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 2014

RESULTS HIGHLIGHTS

- Turnover increased by 6.2% to approximately RMB298,269,000 (2013: RMB280,913,000).
- Gross profit increased by 4.3% to approximately RMB196,332,000 (2013: RMB188,317,000).
- Gross profit margin was 65.8%, down by 1.2% (2013: 67.0%).
- Profit for the year ended 31 December 2014 increased by 2.3% to approximately RMB128,762,000 (2013: RMB125,856,000).
- Earnings per share increased to approximately RMB 51.50cents (2013: RMB50.34 cents).
- In view of the Group's satisfactory results, the Directors recommend a final dividend in respect of the year ended 31 December 2014 of HK$32.28 cents (2013: HK$32.02 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Wednesday, 27 May 2015.

The board (the "Board") of directors (the "Directors") of Carpenter Tan Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014 together with the comparative figures for the year ended 31 December 2013 with the selected notes as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December **2014** **RMB'000**	2013 RMB'000
Turnover	4	**298,269**	280,913
Cost of sales		**(101,937)**	(92,596)
Gross profit		**196,332**	188,317
Other revenue and other net income	5	**39,301**	38,385
Administrative expenses		**(31,916)**	(31,090)
Selling and distribution expenses		**(30,076)**	(30,410)
Other operating expenses		**(7,544)**	(7,506)
Profit from operations		**166,097**	157,696
Finance costs		**(1,514)**	(557)
Profit before taxation	6	**164,583**	157,139
Income tax	7	**(35,821)**	(31,283)
Profit for the year		**128,762**	125,856
Attributable to			
Owners of the Company		**128,762**	125,856
Earnings per share	9		
Basic and diluted		**RMB51.50 cents**	RMB50.34 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit for the year	**128,762**	125,856
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of leasehold land and buildings held for own use	**14,394**	—
Deferred tax charge arising from revaluation surplus on leasehold land and buildings held for own use	**(3,872)**	—
Surplus on revaluation of leasehold land and buildings held for own use, net of tax	**10,522**	—
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of functional currency to presentation currency	**(2,083)**	1,580
Total comprehensive income for the year	**137,201**	127,436
Attributable to		
Owners of the Company	**137,201**	127,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December **2014** **RMB'000**	 2013 RMB'000
Non-current assets			
Property, plant and equipment		**23,776**	31,825
Prepaid lease payments		**13,284**	18,327
Investment properties		**85,920**	55,780
Intangible assets		**—**	—
Derivative financial instruments		**1,144**	—
Fixed deposit held at bank		**127,756**	—
Prepayment of acquisition of properties		**33,556**	33,556
		285,436	139,488
Current assets			
Prepaid lease payments		**362**	518
Inventories	11	**77,783**	58,322
Derivative financial instruments		**542**	—
Trade receivables	12	**2,027**	1,722
Other receivables, deposits and prepayments		**23,331**	15,029
Pledged bank deposits		**149,099**	71,700
Cash and cash equivalents		**258,825**	355,245
		511,969	502,536
Current liabilities			
Bank loans, secured		**134,114**	66,829
Trade payables	13	**4,126**	3,027
Other payables and accruals		**29,934**	33,524
Income tax payable		**19,071**	8,149
		(187,245)	(111,529)
Net current assets		**324,724**	391,007
Total assets less current liabilities		**610,160**	530,495
Non-current liabilities			
Deferred tax liabilities		**30,606**	25,182
Deferred income		**812**	847
		(31,418)	(26,029)
NET ASSETS		**578,742**	504,466
CAPITAL AND RESERVES			
Share capital		**2,200**	2,200
Share premium and reserves		**576,542**	502,266
TOTAL EQUITY		**578,742**	504,466

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 Room 101-102, Yuhufengjing Building 53, No. 11 Dongchangzhong Road, Jurong City, Jiangsu Province, 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; 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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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 2014 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 and derivative financial instruments are stated at their fair value as explained in the accounting policies.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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 cash flows 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 new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HKAS(IFRIC) – Int 21	Levies

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS32.

4. TURNOVER

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

	2014	2013
	RMB'000	RMB'000
Sales of goods	**297,614**	279,838
Franchise fee income	**655**	1,075
	298,269	280,913

5. OTHER REVENUE AND OTHER NET INCOME

	2014	2013
	RMB'000	RMB'000
Other revenue		
Government grants	**250**	139
Government grants released from deferred income	**35**	35
Interest income from financial assets not at fair value through profit or loss – bank interest income	**16,293**	13,582
PRC VAT refunds	**10,932**	11,016
Rental income from investment properties	**5,177**	4,424
Others	**788**	708
	33,475	29,904
Other income		
Gain on disposal of property, plant and equipment	**—**	31
Fair value gain on derivative financial instruments	**1,686**	—
Change in fair value of investment properties	**4,140**	8,450
	39,301	38,385

6. PROFIT BEFORE TAXATION

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

	2014	2013
	RMB'000	RMB'000
a) Staff costs (including directors' emoluments)		
Salaries and other benefits	**48,978**	45,963
Contributions to retirement scheme	**1,872**	2,024
Total staff costs	**50,850**	47,987
b) Other items		
Auditor's remuneration	**1,004**	967
Amortisation of prepaid lease payments	**400**	518
Cost of inventories	**101,937**	92,596
Depreciation	**2,856**	3,050
Impairment on trade receivables	**3**	3
Loss/(Gain) on disposal of property, plant and equipment	**36**	(31)
Net foreign exchange loss	**2,755**	4
Operating lease rentals in respect of land and buildings	**5,626**	5,703
Provision for sales returns	**3,648**	5,675
Write-down of inventories	**3,582**	2,590
Reversal of write-down of inventories	**—**	(3)
Gross rental income from investment properties	**(5,177)**	(4,424)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	**320**	232
Direct outgoings incurred for investment properties that did not generate rental income during the year	**70**	5
Net rental income	**(4,787)**	(4,187)

Notes:

(i) Cost of inventories includes approximately RMB30,667,000 (2013: RMB25,581,000) 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 statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current tax		
PRC Enterprise Income Tax (notes 7(a) (i), (ii), (iii)and (iv))	**23,431**	22,554
Hong Kong profits tax (note 7(a) (vi))	**—**	—
Withholding tax on dividends (note 7(a) (vii))		
- Provision for the year	**7,158**	3,312
- Under-provision in respect of prior years (note 7 (a) (vii))	**3,680**	—
	34,269	25,866
Over provision in prior years, net		
PRC Enterprise Income Tax	**—**	(1)
Deferred tax		
Transfer to current tax upon distribution of dividends	**(7,158)**	(3,312)
Provision for the year (note 7(a) (vii))	**8,710**	8,730
Total	**35,821**	31,283

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 that, 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 statement of profit or loss on an accrual basis. 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., Ltd ("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) On 6 April 2012, the SAT issued notice No. 12 which specified that enterprises fall under the categories of several other published lists of encouraged business activities prior to the announcement of the list of national encouraged business activities in the western region can apply for the concessionary Enterprise Income Tax rate of 15% from 2011 in accordance with Caishui (2011) No. 58. Such concession will be revoked if the enterprises subsequently do not meet the requirement.

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.

(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% (2013: 25%) except for Zi Qiang Wood Works and Carpenter Tan which are eligible for the income tax concessions according to the preferential tax policies as stated in note 7(a) (ii) and (iii) above.

(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 2014 and 2013 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these years.

(vii) 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 may 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.

The Group enjoyed the reduced 5% tax rate prior to 31 December 2013. In 2014, the Group applied again for the reduced rate and was requested to meet certain additional review procedures that were not required in previous years. Due to uncertainty as to whether the Group is able to enjoy the reduced rate, the withholding tax is provided for at 10%, resulting in an additional provision of RMB15,930,000 and RMB3,680,000 for deferred tax liabilities on the undistributed profits of the PRC subsidiaries as at 31 December 2013 and current tax liabilities on the dividend declared by a PRC subsidiary in 2013 but not yet remitted before 31 December 2013.

In around the end of 2014, the Group reversed partly the provision for deferred liabilities of RMB8,662,000 in relation to the undistributed profits of the PRC subsidiaries that are not expected to be distributed in the foreseeable future.

As at 31 December 2014, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group's PRC subsidiaries amounted to RMB16,040,000 (2013: RMB15,930,000) which are expected to be distributed in the foreseeable future.

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

	2014	2013
	RMB'000	RMB'000
Profits before taxation	**164,583**	157,139
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**38,515**	39,742
Tax effect of non-deductible expenses	**582**	435
Tax effect of non-taxable incomes	**(498)**	(1)
Effect of tax concessions granted to a subsidiary (note 7(a) (i))	**(2,731)**	(2,272)
Effect of concessionary tax rate enjoyed by subsidiaries (note 7(a) (i), (ii) and (iii))	**(13,893)**	(13,561)
Unrecognised temporary differences	**1,468**	(505)
Unrecognised tax losses	**1,430**	1,119
Withholding tax on dividends (note 7(a) (vii))	**10,948**	6,327
Over provision in prior years	**—**	(1)
Actual tax expenses	**35,821**	31,283

8. DIVIDENDS

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

	2014	2013
	RMB'000	RMB'000
Final dividend of HK$32.28 cents, equivalent to RMB25.77 cents per ordinary share (2013: HK$32.02 cents, equivalent to RMB25.17 cents) proposed after the end of the reporting period	**64,425**	62,925

The directors recommend the payment of a final dividend of HK$32.28 cents, equivalent to RMB25.77 cents per ordinary share, totaling RMB64,425,000. Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 27 May 2015. 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

	2014	2013
	RMB'000	RMB'000
Final dividend of HK$32.02 cents, equivalent to RMB25.17 cents per ordinary share (2013: HK$31.26 cents, equivalent to RMB25.23 cents) in respect of the previous financial year, approved and paid during the year	**62,925**	63,075

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*

	2014	2013
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**128,762**	125,856

(ii) *Weighted average number of ordinary shares*

	Number of shares	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic 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 2014 and 2013.

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	
	2014	2013
	RMB'000	RMB'000
Raw materials	**45,106**	28,442
Work-in-progress	**10,974**	9,047
Finished goods	**21,703**	20,833
	77,783	58,322

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	**98,355**	90,009
Write-down of inventories	**3,582**	2,590
Reversal of write-down of inventories	**—**	(3)
	101,937	92,596

During the year, the Group did not sell any inventories which had been written down in prior years. Therefore, none of the amount (2013: RMB3,000) written down in prior year was 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	
	2014	2013
	RMB'000	RMB'000
Trade receivables	**2,028**	1,723
Less: Allowance for doubtful debts (note 12(b))	**(1)**	(1)
	2,027	1,722

a) Ageing analysis of trade receivables based on invoice date, which approximates the respective revenue recognition date, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
0 to 30 days	**1,943**	1,453
31 to 60 days	**8**	202
61 to 90 days	**18**	37
91 to 180 days	**20**	10
181 to 365 days	**17**	16
Over 1 year	**22**	5
	2,028	1,723

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	
	2014	2013
	RMB'000	RMB'000
At 1 January	**1**	1
Impairment loss recognised	**3**	3
Receivables written off during the year as uncollectible	**(3)**	(3)
At 31 December	**1**	1

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	
	2014	2013
	RMB'000	RMB'000
Past due but not impaired		
1 to 30 days past due	**8**	202
31 to 60 days past due	**18**	37
61 to 150 days past due	**20**	10
151 to 365 days past due	**17**	16
More than 1 year past due	**22**	4
	85	269
Neither past due nor impaired	**1,942**	1,453
	2,027	1,722

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	
	2014	2013
	RMB'000	RMB'000
0 to 30 days	**2,540**	2,354
31 to 60 days	**412**	143
61 to 90 days	**173**	207
91 to 180 days	**630**	52
181 to 365 days	**177**	153
Over 1 year	**194**	118
	4,126	3,027

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW FOR 2014

In 2014, the global economy was still undergoing profound adjustment subsequent to the international financial crisis. The recovery of the global economy was winding, slow and complicated. The economic performances of major economies and the macro-economic policies apparaently developed towards opposite directions. There had not been enough momentum to drive the growth. The growth of economy in China was faced with a period where the pace of growth slowed down. As a result the impact on the sluggish performance, the "triple multiplier" lag out effect for the stimulating policies during its early phase of implementation were more obvious than ever. There had been a distinct slowdown in industrial output and demand for investment was further weaken. The pressure for a downturn of the economy was quite high. It was published earlier by the China National Bureau of Statistics that the inflation rate of China Mainland in December was 1.5%.

In 2014, the retail industry continued to maintain steady growth. The new business models such as Internet shopping and e-commence in the consumption aspect had been developing well. The development trend for the integration of online-to-offline channels for the retail enterprises was further consolidated. Both the internal network platform of the traditional retail enterprises or the cooperation between electrical appliances vendors and the physical stores were further expanded. The household consumption structure continued to improve with the share of developement type and exquisite type increased.

Market statistics: The total annual retail sales of social consumer goods in China reached RM 26,000 billion, an increase of 12.0% as compared with same period last year, with the rate falling by 1 percentage points as compared with the same period last year. The total retail sales in China reached RMB2,789.8 billion, an increase of 49.7%, with the rate higher than the total retail sales of social consumer goods by 37.7 percentage points and equivalent to 10.6% of total retail sales of social consumer goods.

MARKET CONDITIONS AND REVIEW HIGHLIGHTS

In 2014, the retail industry underwent further transformation with competition became more intense and segmentation became more diverse. The industry is facing a new phase of integration and transformation and the retail industry is moving into a phase of slow growth or downward adjustment for a long period of time. Traditional retail chain giants such as Wal-Mart, Carrefour, Tesco, etc. are closing a large number of their outlets. With the policies of restraining three major sources of public entertainment spending, the department store industry is also facing a lot of challenges, and transforming into complex shopping malls. According to the statistics of MallChina, there were more than 3,100 shopping malls in China that had commenced operation, and it will reach 4,000 by 2015.

In order to improve the steadfast and rooted management behavior, the headquarter of the Group was moved from Western China to Eastern China. The traditional rigid bureaucratic management style was crashed and the management structure was enhanced. The management hierarchy was streamlined and became flat. Efficiency was significantly lifted and the style of work became more practical. Both revenue from online and offline sales increased. In order to support and provide return to the offline segment, a three-year plan was set up to motivate the development of the offline segment by reaching 30% of net profit in e-commerce business. The proceeds would be applied as the funds dedicated for the operation of the offline stores, so as to motivate the creation of innovative business models for the offline segment. Franchisees were encouraged to proactively explore the market and gradually apply the O2O model in a robust manner.

The store decoration was uplifted with a relatively comprehensive renovation in 2014. The Company decided to launch store decoration with different features according to the market segment such as cultural area, fashion and stylish area, arcade area and shopping mall area. With the enhancement in image and without change in price, we allow the consumers can enjoy best value to money services.

External and internal resources for research and development were consolidated for which the brand promotion became more courteous and practical. With respect to the development of offline franchised shops, the Group exercised stringent control over development quality, closed and relocated stores with poor performance and image, focused in assisting the stores in conducting pleasant marketing to adhere to our corporate culture of “Honesty, Work and Happiness”, persistently optimized the sales process system, sales service system and management process system of franchised shops. On the online front, the Group nurtured a team of young professionals, strengthened the management of marketing and services, emphasized brand concept, and refused to provide poor services. In respect of the research and development of brands, other than developing our own team, the Group engaged a famous design team in the Greater China region and a design team from Japan to enhance the brand image and products of the Company, and continued the social welfare campaign, “To Comb Mum’s hair” (給媽媽梳頭), reforestation and activities of supporting the disadvantaged groups, which acted as effective means to promote our brands and received favourable response.

During the Reporting Period, capitalizing on the development opportunities and a team of young professionals with a pragmatic approach, the Group strengthened the information technology of our franchised shops, nurtured a team of young professionals for internet marketing, refined the management of its operations, and achieved a growth in business results.

BUSINESS REVIEW

Retail outlets

The Group has developed an comprehensive distribution and retail network in the PRC and abroad by operating the franchise programme and self-operated retail shops. As at 31 December 2014, the Group had 1,449 franchised shops in the PRC, another 3 franchised shops in other countries and regions and 4 self-operated retail shops in Hong Kong. The following table sets out the number of the Group's franchised outlets and directly-operated outlets:

Number of shops

	For the year ended 31 December			
	2014		2013	
	Franchised shops	Directly-operated outlets	Franchised shops	Directly-operated outlets
Hong Kong	0	4	0	7
PRC	1,449	0	1,427	0
Other countries and regions	3	0	6	0
Total	1,452	4	1,433	7

Sales network

The PRC market

As at 31 December 2014, the number of franchised shops of the Group in the PRC amounted to 1,449. 25 new modern shops (model shops) were established in Beijing, Chongqing, Shanghai, Zhejiang, Jiangsu, Shandong, Henan, Liaoning, Sichuan and other cities.

With respect to the deployment of strategies, the Group targets at the first tier cities. Faced with high costs, changes in consumption structure and consumption method, the Group concentrated in consolidating its image at the core commercial area and exploring at the emerging complex shopping malls. The store image at the model shops was applied to demonstrate and promote activities at the nearby commercial area, with an aim to gradually cover the emerging complex shopping malls. As to the second tier cities, emphasis was placed on securing core locations at the central business districts of the cities. Franchisees were mainly entered into by way of sales counters, which can lower the investment of the franchisees and secure certain level of profits in the first place. With respect to the third tier cities, the Group already implemented trial at Jiangsu Province, for which the economic fundamentals were well supported. The Group will only expand into other provinces on the bases where both the store image and profitability are assured.

Overseas market

The Group continued its business development in overseas market. As at 31 December 2014, the Group established a total of seven shops in overseas market, including four directly operated outlets in Hong Kong, two franchised shops in Singapore, and one franchised shop in Canada. The Group developed its businesses by conducting sales through agents and general distributors. The products under the brand name "Carpenter Tan" has been sold in various overseas countries and regions, including Germany, United Kingdom, France, Spain, Australia, United States, Canada, Japan and Taiwan.

E-commerce

During 2014, the e-commerce business department of the Group developed rapidly. On the basis of the original personal computer terminal platform, the Group devoted efforts dedicated to create the mobile application platforms, and adequately adapted to the change of trend among the young consumer groups of shopping on the Internet. In 2014, the share of sales revenue from the mobile application of Tmall.com and personal computer terminal were almost the same. At the same time, efforts were devoted to increase the investment of mobile application for other platforms such as JD.com and yhd.com. The exposure of our brand was further enhanced through interaction with various platforms, which had attracted the young consumer groups to consume. Sales on other Internet platforms such as Amazon, Dangdang, Suning Tesco, and buy.ccb.com also achieved breakthrough. The launch of proprietary brand online in the year of 2013 was suspended as a result of the trademark registration in mid-2014. It is planned that such brand will relaunch upon the enhancement of whole brand image of the Group.

Sales management

In 2014, the Chairman led a team to conduct on-site inspections at first tier market on the quality of franchised shops and in-depth interviews with franchisees in more than ten major targeted provinces such as Beijing, Shanghai, Tianjin, Jiangsu, Zhejiang, Fujian and Shandong, so as to resolve the operating difficulties via communication, convey the unique brand concept and marketing concept of Carpenter Tan, and provide intellectual support to the franchisees.

The Group has placed great emphasis on the upgrade and management of its marketing system and has formulated a standardized service procedure for franchised shops. It also continued to assess the service of franchised shops and regional management was based on the result of assessment. Besides, the Group also established a supervising team independent of the provincial managers and assistant managers. The team conducted monthly random inspection on the shops and supervised the operation of the franchised shops, which resulted in the enhancement of a uniform image and service level for the franchised shops.

In addition to standardized management and supervision, the Group provided one week regular training to new franchisees in each quarter. The training aimed at consolidating the team spirit, brand awareness and service-providing concept of the franchisees. According to the statistics of the Group, sales of the franchised shops improved after the training of franchisees.

The Group further enhanced information management in respect of sales, inventory and supply chain. All franchised shops were requested to conduct monthly stocktaking and upload the sales data on time, in order to ensure the accuracy of sales and inventory data. The franchised shops without uploading data and conducting stocktaking would be punished accordingly and were requested to rectify within a time limit. The sales and inventory data of the franchisd shops would be kept and analysed monthly, which provided strong information support to sales management.

Products

As at 31 December 2014, Carpenter Tan has launched a total of 438 products, comprising 106 lockets, 246 box sets, 25 mirrors, 61 accessories and a total of 12 sets of limited edition products and regional only products. During the Reporting Period, the Group launched a total of 22 new products, including 18 box sets, 2 lockets, and 2 accessories.

During the year of 2014, Carpenter Tan optimized the product innovation system. The existing product composition was modified with focuses on classical and younger consumer group. Through continuous refining of the product system, the core competence of the products was reinforced. The share of new products will continue to increase alongside with the steady expansion of the share of developed products.

Carpenter Tan always bear a positive attitude to respond to market demands, and steadily proceed to product development. There were more than 190 items in total being reviewed since the research and development of product begun. Currently more than 120 items are successfully launched into the market.

Development and design

The Group has always placed attention to the research and development in the design of new products. The technology centre at Wenzhou, Chongqing, is conducting research and development work on the preserve of wood materials and its stability. The processing technique was also upgraded.

In 2014, the Group achieved special breakthrough with respect to the upgrade of wood materials, which expanded the scale of processing production, and enhanced the feasibility on how to utilize the materials.

Upon the upgrade with the processing technology, the production capacity was increased and the production quality was also improved. With the new breakthrough achieved on the wood drying technology, the Group can further assure to enhance the qualities of its products.

Production

As at 31 December 2014, the Wanzhou Factory of the Group had a total of 613 full-time production staff and the main products were combs and mirrors. Actual output and comparison with the corresponding period last year are set out as below:

Actual Production (Pieces)

	For the year ended 31 December	
	2014	**2013**
Combs	3,771,990	3,878,000
Mirrors	1,059,719	847,000
Total	4,831,709	4,725,000

Technology innovation

The Company published and implemented the "Administration Measures for the Setting Up of Technology Development Project and Reward Management". New breakthrough was achieved in the preserve of wood materials in terms of moisture content, the degree of stress and stress value. With respect to equipment and technology, there had been new breakthrough in the development of new processing equipment for falcon tenon groove, technological change and innovation for the binding of wood, and the developed technologies for three generations of comb technology as well as production capacity. With respect to expertise and operations, there were 7 people and 5 projects passing the review, which were concentrated at processing efficiency, material utilization, reduction of errors, safe production through process optimization, integration of resources, improving efficiency in equipment and space utilization that maximize the value of the Company's assets.

Marketing and promotion

Marketing and promotion were conducted from two main aspects, traditional festivals and community promotions. There were six festival promotions in total, 95 community promotion events and a total of 249 activity days. The Company gave out 24,394 sample combs. During the time when the promotion activities were held, extensive attention was drawn to the stores and the corporate image was enhanced. More people became aware of the Carpenter Tan brand. Meanwhile the sales volume increased as compared with the same period last year.

In order to improve we need to focus at the fundamentals. In 2014 the Group organized more training for the franchisees. There were 19 training sessions covering major regions around the country throughout the year and more than 500 sales staff at the stores attended. The training were focused at four main aspects namely corporate culture, reception process by the sales staff, product sales technique and product display at the stores, for which good results were obtained.

As to the online segment, the e-commerce department conducted brand promotion and marketing activities through the sales platform and social media platform. The change in the consumer's reading habit was traced to strengthen the investment to the proportion of promotion through mobile application. From an analysis of the popular Internet festivals, the Group timely launched online interactive activities for Mother's Day, Lunar July 7th Valentine's Day and "11" November 11 Shopping Festival. More than millions of people effectively participated in these activities. Online promotion for the Group's "To Comb Mum's hair" (給媽媽梳頭) in 2014 were conducted through WeChat, weixin, weitou and TMall.com.

Promotion and innovation of the corporate brand and culture

In 2014, the Group conducted a number of brand promotion activities through different platforms and channels. The Group distributed approximately 500,000 copies of comic book about its brand, reaching over two million people. We also advertised on "China Week", and was interviewed by "Sales and Marketing" about our visions in promotions and branding. All of these initiatives achieved good results.

The Group followed the latest trend in communication, and adopted new media channels such as WeChat and weixin to enhance the brand image and reputation among a wider range of mass. The focus was to maintain the public account of weixin "Carpenter Tan To Comb Mum's hair" (譚木匠給媽媽梳頭) ", which had approximately 163,000 fans in total. The Group continued to organize "To Comb Mum's hair" (給媽媽梳頭) as its major social welfare activities, which effectively linked up online offline effectively. The event was broadcasted and reached 1,300,000 people with 50,000 people participated the activities. The Group also produced a comic movie "The Secret to dry quilt under the sun", which promoted family love and care, and got 1,130,000 clicks. Moreover, the Group also participated in "Snowball 2014 Carnival" activities and was interviewed, which effectively enhanced the brand awareness among the investor group.

Awards and accreditation

During the year under review, the Group has received many honors and awards:

— the Group was awarded the title of "National Model Worker" by China Federation of Trade Unions;

— the Group was awarded the title "Advanced Worker Unit" by Wanzhou District Union;

— the Group was awarded the title "Demonstration House of Workers" by Wanzhou District Union;

— the "Labor Certificate" was granted by Wanzhou District Union to Mr. Tan Chuan Hua, the Chairman of the Group;

— the Group was selected by Forbes as one of most potential SMEs in China;

— the Group was selected by Entrepreneur as the "Top 50 China High Growth Chain Enterprise";

— the Group was selected China Chain Store & Franchise Association as the "Top 120 China Franchise Chain 2013 ";

— the Group was awarded by Chongqing City and Social Council as the "Harmonious AAA grade Labour Enterprise";

— the Group was awarded by Wanzhou District Union as the "Demonstration Unit of Strong Foundation, Governing Norms, Powerful Vitality";

— the Group was awarded by Wanzhou State Taxation and Local Taxation Bureau as the "A-class tax credit enterprise for the year of 2012-2013"

FINANCIAL REVIEW

1. Turnover

The Group recorded turnover of approximately RMB298,269,000 for the year ended 31 December 2014, representing a growth of RMB17,356,000 or 6.2% as compared to that of approximately RMB280,913,000 for the year ended 31 December 2013. 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 franchised shops and purchase of products. As at 31 December 2014, the Group had 1,452 franchised shops and 4 directly-operated outlets respectively while as at 31 December 2013, the Group had 1,433 franchised shops and 7 directly-operated outlets respectively. The franchise fee income was approximately RMB655,000 which represents a decrease of approximately RMB420,000 when compared to that of approximately RMB1,075,000 of last year.

	For the year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Sales				
– Combs	80,880	27.1	75,589	26.9
– Mirrors	2,781	0.9	2,569	0.9
– Box sets	201,310	67.6	190,275	67.7
– Other accessories	12,643	4.2	11,405	4.1
Franchise fee income	655	0.2	1,075	0.4
Total	298,269	100.0	280,913	100.0

2. Cost of sales

The cost of sales of the Group was approximately RMB101,937,000 for the year ended 31 December 2014, representing an increase of RMB9,341,000 or 10.1% as compared to that of approximately RMB92,596,000 for the year ended 31 December 2013, which was slightly higher than the growth of turnover.

3. Gross profit and gross profit margin

As at 31 December 2014, gross profit of the Group was approximately RMB196,332,000 representing an increase of RMB8,015,000 or 4.3% as compared to that of approximately RMB188,317,000 for the year ended 31 December 2013. The gross profit margin slightly decreased from 67.0% in 2013 to 65.8% in 2014. The slight decrease in gross profit margin was mainly due to the adjustment of sales mix of the Group.

4. Other revenue and other net income

Other revenue and other net income was approximately RMB39,301,000 for the year ended 31 December 2014, representing an increase of RMB916,000 or 2.4% as compared to that of approximately RMB38,385,000 for the year ended 31 December 2013. Other revenue and other net income is mainly comprised of PRC VAT refunds of approximately RMB10,932,000, rental income of approximately RMB5,177,000, interest income of approximately RMB16,293,000 and fair value change of investment properties of RMB4,140,000 respectively (2013: PRC VAT refunds of approximately RMB11,016,000, rental income of approximately RMB4,424,000, interest income of approximately RMB13,582,000 and fair value change of investment properties of RMB8,450,000 respectively).

5. Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB30,076,000 for the year ended 31 December 2014, representing a decrease of RMB334,000 or 1.1% as compared to that of approximately RMB30,410,000 for the year ended 31 December 2013. The selling and distribution expenses mainly including advertising and market expansion expenses of RMB2,160,000, delivery charges of RMB6,343,000, rental expenses of RMB4,132,000, salaries and benefits of RMB7,264,000 and travelling expenses of RMB1,504,000 respectively (2013: advertising and market expansion expenses of RMB2,630,000, delivery charges of RMB5,087,000, rental expenses of RMB5,525,000 salaries and benefits of RMB9,331,000 and travelling expenses of RMB1,697,000 respectively).

6. Administrative expenses

The administrative expenses of the Group was approximately RMB31,916,000 for the year ended 31 December 2014, representing an increase of RMB826,000 or 2.7% as compared to that of approximately RMB31,090,000 for the year ended 31 December 2013. The administrative expenses is mainly comprised of salaries and benefits of RMB13,638,000, legal and professional fee of RMB1,831,000, consultancy fee of RMB1,702,000, depreciation charges of RMB771,000 and audit fee of RMB1,224,000 respectively (2013: salaries and benefits of RMB12,978,000, legal and professional fee of RMB1,615,000, consultancy fee of RMB5,450,000, depreciation charges of RMB491,000 and audit fee of RMB1,129,000 respectively).

7. Other operating expenses

Other operating expenses of the Group was approximately RMB7,544,000 for the year ended 31 December 2014, representing a slight increase of RMB38,000 or 0.5% as compared to that of approximately RMB7,506,000 for the year ended 31 December 2013.

8. **Finance costs**

Finance costs of the Group was approximately RMB1,514,000 for the year ended 31 December 2014, representing an increase of RMB957,000 or 171.8% as compared to RMB557,000 for the year ended 31 December 2013. The increase was mainly due to the new bank borrowings arranged for the Year Under Review.

9. **Income tax**

For the year ended 31 December 2014, income tax expenses for the Group amounted to approximately RMB35,821,000, increased by approximately RMB4,538,000 or 14.5% when compared to approximately RMB31,283,000 for the year ended 31 December 2013, mainly due to the increase in profit before tax.

The effective tax rate for the Year Under Review was 21.8% when compared to 19.9% for the year ended 31 December 2013.

10. **Profit for the year**

The Profit for the year ended 31 December 2014 was approximately RMB128,762,000, representing an increase of RMB2,906,000 or 2.3% as compared to that of approximately RMB125,856,000 for the year ended 31 December 2013. The increase was mainly due to the increase in turnover for the Year Under Review.

ANALYSIS OF MAJOR CONSOLIDATED STATEMENT OF FINANCIAL POSITION 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 2014, the net book value of property, plant and equipment amounted to approximately RMB23,776,000, representing a decrease of RMB8,049,000 or 25.3%, as compared with the previous year of approximately RMB31,825,000. The decrease was mainly attributable to the transfer of properties with book value of RMB7,600,000 to investment properties and the depreciation charges of approximately RMB2,856,000 for the year ended 31 December 2014.

2. **Inventories**

The Group's inventories as at 31 December 2014 increased by approximately RMB19,461,000 or 33.4% from approximately RMB58,322,000 as at 31 December 2013 to approximately RMB77,783,000 as at 31 December 2014, primarily due to the increase in raw materials level as a result of the planned increase in sales and production. Raw materials increasd by RMB16,664,000 or 58.6% from RMB28,442,000 in last year to RMB45,106,000 in this year.

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 2014, the Group's trade receivables amounted to RMB2,027,000 which is close to that of RMB1,722,000 as at 31 December 2013.

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

The Group's other receivables, deposits and prepayments increased by approximately RMB8,302,000 from approximately RMB15,029,000 as at 31 December 2013 to approximately RMB23,331,000 as at 31 December 2014. Increase in other receivables, deposits and prepayments was mainly due to an increase in interest receivable of approximately RMB7,889,000 when compared to last year.

5. **Trade payables**

As at 31 December 2014, the Group's trade payables was approximately RMB4,126,000, which is close to that of approximately RMB3,027,000 as at 31 December 2013.

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 2013 decreased by approximately RMB3,590,000 from approximately RMB33,524,000 as at 31 December 2013 to approximately RMB29,934,000 as at 31 December 2014. The decrease was primarily due to a decrease in provision for severance payment of RMB2,375,000.

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 2014, the Group's net cash inflow generated from operating activities amounted to approximately RMB110,863,000, representing a decrease of net cash inflow generated from operating activities of approximately RMB17,226,000 from approximately RMB128,089,000 for the year ended 31 December 2013. The decrease was primarily due to an increase in inventories.

2. Net cash used in investing activities

For the year ended 31 December 2014, the Group's net cash outflow used in investing activities amounted to approximately RMB209,544,000, representing an increase of approximately RMB101,192,000 as compared with the cash outflow used in investing activities of approximately RMB108,352,000 for the year ended 31 December 2013. The increase is mainly due to the increase in fixed deposit held at bank of approximately RMB130,511,000 during the Year Under Review.

3. Net cash generated from financing activities

For the year ended 31 December 2014, the Group's net cash inflow generated from financing activities amounted to approximately RMB4,360,000, representing an increase of approximately RMB606,000 as compared with the net cash inflow generated from financing activities of approximately RMB3,754,000 for the year ended 31 December 2013. The increase was primarily due to the increase in new bank loan raised during the Year Under Review.

CAPITAL STRUCTURE

1. Indebtedness

All the borrowings of the Group as at 31 December 2014 was approximately RMB134,114,000 (as at 31 December 2013: approximately RMB66,829,000), which will be due within one year. During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

2. Gearing ratio

As at 31 December 2014, the Group's gearing ratio was 16.8% (as at 31 December 2013: 10.4%), calculated as the total bank borrowings divided by total assets multiplied by 100%. The increase was mainly due to the increase in bank borrowings.

3. Pledge of assets

As at 31 December 2014, the Group had pledged bank deposits to the bank in the total carrying amount of approximately RMB149,099,000 (as at 31 December 2013 : approximately RMB71,700,000).

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 RMB2,018,000 and approximately RMB3,155,000 for the year ended 31 December 2014 and 2013 respectively.

5. **Foreign exchange risk**

The principal business of the Group has used RMB and HK$ as the functional and operational currencies. The Group faces foreign exchange risk arising from RMB and HK$. The Group has no major risks in changes in other currency exchange rates.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings. For the year ended 31 December 2014, the effective interest rates for variable rate loans was 1.22% to 2.39%.

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 report.

As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB258,825,000 (as at 31 December 2013 : approximately RMB355,245,000) mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2014, the Group did not have any capital commitment (as at 31 December 2013: approximately RMB21,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2014, the Group has not made any material acquisition and disposal.

FUTURE OUTLOOK

Sales Operations

The Group will continue to consolidate the core commercial areas at the first and second tier cities. Expansion into cities at counties level will be conducted gradually and conditional with those that has an open economy and a better living standard. More attention will be placed on enhancing the cooperation with chain commercial property developers so as to increase the share of shopping mall channels. As to major transportation hubs and ports at the borders such as airports and high speed trains stations, we will integrate our resources to increase the market share. We will launch certain trial products to the souvenir market, and apply a suitable image to introduce a new image store. As to segment expansion, the Group will strengthen its promotion at the communities and high schools in order to establish a practical model of promotion.

With respect to the expansion of overseas market, the Group changed from the development of the original franchisee model with a single franchise/single store to focusing in the developing of regional agents and channel distributors. The whole image of the new brand “VI” entered regional and international exhibitions, and proactively sought for cooperation sources. In 2015, the Group will concentrate its resources to strengthen the expansion of franchise stores in Southeast Asia region. With a priority at the countries under BRIC (Brazil, Russia, India and China), demonstration stores will be set up at the central business districts of the core cities, which will gradually and steadily extend out. The Group plans to open a brand flagship store in Hong Kong region, so as to further increase its brand awareness in Southeast Asia region.

As to the e-commerce business, the Group will integrate the brand image and devote more promotion efforts to various online sales platforms. We will explore the potential of other advantageous promotion platform, such as mobile sales platform and the official website of the Group. Emotional marketing will continue to be conducted against different consumption needs of different groups. Brand promotions will be executed through Weitao of Tmall.com, the public platform of weixin, WeChat and the official website of the Group. The online stores will revamp their design and redecorate to reflect the brand new “VI” image. Management on customer service standards will be enhanced. Sales data will be analysed regularly to modify the marketing strategies and increase the order turnover rate.

Product Research and Development

Upon the Company completed its move to Eastern China, the research and development team also revolutionise into a new form, which adopts a more open attitude towards the research and development of resources. A “three tier” strategies was implemented, which mean that: the Company fosters its own professional and stable design team, whilst the house team cooperates with international renowned design team on long-term basis and cooperates with individual design ventures in China. In order to fulfill the annual target of the Group and satisfy the market economy policies, the product pricing system will be fine-tuned and adjusted. The research and development of new products will expand the existing product categories and allow regional and cultural labels to our products.

Production Technology

Work at the factory will be commenced with the theme of “the value for the existence of the factory”. In 2015, more investment will be made on adjusting the safe supply cycle of raw materials. The Group will implement technology development regarding equipment and expertise as well as innovation of management models. Production efficiency by the labour will be enhanced and the safe production ratio will be improved. This will ensure that the orders will be completed. Site management and respective enhancement works will be executed on the basis of “6S” with an improvement of the internal image of the factories and the workshops thereby lifting the standards of site management and the staff quality as a while.

Branding Culture

In 2015, the Group will use more endeavours to elevate our brand image and promotion initiatives. In particular we will deploy new media channels and new forms of communications. The traditional website with inherent rigid image will be improved. Considerations will be taken to allow more interactions with the consumers so that the official website of the Company and WeChat will become more interactive and can create more value in the course of communication.

SOCIAL RESPONSIBILITIES

Apart from actively expanding its businesses, the Group has never forgotten to contribute to the community. We are enthusiastic to participate in social welfare activities, and care about disabled people. Our donations to academic scholarships will gradually increase. In 2014, we donated RMB300,000 for the rehabilitation of disabled people, and invested RMB500,000 for the improvement of staff dormitory.

As of 31 December 2014, Carpenter Tan had provided a total of 319 employment opportunities for disabled people. We also strictly comply with the welfare conditions so as to relieve pressure and burden for the local government, as well as provide an opportunity for disabled people to earn a living on their own. Disabled people working in Carpenter Tan are able to live with value and dignity, and comprehending a sense of contentment rarely found in the community.

In view of human indifference nowadays and the social phenomenon of interest above all, "To Comb Mum's hair" (給媽媽梳頭) is an event for Carpenter Tan to promote its corporate image as an icon, in wake of family love and to convey its message of thanksgiving and returns to parents. In order to deliver more in-depth meaning for this activity in 2014, "To Comb Pregnant Mum' s hair" (給孕媽媽梳頭) was organized as a social welfare event with good responses.

Afforestation is a social welfare project driven by the Group in long term, which requires each employee to plant at least one tree per year, in order to show appreciation to the planet through action, and to retain green environment, land and water for future generations.

The Group offers help to disadvantaged groups and participates in community caring activities. Each participant has been involved in community caring activities, visited and assisted nursing homes, in which they do cleaning, massaging, combing and chatting with the elderly every month on a regular basis; assists students of Hope Primary School to establish correct values; performs counseling to people with intellectual disabilities, encouraging them to draw paintings with our support on sales planning, which enables them to realise social value and brings hope to their parents and the community; helps hemophilia patients design their own paper cutting patterns, which makes them more marketable, so as to relieve their economic burden; cares for the needs of the disabled working in factories by providing and replacing prostheses and helping their distressed families. Through yearly donation and caring activities, the Group is leading its employees to pursue values beyond materialism and promoting the value of "It is more blessed to give than to receive", while constantly helping the society and disadvantaged groups. By doing so, we recognise the fortune of living a healthy life with a sense of integrity and happiness as a giver.

HUMAN RESOURCES AND TRAINING

As at 31 December 2014, the Group had a total of 936 employees in Mainland China, Hong Kong and overseas, with a total staff cost of approximately RMB50,850,000 (2013: approximately RMB47,987,000).

In addition to providing job opportunities to the disabled, the Group has attached high emphasis to 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 HK32.28 cents per share for the financial year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2015, amounting to approximately HK$80,700,000 subject to the approval of the Company's annual general meeting to be held on Wednesday, 27 May 2015. The dividend payout ratio is 50% of the profit for the year or 53% of the distributable profit of the Company (after deducting the non-distributable statutory reserves of RMB7,273,000 for the year ended 31 December 2014). The above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2015.

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 Friday, 22 May 2015 to Wednesday, 27 May 2015 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Thursday, 21 May 2015.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Saturday, 30 May 2015 to Wednesday, 3 June 2015 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Friday, 29 May 2015.

OTHER CORPORATE INFORMATION

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2014, 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 2014, the Group had used net proceeds of approximately RMB45,700,000, of which approximately RMB17,000,000 had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, approximately RMB16,500,000 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 2014, 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 2014 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 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN CONTRACTS

At the end of the year or at any time during the Year Under Review, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG 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 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 also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company complied with the code provisions as set out in the CG Code, other than code provision A.2.1 and A.2.7 of the CG Code.

According to code provision A.2.1 of the CG Code, 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.

Under code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Taking into account Mr. Tan Chuan Hua, the Chairman and Chief Executive Office, is also an Executive Director, no meeting shall therefore be held between the Chairman and Non-executive Directors without the Executive Directors present.

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 or 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 inside information, has been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the Year Under Review.

AUDIT COMMITTEE

The Company has established an audit committee on 17 November 2009 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The primary duties of the audit committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor are independent and the audit process is effective. The audit committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The audit committee also serves as a channel of communication between the Board and the external auditor.

The audit committee currently comprises the three independent non-executive Directors, namely, Mr. Yu Ming Yang, Madam Huang Zuoan and Mr. Chau Kam Wing, Donald. Mr. Chau is the chairman of the audit committee, and he possesses recognised professional qualifications in accounting as required by the Listing Rules.

The audit committee has, 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 of 2014, and agreed with the accounting treatment adopted by the Group.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2014 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 2014 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, 30 March 2015

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 Huang Zuoan, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald.

* *For identification purpose only*