Wednesday, 23 May 2012.

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

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2011, 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 members in the Board. The Board believes that the arrangement outlined above is beneficial to the Company and its business.

MODEL CODE FOR SECURITIES TRANSCATIONS

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 Directors has confirmed his or her compliance with the Model Code for the financial year ended 31 December 2011. 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 for the year ended 31 December 2011.

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 recognized professional qualifications in accounting as required by the Listing Rules.

The audit committee has, together with the management of the Company and external independent auditors, reviewed the consolidated financial statements, accounting principles and practices adopted for the Group for the year ended 31 December 2011, and discussed auditing, internal controls, and financial reporting matters and agreed with the accounting treatment adopted by the Company.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2011 is published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.ctans.com) under "Investor Relations". The annual report for 2011 containing all necessary information as required by the Listing Rules will be sent to shareholders of the Company in due course, and will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.ctans.com) under "Investor Relations".

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

Hong Kong, 28 March 2012

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*