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 2012

RESULTS HIGHLIGHTS

- Turnover increased by 11.5% to approximately RMB271,966,000 (2011: RMB244,001,000).
- Gross profit increased by 9.1% to approximately RMB182,016,000 (2011: RMB166,910,000).
- Gross profit margin reached 66.9%, representing a decrease of 1.5% (2011: 68.4%).
- Profit for the year ended 31 December 2012 increased by 34.8% to approximately RMB126,162,000 (2011: RMB93,570,000).
- Earnings per share increased to approximately RMB 50.5 cents (2011: RMB37.4 cents).
- In view of the Group's satisfactory results, the Directors recommend a final dividend in respect of the year ended 31 December 2012 of HK31.26 cents (2011: HK22.97 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 23 May 2013.

The board (the "Board") of directors (the "Directors") of Carpenter Tan Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for the year ended 31 December 2011 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	Notes	**2012**	2011
		RMB'000	*RMB'000*
Turnover	4	**271,966**	244,001
Cost of sales		**(89,950)**	(77,091)
Gross profit		**182,016**	166,910
Other revenue and other net income	5	**24,965**	20,366
Administrative expenses		**(27,220)**	(24,659)
Selling and distribution expenses		**(29,790)**	(23,868)
Other operating expenses		**(7,680)**	(7,247)
Profit from operations		**142,291**	131,502
Finance costs		**—**	(144)
Profit before taxation	6	**142,291**	131,358
Income tax	7	**(16,129)**	(37,788)
Profit for the year		**126,162**	93,570
Attributable to			
Owners of the Company		**126,162**	93,570
Dividends			
Proposed final	8	**63,075**	46,800
Earnings per share	9		
Basic and diluted		**RMB 51 cents**	RMB 37 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**126,162**	93,570
Other comprehensive income for the year (after tax)		
Exchange differences arising on translation of functional currency to presentation currency	**(320)**	(754)
Total comprehensive income for the year	**125,842**	92,816
Attributable to		
Owners of the Company	**125,842**	92,816

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2012**	2011
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**31,775**	32,449
Prepaid lease payments		**18,845**	19,363
Investment properties		**47,330**	42,800
Intangible assets		**—**	—
		97,950	94,612
Current assets			
Prepaid lease payments		**518**	518
Inventories	11	**59,689**	60,697
Trade receivables	12	**942**	1,262
Other receivables, deposits and prepayments		**8,036**	7,576
Cash and cash equivalents		**330,147**	250,790
		399,332	320,843
Current liabilities			
Trade payables	13	**1,997**	2,005
Other payables and accruals		**29,693**	19,309
Income tax payable		**4,841**	18,197
		(36,531)	(39,511)
Net current assets		**362,801**	281,332
Total assets less current liabilities		**460,751**	375,944
Non-current liabilities			
Deferred tax liabilities		**19,764**	13,964
Deferred income		**882**	917
		(20,646)	(14,881)
NET ASSETS		**440,105**	361,063
CAPITAL AND RESERVES			
Share capital		**2,200**	2,200
Share premium and reserves		**437,905**	358,863
TOTAL EQUITY		**440,105**	361,063

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 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 currency 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 (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 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 2012 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 of the primary economic environment in which the entity operates (the “functional currency”). 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

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

- Amendments to HKFRS 7, Financial Instruments: Disclosures — Transfers of Financial Assets; and

- Amendments to HKAS 12, Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

Under the amendments to HKAS 12 "Deferred tax-Recovery of underlying assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment properties portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. As a result, the application of the amendments to HKAS 12 in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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:

	2012	2011
	RMB'000	*RMB'000*
Sales of goods	**270,629**	242,256
Franchise fee income	**1,337**	1,745
	271,966	244,001

5. OTHER REVENUE AND NET INCOME

	2012	2011
	RMB'000	*RMB'000*
Other revenue		
Government grants	**21**	34
Government grants released from deferred income	**35**	35
Interest income from financial assets not at fair value through profit or loss - bank interest income	**4,519**	2,346
PRC VAT refunds (note 7a(i))	**11,480**	12,562
Rental income from operating leases	**3,334**	2,613
Others	**1,005**	1,735
	20,394	19,325
Other income		
Gain on disposal of property, plant and equipment	**41**	41
Change in fair value of investment properties	**4,530**	1,000
	24,965	20,366

6. PROFIT BEFORE TAXATION

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

	2012 *RMB'000*	2011 *RMB'000*
a) Staff costs (including directors' emoluments)		
Salaries and other benefits	**46,953**	37,747
Contributions to retirement scheme	**2,067**	1,321
Total staff costs	**49,020**	39,068
b) Other items		
Auditor's remuneration	**979**	991
Amortisation of prepaid lease payments	**518**	518
Cost of inventories (notes 6b(i) and 11)	**89,950**	77,091
Depreciation	**2,777**	2,862
Impairment on trade receivables (note 12)	**—**	1
Gain on disposal of property, plant and equipment	**(41)**	(41)
Operating lease rentals in respect of land and buildings	**5,016**	5,553
Provision for sales returns	**5,675**	4,282
Utilisation of provision for sales returns	**(4,282)**	(3,687)
Write-down of inventories (note 11)	**2,478**	1,807
Reversal of write-down of inventories (note 11)	**(14)**	(695)
Gross rental income from investment properties	**(3,334)**	(2,613)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	**211**	234
Direct outgoings incurred for investment properties that did not generate rental income during the year	**10**	8
Net rental income	**(3,113)**	(2,371)

Notes:

(i) Cost of inventories includes approximately RMB28,607,000 (2011: RMB23,088,000) 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:

	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax (notes 7a(i), (ii), (iii), (iv) and (v))	**21,177**	33,195
Hong Kong profits tax (note 7a(vii))	**—**	—
Withholding tax on dividends (note 7a(viii))	**2,440**	1,723
	23,617	34,918
(Over)/underprovision in prior years, net		
PRC Enterprise Income Tax	**(13,288)**	5
Deferred tax		
Distribution of dividends	**(2,440)**	(1,723)
Current year	**8,240**	4,588
Total	**16,129**	37,788

Notes:

(i) Chongqing Wanzhou District Zi Qiang Wood Works Co., Ltd ("Zi Qiang Wood Works"), 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 of the PRC (the "SAT"), Ministry of Finance of the PRC, with effect from 1 October 2006, Zi Qiang Wood Works 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 when the Group's right to receive the VAT refund has been established. The amounts of the VAT refunded to the Group during the year are detailed in note 5.

(ii) Zi Qiang Wood Works and Chongqing Carpenter Tan Handicrafts Co., Limited ("Carpenter Tan"), wholly-owned subsidiaries, obtained approval from the Wanzhou Bureau of the State Administration of Taxation ("WBSAT") for a concessionary Enterprise Income Tax rate of 15% for five years from 1 January 2006 to 31 December 2010 and for two years from 1 January 2009 to 31 December 2010 respectively 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 Zi Qiang Wood Works and Carpenter Tan for the year ended 31 December 2011 was calculated on the statutory Enterprise Income Tax rate of 25% on their assessable profits because as at the approval date of the consolidated financial statements for the year ended 31 December 2011, the Group was uncertain whether Zi Qiang Wood Works 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 Caishui (2011) No. 58, since the list of national encouraged business activities in the western region eligible for Caishui (2011) No. 58 was not yet announced by then.

(iv) On 6 April 2012, the SAT issued notice No. 12 which specified that prior to the announcement of the list of national encouraged business activities in the western region, enterprises can tentatively apply for the concessionary Enterprise Income Tax rate of 15% from 2011 in accordance with Caishui (2011) No. 58, provided that these enterprises fall under the categories of several other published lists of encouraged business activities. Such concession will be revoked if the enterprises subsequently do not fall under the list of national encouraged business activities in the western region when it is announced.

On 29 May 2012, both Zi Qiang Wood Works and Carpenter Tan obtained the approval from WBSAT under notice No. 12 to enjoy concessionary Enterprise Income Tax rate of 15% from 1 January 2011 to 31 December 2020.

As such, the directors of the Company considered that Zi Qiang Wood Works and Carpenter Tan should continue to enjoy the preferential tax rate of 15% from 1 January 2011, and decided to write back the over provision for income tax for the year ended 31 December 2011 of RMB13,278,000 which was calculated on the statutory income tax rate of 25%.

(v) 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% (2011: 25%) except for Zi Qiang Wood Works and Carpenter Tan which were eligible for the income tax concessions according to the preferential tax policies as stated in note 9(a)(ii), (iii) and (iv) above.

(vi) 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.

(vii) No provision for Hong Kong profits tax has been made for the years ended 31 December 2012 and 2011 as the Hong Kong subsidiaries did not have assessable profits subject to Hong Kong profits tax for these years.

(viii) Under the Enterprise 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 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 investee 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 RMB5,898,000 (2011: RMB4,338,000) in respect of the withholding income tax on dividends has been recognised by the Group for the year ended 31 December 2012.

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

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

	2012	2011
	RMB'000	*RMB'000*
Profits before taxation	**142,291**	131,358
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**37,963**	35,224
Tax effect of non-deductible expenses	**76**	1,134
Tax effect of non-taxable incomes	**(94)**	(135)
Effect of tax concessions granted to a subsidiary (note 7a(i))	**(2,378)**	(2,175)
Effect of concessionary tax rate enjoyed by subsidiaries (note 7a(i), (ii), (iii) and (iv))	**(13,703)**	—
Unrecognised temporary differences	**842**	(602)
Unrecognised tax losses	**1,139**	711
Utilisation of tax losses previously not recognised	**(326)**	(712)
Withholding tax on dividends (note 7a(viii))	**5,898**	4,338
(Over)/underprovision in prior years	**(13,288)**	5
Actual tax expenses	**16,129**	37,788

8. DIVIDENDS

(i) *Dividends payable to equity shareholders of the Company attributable to the year*

	2012	2011
	RMB'000	*RMB'000*
Final dividend of RMB25.23 cents per ordinary share (2011: RMB18.72 cents) proposed after the end of the reporting period	**63,075**	46,800

The directors recommend the payment of a final dividend of RMB25.23 cents per ordinary share, totaling RMB63,075,000 Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 23 May 2013. These financial statements do not reflect this recommended dividend.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2012	2011
	RMB'000	*RMB'000*
Final dividend of RMB18.72 cents per ordinary share (2011: RMB13.22 cents) in respect of the previous financial year, approved and paid during the year	**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 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*

	2012	2011
	RMB'000	*RMB'000*
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**126,162**	93,570

(ii) *Weighted average number of ordinary shares*

	Number of shares	
	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basis and diluted earnings per share	**250,000**	250,000

b) Diluted earnings per share

There were no dilutive potential ordinary 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 2012 and 2011.

10. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about the components of the Group. This information is reported to and reviewed by the board of directors, which is the CODM of the Group, for the purpose of resources allocation and performance assessment.

Management considers the business from a product perspective and assesses its performance based on revenues derived from a broad range of sales of wooden handicrafts and accessories. Over 90% of the Group's turnover, results and assets are derived from a single segment which is manufacture and sales of wooden handicrafts and accessories. No 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 geographical information 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 revenue.

11. INVENTORIES

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**32,881**	37,790
Work-in-progress	**10,223**	7,637
Finished goods	**16,585**	15,270
	59,689	60,697

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

	2012	2011
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**87,486**	75,979
Write-down of inventories	**2,478**	1,807
Reversal of write-down of inventories	**(14)**	(695)
	89,950	77,091

During the year, the Group sold inventories which had been written down in prior years. The amount of RMB14,000 (2011: RMB695,000) written down 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:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**943**	1,270
Less: Allowance for doubtful debts (note 12(b))	**(1)**	(8)
	942	1,262

a) Ageing analysis of trade receivables based on invoice date is as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
0 to 30 days	**848**	1,118
31 to 60 days	**8**	19
61 to 90 days	**4**	38
91 to 180 days	**26**	23
181 to 365 days	**50**	32
Over 1 year	**7**	40
	943	1,270

b) Movements in the 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:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**8**	7
Impairment loss recognised	**—**	1
Receivables written off during the year as uncollectible	**(7)**	—
At 31 December	**1**	8

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:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Past due but not impaired		
1 to 30 days past due	**8**	19
31 to 60 days past due	**4**	38
61 to 150 days past due	**26**	23
151 to 335 days past due	**50**	32
More than 335 days past due	**6**	32
	94	144
Neither past due nor impaired	**848**	1,118
	942	1,262

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:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
0 to 30 days	**1,492**	1,693
31 to 60 days	**309**	164
61 to 90 days	**54**	1
91 to 180 days	**14**	49
181 to 365 days	**31**	20
Over 1 year	**97**	78
	1,997	2,005

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Year Under Review, global economic environment remained volatile, and European sovereignty debt crisis worsened. As a result, global economic growth significantly slowed down, and the world's economy was still in a period of volatile and slow growth. Slowing global economy also lead to the plunge of export of coastal areas in China.

Nonetheless, China's retail sector maintained a growth trend regardless of these challenges, one reason of which is that wooden crafts advocate personality and are a combination of culture and arts. As such, despite the generally slowing PRC economy, there were still great market potential and a positive trend in overall for wooden crafts, which enable the Group to record a steady and healthy growth during the Year Under Review. While expanding its distribution network, the Group also proactively optimized the sales process system, sales service system and management process of franchise shops in 2012. Facing the changing business environment, the Group always seeks to identify new profit drivers in a prudent manner in the hope of delivering desired results through efficient management.

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 2012, the Group had 1,429 retail outlets, representing a net increase of 97 shops during the year under review. The following table sets out the number of the Group's franchised outlets and directly-operated retail outlets:

Number of shops

	For the year ended 31 December			
	2012		2011	
	Franchise shops	**Directly-operated outlets**	Franchise shops	Directly-operated outlets
Hong Kong	**0**	**6**	0	7
PRC	**1,416**	**0**	1,315	0
Other countries and regions	**7**	**0**	10	0
Total	**1,423**	**6**	1,325	7

2. Sales network

The PRC Market

The number of the Group's franchise shops continued to increase steadily in the Year Under Review. As at 31 December 2012, the Group had 1,416 franchise shops in the PRC, representing an increase of 234 new shops. After deducting the 133 shops closed during the year, there was a net increase of 101 shops as compared with the previous year. The franchise shops have a wide geographical coverage spanning 33 provinces across the PRC.

The Group put efforts into establishing modern shops in first-tier cities and coastal cities in recent years. The Group has established a total of 83 shops during the Year Under Review (2011: 71 shops) with a total area of 1,800 square meters in the core urban commercial areas of major cities, including Beijing, Tianjin, Shanghai, Shenzhen, Kunming, Guangzhou, Chengdu and Chongqing.

In respect of its strategies for sales network expansion, the Group adopted customized development strategies in different cities in China according to the local development situation. In the first tier cities such as municipalities directly under the Central Government and provincial capitals, the Group was committed to achieving national coverage and focused its great efforts on expansion of the store-in-store sales channel such as shops in shopping malls, to further expand its distribution network and enhance its brand recognition. On the other hand, the Group focused its efforts on the development in the core business districts in the second tier cities and 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. Meanwhile, the Group also attempted to expand its sales outlets in the third tier cities.

In addition to the expansion of its sales outlets, the Group also proactively developed its e-commerce in response to the rapid development of the e-commerce market in China, whereby the Group removed the geographical sales barriers, created a brand new e-sales model and pointedly strengthened the expansion of the transportation & port sales channel, especially the airport sales channel. Also, the Group attempted to expand its sales network coverage to four and five-star hotels to enhance the image of its e-commerce.

Overseas market

While developing the PRC market, the Group also proactively expanded its overseas operations. Through its efforts, as at 31 December 2012, the Group established a total of 13 sales outlets in overseas market, including 6 directly-operated outlets in Hong Kong, 7 franchise shops including 3 in Singapore, 2 in the United States, 1 in Korea and 1 in Canada. In addition, in respect of its continuous development in overseas market, the Group pointedly adopted sales strategies such as agency, distribution, single-store franchise and authorized online sales, which procured the successful sales of its products in various overseas countries and regions, including Germany, Britain, France, Spain, Australia, Japan and Taiwan.

3. Sales management

The Group has been placing emphasis on the management of franchise shops, and believes it helps improve productivity and achieve better operation results through efficient management. In the Year Under Review, the Group continued to refine its Point of sale ("POS") system on an on-going basis. Furthermore, market researchers of the Group also regularly visited franchise shops to check and examine the data upload process to ensure a smooth sales process, thereby improving work efficiency.

In the Year Under Review, the Company increased its efforts on the training of franchise shops, and further regulated the images of franchise shops, promotions, the procedures of franchise application, decoration and contracts, as well as optimised and improved the efficiency of sales management through the improvement of training and examination system, images of franchise shops in malls, franchise contract and quality manual.

4. Products design and development

The Group has been placing great emphasis on product design and development: and has established a design and R&D 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 and supplemented by innovative products, the overall development capacity was improved.

As at 31 December 2012, the Group has launched a total of 541 products, comprising of 252 box sets, 155 lockets, 33 mirrors, 74 accessories and 27 limited editions. During the Year Under Review, the Group launched a total of 119 new products, comprising of 23 lockets, 64 box sets, 11 mirrors, 14 accessories and 7 limited editions.

The Group has established a technology centre in Wanzhou, Chongqing municipality, which is responsible to study on the maintenance technology and stabilisation of wood. The Group's technology centre has been granted the status of "Municipal Technology Centre" (省級技術中心) by Chongqing Municipal Government since 2005. The Centre's R&D achievements in the improvement of craftsmanship and the development of technology in 2012 were as follows:

- replacing the old jig saw with the thin band saw machine to process the shape of comb embryo and replacing high speed band saw with frame saw to process the billet of wooden mirror, which can improve the production efficiency as well as optimise the use of materials, save timber resources and protect ecological environment;

- Changing the processing method of tongue and groove of Aiki combs (合木梳) from manual operation to semi-automation and using the bentwood process to inlay comb back, to enhance the strength of wooden combs and improve the style of products;

- Successfully developed the matchstick-type comb teeth design and commenced bulk production;

- The third-generation comb project was completed and applications of three invention patens in total were filed for registration.

5. Production capacity

The production plant of the Group located in Wanzhou ("Wanzhou Plant"), which mainly produces combs and mirrors, is expected to be able to support the sales of combs and mirrors in the foreseeable future. The table below sets out the actual production of the Group's Wanzhou Plant as at 31 December 2012.

Actual Production (Pieces)

	For the year ended 31 December	
	2012	2011
Combs	**3,986,400**	4,058,200
Mirrors	**851,000**	783,700
Total	**4,837,400**	4,841,900

6. Marketing and promotion

In order for the public to better understand its brand, the Group always believes that it is greatly beneficial to the establishment of brand to adopt proactive marketing and promotion strategies. Leveraging its professional sales and marketing team, the Group effectively enhanced its recognition in the market in 2012.

During the Year Under Review, the Group advocated the concept of "Slow Living" (慢生活) in Hong Kong, and began to organize large scale themed promotional campaign in its outlets, named "Slow Living Beginning With Head" (慢生活，從頭開始) since July 2012. Meanwhile, the Group organized a photography contest, named "Enjoy Slow Living" (樂享慢生活), which was actively participated in the market through distributing promotional publications, promotions on the Company's website and great promotion efforts made by outlets. The award-winning photography was exhibited at MTR Central Hong Kong Station in November 2012. The implementation of the "Slow Living" (慢生活) campaign by the Group further enhanced the degree of concern to the Carpenter Tan brand in Hong Kong market.

During the Year Under Review, the Group was also committed to multidimensional promotion of its brand using different platforms. The Group carried out key products exhibition and promotion campaign in sales outlets during major festivals such as Valentine's Day, Mother's Day, the Dragon Boat Festival, Tanabata Festival (七夕節) and Christmas, and placed products and soft advertisement on renowned print media such as Vogue, a magazine in Shanghai as well as Sichuan Airlines for branding which achieved good results. The Group also placed advertisement on TV such as Healthy Lifestyle, a program in the Lifestyle Channel of Beijing Television (北京生活頻道《健康生活》) and Pretty Woman, a program in Travel Channel (旅遊衛視《美麗俏佳人》), to promote the Group in various aspects.

7. Awards and accreditation

The Group has won numerous awards over the years. During the Year Under Review, the Group was awarded as one of the "Top 120 China Chained Franchise Shops in 2011" (2011中國特許連鎖120強) and the "Top 100 Annual Micro-Innovative Enterprises in 2012 in China" (2012中國年度微創新企業100強) and was named as "Chongqing Famous Brand" again.

FINANCIAL REVIEW

1. Turnover

The Group recorded turnover of approximately RMB271,966,000 for the year ended 31 December 2012, representing a growth of RMB27,965,000 or 11.5% as compared to that of approximately RMB244,001,000 for the year ended 31 December 2011. 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 2012, the Group had 1,423 franchise shops and 6 directly-operated outlets respectively while as at 31 December 2011, the Group had 1,325 franchise shops and 7 directly-operated outlets respectively. The franchise fee income was approximately RMB1,337,000 which was close to that of approximately RMB1,745,000 of last year.

	For the year ended 31 December			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Sales				
- Combs	**75,400**	**27.7**	68,518	28.1
- Mirrors	**2,361**	**0.9**	2,062	0.9
- Box sets	**181,659**	**66.8**	159,670	65.4
- Other accessories*	**11,209**	**4.1**	12,006	4.9
Franchise fee income	**1,337**	**0.5**	1,745	0.7
Total	**271,966**	**100.0**	244,001	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 RMB89,950,000 for the year ended 31 December 2012, representing an increase of RMB12,859,000 or 16.7% as compared to that of approximately RMB77,091,000 for the year ended 31 December 2011, which was slightly higher than the growth of turnover.

3. Gross profit and gross profit margin

As at 31 December 2012, gross profit of the Group was approximately RMB182,016,000 representing an increase of RMB15,106,000 or 9.1% as compared to that of approximately RMB166,910,000 for the year ended 31 December 2011. The gross profit slightly decreased from 68.4% in 2011 to 66.9% in 2012. The decrease in gross profit margin was mainly due to the adjustment of sales mix of the Group. During the Year Under Review to cope with the change in market situation, the Group launched various new middle pricing product lines in order to widen the customer base and increase sales volume.

4. Other revenue and other net income

Other revenue and other net income was approximately RMB24,965,000 for the year ended 31 December 2012, representing an increase of RMB4,599,000 or 22.6% as compared to that of approximately RMB20,366,000 for the year ended 31 December 2011. Other revenue and other net income is mainly comprised of PRC VAT refunds of approximately RMB11,480,000, rental income of approximately RMB3,334,000, interest income of approximately RMB4,519,000 and fair value change of Investment property of RMB4,530,000 respectively (2011 : PRC VAT refunds of approximately RMB12,562,000, rental income of approximately RMB2,613,000, interest income of approximately RMB2,346,000 and fair value change of investment property of RMB1,000,000 respectively).

5. Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB29,790,000 for the year ended 31 December 2012, representing an increase of RMB5,922,000 or 24.8% as compared to that of approximately RMB23,868,000 for the year ended 31 December 2011. The selling and distribution expenses mainly including advertising and market expansion expenses of RMB3,115,000, delivery charges of RMB3,410,000, rental expenses of RMB4,731,000, salaries and benefits of RMB8,553,000 and travelling expenses of RMB2,119,000 respectively (2011 : advertising and market expansion expenses of RMB2,476,000, delivery charges of RMB3,178,000, rental expenses of RMB5,257,000 salaries and benefits of RMB6,281,000 and travelling expenses of RMB2,028,000 respectively).

6. **Administrative expenses**

The administrative expenses of the Group was approximately RMB27,220,000 for the year ended 31 December 2012, representing an increase of RMB2,561,000 or 10.4% as compared to that of approximately RMB24,659,000 for the year ended 31 December 2011. The administrative expenses is mainly comprised of salaries and benefits of RMB13,578,000, legal and professional fee of RMB2,092,000, consultancy fee of RMB562,000, depreciation charges of RMB503,000 and audit fee of RMB1,115,000 respectively (2011 : salaries and benefits of RMB11,312,000, legal and professional fee of RMB1,830,000, consultancy fee of RMB1,396,000, depreciation charges of RMB902,000 and audit fee of RMB1,107,000 respectively).

7. **Other operating expenses**

Other operating expenses of the Group was approximately RMB7,680,000 for the year ended 31 December 2012, representing an increase of RMB433,000 or 6.0% as compared to that of approximately RMB7,247,000 for the year ended 31 December 2011. The increase was primarily attributable to an increase in sales and other tax as a result of the increase in the Group's turnover and operation.

8. **Finance costs**

For the year ended 31 December 2012, the Group did not incurred any finance costs, representing a decreased by approximately RMB144,000 when compared to approximately RMB144,000 for the year ended 31 December 2011. The decrease was mainly due to the fact that there was no bank borrowing for the Group for the year Under Review.

9. **Income tax**

For the year ended 31 December 2012, income tax expenses for the Group amounted to approximately RMB16,129,000, decreased significantly by approximately RMB21,659,000 or 57.3% when compared to approximately RMB37,788,000 for the year ended 31 December 2011. This decrease was mainly due to the fact that preferential tax policies granted to companies located in western part of China has been approved, the Group's subsidiaries wrote back the over provision for income tax made in 2011 of RMB13,278,000 which was calculated on the statutory income tax rate of 25%.

The effective tax rate (excluding the reversal of over provision for income tax) for the Year Under Review was 20.7% when compared to 28.8% for the year ended 31 December 2011.

10. Profit for the year

The Profit for the year ended 31 December 2012 was approximately RMB126,162,000, representing an increase of RMB32,592,000 or 34.8% as compared to that of approximately RMB93,570,000 for the year ended 31 December 2011. The increase was mainly due to the growth in profit from operations, the increase in change in fair value of the investment properties and the decrease in income tax 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 2012, the net book value of property, plant and equipment amounted to approximately RMB31,775,000, representing a slight decrease of RMB674,000 or 2.1%, as compared with the previous year of approximately RMB32,449,00. The decrease was mainly attributable to the depreciation charges of approximately RMB2,777,000 for the year ended 31 December 2012 which was partly off-set by the purchase of property, plant and equipment of RMB2,172,000.

2. Inventories

The Group's inventories as at 31 December 2012 decreased by approximately RMB1,008,000 or 1.7% from approximately RMB60,697,000 as at 31 December 2011 to approximately RMB59,689,000 as at 31 December 2012, primarily due to the decrease in raw materials level as a result of the increase in sales and production.

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. As at 31 December 2012, the Group's trade receivables amounted to RMB942,000 which is close to that of RMB1,262,000 as at 31 December 2011.

4. **Other receivables, deposits and prepayments**

The Group's other receivables, deposits and prepayments increased by approximately RMB460,000 from approximately RMB7,576,000 as at 31 December 2011 to approximately RMB8,036,000 as at 31 December 2012. Increase in other receivables, deposits and prepayments was mainly due to an increase in prepayments of approximately RMB612,000 when compared to last year.

5. **Trade payables**

As at 31 December 2012, the Group's trade payables was approximately RMB1,997,000, which is close to that of approximately RMB2,005,000 as at 31 December 2011.

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 2012 increased by approximately RMB10,386,000 or 53.8% from approximately RMB19,309,000 as at 31 December 2011 to approximately RMB29,695,000 as at 31 December 2012. The increase was primarily due to an increase in salary payables of approximately RMB3,425,000 and accruals of approximately RMB3,966,000.

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 2012, the Group's net cash inflow generated from operating activities amounted to approximately RMB128,539,000, representing an increase of net cash inflow generated from operating activities of approximately RMB20,897,000 from approximately RMB107,462,000 for the year ended 31 December 2011. 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 2012, the Group's net cash outflow used in investing activities amounted to approximately RMB2,062,000, representing a decrease of approximately RMB121,000 as compared with the cash outflow used in investing activities of approximately RMB2,183,000 for the year ended 31 December 2011. 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 2012, the Group's net cash outflow used in financing activities amounted to approximately RMB46,800,000, representing an increase of approximately RMB11,744,000 as compared with the net cash outflow used in financing activities of approximately RMB35,056,000 for the year ended 31December 2011. The increase was primarily due to the increase in dividends payment of approximately RMB13,738,000 during the Year Under Review.

CAPITAL STRUCTURE

1. **Indebtedness**

As at 31 December 2012 and during the Year Under Review, the Group did not have any bank borrowings.

2. **Gearing ratio**

As at 31 December 2012 and 2011, the Group did not have any bank borrowings. The calculation of gearing ratio was not meaningful.

3. **Pledge of assets**

As at 31 December 2012, the Group did not have any assets pledged to the banks (31 December 2011 : 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 RMB2,172,000 and approximately RMB2,265,000 for the year ended 31 December 2012 and 2011 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 2012, 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 the next twelve months from the date of this announcement.

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB330,147,000 (31 December 2011 : approximately RMB250,790,000) mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2012, the Group had capital commitment amounted to approximately RMB533,000 (31 December 2011: approximately RMB140,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2012, the Group has not made any material acquisition and disposal.

FUTURE OUTLOOK

Although the PRC retail industry continued its slowing down growth momentum in 2012, it is advocated in the Twelfth Five-Year Plan that the domestic demand will be expanded to ensure an annual growth in consumption of 15% despite the current slowing global economy which results in poor export situation and slower growth in the domestic investment, which will be of great strategic significance to the future development of the industry. In the foreseeable future, benefiting from the policies of the Chinese government, the retail market demand is expecting a considerable space for growth, which will create favorable business environment for the future development of the Group.

With the increasing market demand for high quality wooden lifestyle products in the market, together with the industry characteristics of advocating personalization, it is believed that in the near future wooden crafts will be widely used in gifts and high-end lifestyle products in the near future. Leveraging the leading position in the small wooden products industry, especially wooden combs, and supported by an established production base, a strong creative design team and an integrated professional marketing team, the Group remains optimistic about the overall development trend in the current year. In 2013, the Group will continue to focus its efforts on the enhancement of its brand image and promote the mature development of large shopping malls, integrated shopping centre and e-commerce, while increasing its efforts on product R&D to improve product quality and production efficiency. Also, the Group will capture market opportunities and make good use of its own advantages in the industry to create more fruitful results.

Looking forward, the Group will continue to expand its sales network proactively in 2013 and plans to establish approximately 150 new franchise shops. The Group will strengthen and enhance its development in the core business districts in the first tier cities (namely provincial capitals, municipalities directly under the Central Government and major cities) and is committed to increasing its sales network' coverage. In the second tier cities, the Group will ensure there must be two or more sales outlets in the core business districts. Meanwhile, the Group will restrict the development of sales outlets in the third tier cities (mainly county-level cities). In respect of modern shops, the Group plans to open 30 new shops, which will mainly cover provincial capitals and municipalities directly under the Central Government. The Group will focus its efforts on the development of its sales network in major cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing and Wuhan and in major rapidly-developing regions such as Jiangsu, Zhejiang, Guangdong and Beijing.

In respect of the development in overseas markets, the Group plans to open 5 new sales outlets mainly in countries and regions such as Hong Kong, Canada and Japan in 2013. The Group will continue to adopt sales strategies such as agency, distribution, single-store franchise and authorised online sales and focus on developing the general distribution and existing franchise shops in Singapore, the United States and Australia to improve the success rate of operations in overseas markets, thereby ensuring the continued healthy development in overseas markets. Meanwhile, 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 share of its products in international market.

In respect of its operation strategies, in order to ensure the future production capacity, the Group will continue to identify land on which new plants will be erected. In addition, the Group will optimise its internal procedures and strengthen training and examination in order to raise the staff's quality and skills. Also, the Group will focus its efforts on training of teamwork, expertise and innovation and combine internal training with external training as well as combine theories with practices in order to benefit each employee.

Besides, the Group will invest more resources in building its brand, including engaging brand planning consultant to upgrade its brand image, sales outlets, online shop and product image, packages and gifts, and carry out promotion campaign during the period of festivals in order to expand its brand recognition.

Looking ahead, with the implementation of the Twelfth Five-Year Plan and policy support by the PRC government, the retail industry will experience a steady growth, given which, together with the solid financial situation and pragmatic marketing strategies, the Group remain prudently optimistic about its future development. The Group will continue to adhere to pragmatic and aggressive spirits to expand its sales network in Mainland China and overseas markets and continuously increase its market share in order to strengthen its leading industry position. Apart from developing its business, the Group will as always fulfill its corporate social responsibilities, promote its corporate objectives of "Honesty, Work and Happiness" and the long-lasting brand image of Carpenter Tan in China and overseas. Also, the Group will strive to become the "Leading Brand of Wooden Comb Products in the World (全世界以木為本質的梳理用品的第一品牌)" and bring remarkable returns to shareholders.

SOCIAL RESPONSIBILITIES

The Group has always been adhering to the concept of corporate culture based on the core value of "Honesty, Work and Happiness". Apart from actively expanding business, the Group also makes contribution to society in order to establish the Group as one of the PRC social welfare enterprises. The Group has been encouraging to employ disabled persons to work. During the Year Under Review, the Group employed a total of 327 disabled persons. Apart from providing job opportunities to disabled persons, the Group also provided them with sufficient staff training.

In addition, the Group has been also actively taking part in other charity activities, including, among others, tree planting activities, regular visits to vulnerable groups as well as care and assistance activities, and spares no effort to contribute to society.

HUMAN RESOURCES AND TRAINING

As at 31 December 2012, the Group had a total of 996 employees in Mainland China, Hong Kong and overseas, with a total staff cost of approximately RMB49,020,000(2011: approximately RMB39,068,000).

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 and marketing strategies, techniques and methods of the staff as well as their sense of belonging to the Group were further enhanced. During the Year Under Review, in order to develop team spirits, courtesy, production management and accounting practice of the staff, the Group provided the staff various on-job training in various forms such as face to face teaching and examination 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 of HK31.26 cents per share for the financial year ended 31 December 2012 to the shareholders whose names appear on the register of members of the Company on Friday, 31 May 2013, amounting to approximately HK$78,150,000 subject to the approval of the Company's annual general meeting to be held on Thursday, 23 May 2013. The dividend payout ratio is 50.0% of the profit for the year or 59.5% of the distributable profit of the Company (after deducting the non-distributable statutory reserves of RMB20,127,000 for the year ended 31 December 2012). The above-mentioned final dividend is expected to be paid on or before Tuesday, 25 June 2013.

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 Tuesday, 21 May 2013 to Thursday, 23 May 2013 (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 Monday, 20 May 2013.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Wednesday, 29 May 2013 to Friday, 31 May 2013 (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, 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, 28 May 2013.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2012, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

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$132,900,000 (equivalent to approximately RMB116,800,000). As at 31 December 2012, the Group had used net proceeds of approximately RMB40,200,000, of which approximately RMB14,300,000 had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, approximately RMB13,700,000 for enhancement for sales network and sales support services, construction of production base and approximately RMB12,200,000 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 RMB19,500,000 (HK$24,000,000) for setting up high-end home accessories shops in the PRC and the application of approximately RMB4,900,000 (HK$6,000,000) for setting up lifestyle handicraft stores.

As disclosed in the Company's 2011 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 Company's shareholders.

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 2012, no share option was granted based on the Share Option Scheme.

GOING 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 2012 and up to the date of this announcement, at least 25% issued shares of the Company was held by public shareholders.

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

For the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Group recognises the value and importance of high corporate governance standards in the enhancement of corporate performance and accountability.

The Stock Exchange made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Board strives to uphold the principles of corporate governance set out in the Old Code and the CG Code, and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review with reference to local and international standards and improve the quality of corporate governance practices.

The Company complied with the code provisions as set out in the Old Code during the period from 1 January 2012 to 31 March 2012 and the code provisions as set out in the CG Code during the period from 1 April 2012 to 31 December 2012, other than code provision A.2.1 of the Old Code and code provisions A.1.8, A.2.1 and A.6.7 of the CG Code at the relevant period.

According to the code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the period from 1 April 2012 to 31 December 2012, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its directors. On 25 March 2013, the sourcing procedure was completed and the Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

According to code provision A.2.1 of the Old Code and the CG Code (as the case may be), 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.

In addition, according to code provision A.6.7 of the CG Code, non-executive directors and independent non-executive directors should attend general meetings of company. At the Company's Annual General Meeting held on 18 May 2012, two Non-executive Directors and two Independent Non-executive Directors were not in a position to attend the meeting due to their respective other commitment.

MODEL CODE FOR SECURITIES TRANSCATIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as 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/her compliance with the Model Code during the Year Under Review. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished price-sensitive information, has been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the Year Under Review.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 November 2009 with written terms of reference in compliance with the CG Code. The Audit Committee has three members comprising all the Independent Non-executive Directors. Members of the Audit Committee include Madam Du Xin Li, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald, in which Mr. Chau Kam Wing, Donald is the chairman of the Audit Committee.

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 2012, and agreed with the accounting treatment adopted by the Group.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2012 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 2012 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 2013

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*