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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 837)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS HIGHLIGHTS

- Revenue increased by 18.7% to approximately RMB157,520,000 (2016: RMB132,757,000).
- Gross profit increased by 19.5% to approximately RMB106,159,000 (2016: RMB88,858,000).
- Gross profit margin was approximately 67.4%, representing an increase of 0.5% point (2016: 66.9%).
- Profit for the six months ended 30 June 2017 increased by 6.0% to approximately RMB61,374,000 (2016: RMB57,926,000).
- Basic earnings per share was approximately RMB24.7 cents (2016: RMB23.2 cents).
- The Board did not recommend the payment of any dividends for the six months ended 30 June 2017 (2016: nil).

The board (the "Board") of directors (the "Directors") of Carpenter Tan Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 (the "Reporting Period") together with the comparative figures for the six months ended 30 June 2016 with the selected notes as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 - UNAUDITED

	Note	**Six months ended 30 June** **2017** **(unaudited)** **RMB'000**	2016 (unaudited) RMB'000
Revenue	5	**157,520**	132,757
Cost of sales		**(51,361)**	(43,899)
Gross profit		**106,159**	88,858
Other revenue and other net income	5	**11,080**	25,432
Selling and distribution expenses		**(21,121)**	(21,294)
Administrative expenses		**(12,385)**	(11,976)
Other operating expenses		**(9,055)**	(6,806)
Profit from operations		**74,678**	74,214
Finance costs	6(a)	**—**	(31)
Profit before taxation	6	**74,678**	74,183
Income tax	7	**(13,304)**	(16,257)
Profit for the period		**61,374**	57,926
Attributable to			
Owners of the Company		**61,374**	57,926
Earnings per share			
Basic and diluted	8	**RMB24.7 cents**	RMB23.2 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017 - UNAUDITED

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**61,374**	57,926
Other comprehensive income for the period (after tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of functional currency to presentation currency	**(1,765)**	(4,016)
Total comprehensive income for the period	**59,609**	53,910
Attributable to		
Owners of the Company	**59,609**	53,910

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	**30 June 2017 (unaudited) RMB'000**	31 December 2016 (audited) RMB'000
Non-current assets			
Property, plant and equipment	9(a)	**59,456**	59,812
Prepaid lease payments	10	**16,286**	16,654
Investment properties	9(b)	**92,450**	92,450
		168,192	168,916
Current assets			
Prepaid lease payments	10	**737**	737
Inventories		**105,029**	104,363
Trade receivables	11	**1,537**	2,933
Available-for-sale financial assets		**34,000**	—
Other receivables, deposits and prepayments		**20,004**	9,507
Cash and bank balances		**446,149**	463,222
		607,456	580,762
Current liabilities			
Trade payables	12	**5,651**	4,797
Other payables and accruals		**47,130**	26,135
Income tax payable		**28,949**	27,313
		(81,730)	(58,245)
Net current assets		**525,726**	522,517
Total assets less current liabilities		**693,918**	691,433
Non-current liabilities			
Deferred tax liabilities		**16,330**	19,029
Deferred income		**723**	740
		(17,053)	(19,769)
NET ASSETS		**676,865**	671,664
Capital and reserves			
Share capital	14	**2,189**	2,200
Reserves		**674,676**	669,464
TOTAL EQUITY		**676,865**	671,664

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of an unaudited interim financial report in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by the Company's audit committee.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments which are stated at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except as described below.

In the current interim period, the Group has adopted and applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Save as disclosed in the annual report for the year ended 31 December 2016, the Directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

3. SEGMENT REPORTING

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

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

The Group's revenue and results from operations are mainly derived from activities in the People's Republic of China (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 revenue 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.

4. SEASONALITY OF OPERATIONS

In general, the Group has experienced seasonal fluctuations in sales. It records higher sales in March to April and September to December, while lower sales are recorded in July. The directors consider that such seasonality effect is the result of the increased purchases made by the franchisees prior to festivals/holidays so as to prepare for the peak seasons of their retail business during festivals/holidays in May (Labour Day), October (National Day), December (Christmas and New Year) and January/February (Lunar New Year).

5. REVENUE, OTHER REVENUE AND OTHER NET INCOME

Revenue represents the net invoiced value of goods sold to customers, less value added tax and sales tax, returns and allowances, and franchise fee income. An analysis of the Group's revenue, other revenue and other net income for the period is as follows:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue		
Sales of goods	**157,312**	132,614
Franchise fee income	**208**	143
	157,520	132,757
Other revenue and other net income		
Government grants released from deferred income	**172**	18
Interest income from financial assets not at fair value through profit or loss - bank interest income	**3,820**	1,529
PRC VAT refunds	**1,890**	5,154
Rental income from investment properties	**3,302**	2,485
Fair value gain on derivative financial instruments	**–**	5,516
Income from derivative financial instruments	**–**	5,381
Net exchange gain	**–**	1,034
Others	**1,646**	4,315
Reversal of write-down of inventories	**250**	–
	11,080	25,432
	168,600	158,189

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
a) Finance costs		
– Other finance costs	**–**	31
Total interest expense on financial liabilities not at fair value through profit or loss	**–**	31
b) Other items		
Amortisation of prepaid lease payments	**368**	298
Cost of inventories (note (i))	**49,561**	43,899
Depreciation	**1,536**	1,763
Impairment on trade and other receivables	**184**	19
Loss on disposal of property, plant and equipment	**116**	3
Operating lease rentals in respect of land and buildings	**2,571**	2,308
Staff costs (including directors' emoluments)	**20,372**	23,338
Write-down of inventories	**160**	365
Reversal of write-down of inventories (note (ii))	**(250)**	–

Notes:

i) Cost of inventories includes approximately RMB11,569,000 (2016: RMB14,710,000) relating to staff costs, depreciation and operating lease rentals, which are included in the respective total amounts disclosed separately above.

ii) Reversal of write-down of inventories relates to the utilisation and sales of the obsolete inventories that had been written down in previous years.

7. INCOME TAX

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax (notes 7(i), (ii) and (iii))	**10,123**	11,526
Hong Kong profits tax (note 7(v))	**—**	—
Withholding tax on dividends		
– Provision for the period	**5,844**	13,217
	15,967	24,743
Under provision in prior years, net		
PRC Enterprise Income Tax	**38**	1,108
Deferred tax		
Transfer to current tax upon distribution of dividends	**(5,844)**	(13,217)
Provision for the period	**3,143**	3,623
Total	**13,304**	16,257

Notes:

i) Chongqing Wanzhou District Zi Qiang Wood Works Co., Ltd. ("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.

ii) On 6 April 2012, the State Administration of Taxation of the PRC issued notice No. 12 which specified that enterprises that 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.

iii) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2016: 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 8(i) and (ii) above.

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

v) No provision for Hong Kong profits tax has been made for the period ended 30 June 2017 and 2016 as the Group did not have assessable profits subject to Hong Kong profits tax for these periods.

vi) 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. As at the date of the financial statements, the relevant formalities for the reduced tax rate had not yet been completed. However, the management assessed that the risk of surcharge is minimal since the Group had already paid for the withholding tax liabilities on dividend in 2013, 2014 and 2016 at 5%. Besides, there is 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 with regard to the related undistributed profits of the PRC subsidiaries that are not expected to be distributed in the foreseeable future.

8. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings per share

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

i) Profit attributable to owners of the Company

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**61,374**	57,926

ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**248,714**	250,000

b) Diluted earnings per share

There were no dilutive potential shares in issue during the period. The diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2017 and 2016.

9. FIXED ASSETS

a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB1,086,000 (2016: RMB1,077,000). Items of property, plant and equipment with a total carrying amount of RMB123,000 (2016: RMB13,000) were disposed of during the six months ended 30 June 2017, resulting in a loss on disposal of RMB116,000 (2016: loss on disposal of RMB3,000).

b) Valuation

The Group's investment properties were not revalued as at 30 June 2017 by independent valuers. The directors were aware of the possible change in the conditions of the property market. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2016 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the current period. During the Reporting Period, the Group neither acquired nor disposed any investment properties.

10. PREPAID LEASE PAYMENTS

On 11 May 2011, 萬州經濟技術開發區土地儲備中心 issued a notice to Carpenter Tan for the resumption of the land use right of a piece of land in Chongqing City Wanzhou District (the "Land") having a carrying amount of RMB6,565,000 as at 30 June 2017 (as at year ended 31 December 2016: RMB6,645,000). The Group originally intended to erect a production complex on the Land but no construction activity has commenced up to the date of this announcement.

On 8 February 2012, Carpenter Tan received another notice from 萬州經濟技術開發區管理委員會, informing the Group that the Land will be resumed by the municipal government due to town planning and Carpenter Tan will be compensated through an exchange with another piece of land. The Group is still negotiating with the relevant local authorities for the terms of resumption and agreement has not been reached up to the date of this report. The management expects that the fair value of the land exchanged as compensation will not be lower than the carrying amount of the Land. Since the Group has not commenced the development of the Land, there is no material adverse effect on the business operation and financial position of the Group.

In 2014, certain pieces of land of the Group previously held for own use were leased out to independent third parties under operating leases. Upon the change of use, the lands were revalued at their fair values and a surplus on revaluation of RMB13,601,000 was recognised in the Group's property revaluation reserve. The lands were then reclassified as investment properties. The fair values were arrived at on the basis of the valuation carried out by DTZ Debenham Tie Leung Limited. The fair values were determined by using Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential. During the Reporting Period, no land was reclassified as investment properties.

11. TRADE RECEIVABLES

Ageing analysis of trade receivables (net of allowance for doubtful debts) is presented based on invoice date as of the end of the reporting period as follows:

	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
0 to 30 days	**1,443**	2,305
31 to 60 days	**34**	585
61 to 90 days	**28**	24
91 to 180 days	**21**	6
181 to 365 days	**3**	8
Over 1 year	**8**	5
Trade receivables, net of allowance for doubtful debts	**1,537**	2,933

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.

12. TRADE PAYABLES

The credit terms granted by the suppliers are generally 30 days. Ageing analysis of trade payables is presented based on invoice date as of the end of the reporting period as follows:

	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
0 to 30 days	**3,790**	2,670
31 to 60 days	**775**	1,000
61 to 90 days	**216**	176
91 to 180 days	**398**	385
181 to 365 days	**145**	181
Over 1 year	**327**	385
	5,651	4,797

13. DIVIDENDS

i) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB nil).

ii) Dividends payable to owners attributable to the previous financial year, approved and paid during the interim period (2016: approved and paid during the interim period):

	At 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2016, approved and paid during the current interim period, of RMB22.80 cents per ordinary share (2016: in respect of the financial year ended 31 December 2015, approved and paid during the period ended 30 June 2016, RMB23.98 cents)	**57,000**	59,950

14. SHARE CAPITAL

	Number of shares	**Amount HK$**	**Amount equivalent to RMB**
Ordinary shares of HK$0.01 issued and fully paid:			
As at 31 December 2016	250,000,000	2,500,000	2,200,000
Share repurchased and cancelled	(1,286,000)	(12,860)	(11,000)
As at 30 June 2017	**248,714,000**	**2,487,140**	**2,189,000**

During the year ended 31 December 2016 and period ended 30 June 2017, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares repurchased	Price per share Highest RMB	Price per share Lowest RMB	Aggregate consideration paid RMB'000
January 2016	70,000	3.82	3.75	256
July 2016	754,000	3.34	3.11	2,348
September 2016	200,000	3.47	3.41	668
January 2017	262,000	4.04	3.89	910
	1,286,000			4,182

During the year ended 31 December 2016 and period ended 30 June 2017, 1,286,000 ordinary shares were repurchased and all of these shares were cancelled during the period.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased share of RMB4,182,000 was paid wholly out of retained profits.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2017 and 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

For the first half of 2017, every step that the Company took was very practical and quick. We launched the working attitude of "intensive cultivation and detail working, with continuous improvement" and simplified the management structure. In this year, the Company's subsidiary company, Chongqing Carpenter Tan Handicrafts Company Limited will be merged with its fellow subsidiary Chongqing Wanzhou District Zi Qiang Wood Works Company Limited, in order to streamline the organizational structure. At the same time, we entered into "the Rules of Professional Practices" with our franchisees and "the Honesty Commitment Letter" with our employees, in order to create a healthy working relationship of "Simple, Transparent, Clear and Fair" for the operational environment of the Company, pre-setting the functions of financial management and preventing various risks.

"To strengthen the market expansion and the operational management" is the core of the offline sales management. We served the physical stores and the market with the concept of "Expanding the market with the spirit of joint ventures with the franchisee stores and strengthening the market operational management with the sense of responsibility of directly owned stores". During the Reporting Period, the quantity, quality and sales performance of physical stores have been improved significantly.

For the online sales, we achieved a good performance growth by enhancing the image of the official online stores. Meanwhile, we optimized the promotion channels and delivery methods, the logistics costs and operating costs were reduced significantly. We began the trial operation of the new model of O2O online and offline join operations.

After years of accumulation, we formed a stable model of orders and counters, franchisee stores and exclusive agents for the overseas markets. We actively participated in overseas exhibitions to attract outstanding partners to join Carpenter Tan.

We improved the new product sample-making experience line at our head office in Jurong. In order to accelerate the process of new products from design to putting into market. We continued to organize design contests, global miniature personality wood art exhibitions and cooperate with the social design websites to organize a global comb design competition, in order to promote the brand culture of Carpenter Tan.

The above was a series of changes of Carpenter Tan after moving our head office from Chongqing to Jurong since 2014. At present, Carpenter Tan is a team with small, exquisite, young, proactive and simple working spirits.

BUSINESS REVIEW

1. Offline Business

For the offline business, after a series of changes of team reorganization, store image enhancement and channel transformation after the relocation, as well as the holiday marketing and experience marketing, we achieved a positive sales growth of about 14.0% for the first half of 2017. We believe that it was not accidental. We achieved such results with the efforts of all sales and marketing staff and the active cooperation within all departments of the Company.

The Group will continue to close supermarket and street stores with weak profitability and poor image, expanding channels of shopping malls and transportation hubs. The region manager is held responsible for the expansion, through the effective communication with the other parties, improving the efficiency and quality of opening new stores. For the first half of 2017, the average same-store sales for new stores recorded a year-on-year increment of about 12.1%.

We also speed up the redecoration of new image stores, update the decoration design, set up screens, combing experience areas, color-painting experience areas and DIY beading experience areas, in order to increase the contact surface of customers and Carpenter tan's branding.

We seized the key points in every activity, shop grand opening and promotion event. The marketing personnel is sent to the franchisee stores, helping and encouraging the staff to achieve holiday sales through large-scale brand promotion activities. On-site guidance festival sales contributing about 23.5% of the total sales for the first half of the year.

Training is one of our major tasks in 2017, we have developed 36 training programs throughout the year. Unlike the previous training mode, our training team joins the franchisee teams for in-depth exchange, completing 15 region training programs with the theme of "highly efficient store management". During the training, through different PK modes, the execution skills of the store owners and staff were improved, enhancing the training effects.

During the first half of 2017, we jointly carried out 39 large and medium-size brand promotion activities, gathering a lot of popularities on the day of events, enhancing the reputation of Carpenter Tan and increasing the contact surface of customers and Carpenter Tan's brands.

We carried out online and offline O2O operations, increasing the degree of participation of franchisees in the online promotion, as well as the chances to serve offline customers;

New products with new crafts, such as the series of “Comb of the third generation: Toothed Comb”, “Metal Mirror” and DIY bracelets, as well as design contest creative products, enable the customers to see the technical strength and innovation of Carpenter Tan.

Through the global comb design contest, we display our brand image with all-round and multi-angles and allow young customers to know and recognize Carpenter Tan with ways of new media.

As at 30 June 2017, the total number of retail stores decreased by 93 as compared to the corresponding period of last year. However, with their good shop image, new stores performed much better than the old stores and recorded increase in same-store growth, which provided confidence to the franchisees. The average same-store growth for all stores increased by about 16.7% when compared to the first half of 2016 to.

As at 30 June 2017, Carpenter Tan had 1,253 franchised stores and 3 directly self-operated stores.

	As at 30 June 2017		As at 30 June 2016	
	Franchised stores	**Directly self-operated stores**	Franchised stores	Directly self-operated stores
China	**1,247**	**0**	1,340	0
Hong Kong	**0**	**3**	0	3
Other countries and regions	**6**	**0**	6	0
Total	**1,253**	**3**	1,346	3

Note: 4 out of 6 other countries and regions stores are counters.

In the first half of 2017, we have achieved a little success in the offline sales of Carpenter Tan, which is not yet worthy of pride. We still have many issues and shortcomings. We need to enhance our abilities of expanding channels, match the market-end service with our brand philosophy of “Honesty, Work and Happiness”, strengthen the involvement of experience marketing, send the O2O operation on the right tracks and strengthen the penetration of our brand culture. We have made an all-out effort and we believe that our potential is endless and that we will achieve a better result in the second half of the year.

2. Online Business

Carpenter Tan still adhered to the principal of same price for direct sales, online and offline purchase for the online marketing. There is still an exciting growth momentum in 2017. Combining with "Five New Features" of the internet, we used big data to accurately analyze the consumers. For the six months ended 30 June 2017, we achieved sales of RMB43 million, representing a year-on-year increase of 33.3%. The price per transaction was RMB173, representing a year-on-year increase of RMB5. Among the above, sales from T Mall and Jingdong accounted for 76.6% and 23.4%, respectively. Among the Taobao platform, the Carpenter Tan's official store ranged top ten in "family/personal sanitary products" category and number one in the category of comb products.

Carpenter Tan has experienced 5 years of rapid expansion in online sales and secured a very good position in the category of comb products. We have gathered a certain number of high-quality customers so far. The Company has been doing some online profit feedback activities in recent years, but there is still no good interaction between online and offline business. The Company officially launched the O2O business mode at the end of last year. After the trial operation in Shenzhen, Kunming and Chongqing, the franchisees are willing to participate and we received good feedbacks from the consumers. The diversification of information and communication has forced us to innovate and change. The Group firmly promotes O2O, aiming for a win-win situation. It is our goal that all staff of Carpenter Tan should actively participate in and collaborate with.

3. Overseas Markets

Hong Kong Market

The Hong Kong market has made some progress in the first half of 2017. However, with only three directly self-operated stores, we have no special growth in the performance. The operating costs of these stores are very high, which are only located in the mass transit railway stations and upper floors of a shopping mall. For exposure of Carpenter Tan's brand, the performance is not very good. But we will not give up this market. We shall find a business mode suitable for the development of Carpenter Tan and we will keep trying. We will consider looking for a suitable location in the central business district or shopping malls of Hong Kong, in order to set up a flagship store for Carpenter Tan.

Other Countries and Regions

For the first half of 2017, the sales volume of overseas amounted to RMB2.5 million, which was a good start as compared to last year and against expectation. Such a little success was due to: (i) China has a great influence globally; (ii) Carpenter Tan continuously adjusted its overseas strategies in recent years; and (iii) the strength of the team has been enhanced. Meanwhile, one of the major goals we set up at the beginning of the year was to develop overseas markets. At present, distributors from Korea and Japan have stabilized their purchases. The performance of Singapore store has been improved. The Swiss exclusive agent is on the right track. We also have a new distributor in Saudi Arabia. At present, Carpenter Tan has stores or products present in Korea, Japan, Singapore, United Arab Emirates, Saudi Arabia, Switzerland, United Kingdom, Germany, France and United States.

At present, Carpenter Tan adopted various cooperation models such as exclusive overseas sales agents, distributors, franchisees and counters. We adopted various approaches to find the major direction of development. At present, the operating overseas stores are as follows:

Other Countries and Regions

Franchisee stores	Counters	Exclusive sales agents	Distributors
2	4	2	4

We are negotiating with the department stores in Zurich, United Kingdom, Germany. We also include North American market into our development plans. The first store of Carpenter Tan in Europe will be opened in Tours, France before Christmas in this year. We are at the stage of store layout design. On 3 September this year, Carpenter Tan will bring the color paints experience to Europe for the first time. In terms of Japanese market, the Company has recruited a new local expansion agent in Japan this year. At present, we have a good progress in Japanese market. We have contacted with TOKYU HANDS and other famous department stores and we will carry out color paints events. We are preparing for the exhibition in Tokyo in September. However, in terms of overseas expansion, the Company still needs to improve the supporting information, packaging and products.

4. Innovative Designs

We have an open design center, with a wide vision and open mind. After three years of training, we have a stable own design team. Meanwhile, we maintain a close relationship with our long-term cooperative teams, integrate the social design resources such as design contests by way of the internet and continue to develop new cooperative design teams. In 2017, the Company focuses its innovative design center on serving the cooperative team and transforming the award-winning products of the social designers to products for sale. We also collaborate with the "store experience" system and get involved in the product research and user research in all forms. We let the designers "meet" with users and keep the research and development of new products more "grounded", which produces an outstanding result. The newly launched series of "Comb of the third generation: Toothed Comb", "Metal Mirror" and DIY bracelets, as well as design contest creative products, enable the customers to see the technical strength and innovation of Carpenter Tan. In March, the sample center at head office of Carpenter Tan was officially launched, which shortens the time from design to product and enhances the accuracy of sample making. The sample center also launched a marketing mode of "self-made wooden combs", which encourages consumers or investors who come to the Company for research to experience making a comb.

During the Reporting Period, the innovative design center has made samples of 17 items, among which the external team has completed 5 items and 85 styles and the engraving room has completed 4 items and 27 styles and a total of 8 items and 54 styles were launched in market (excluding private customer-made and DIY beading projects). During the Reporting Period, the finished products are as follows: the major developed products are 7 new products of Metal Mirror, 11 new products inlaid with Swarovski Brand Zircon and 10 new products of Toothed Comb; the major developing projects are resin crafts and technology research of the combination crafts of resin and wood and the metal mirror structure. Through self-examination, there are still some issues about the research and development center of Carpenter Tan need to be improved. The aims of the products developed are still not clear, with no specific target consumer group and the timing and integrity of new products remains to be strengthened.

5. Production Technology

The skilled production technical team of Carpenter Tan is formed by nearly 50% of disabled workers. They overcome their disabilities and help each other to form a happy group which loves their work and strives for self-improvement. Despite of their disabilities, they create many complete products. It is their work, which is also their life. Technical innovation is the eternal topic of Carpenter Tan's production team. We continue to challenge the new height in the equipment update and processing methods of innovation. Technical experts help others to update skills. The continuous technological innovations facilitate the five manufacturing factors (people, machine, raw material, methods and environment) to work in harmony.

Management innovation and enhanced skills to drive the efficiency

The Wanzhou factory of Carpenter Tan has a total of 756 production workers, among them there are 330 disabled workers and 93.1% of whom were stable and skilled workers. The factory focused on the production of combs, and also produced proper amount of mirrors and other accessories. Through management innovation and enhanced skills of staff, the efficiency has been improved and the costs have been obviously reduced. During the first half of 2017, the production growth rate has been significantly improved.

	Production Comparison for the six months ended 30 June	
	2017	2016
	units	units
Comb category	**2,081,426**	1,664,196
Mirrors and other accessories	**793,552**	425,453
Total	**2,874,978**	2,089,649

Technological innovation and improvement help to boost enterprise progress

The endless technical innovation and non-stop technical inventions enable Carpenter Tan to lead the industry. In this year, we still have 8 competitive technical projects under development, that is automatic gear shaping, comb molding machines, anti-mildew technology, wood modification and painting technology and other new technology developments. Through the implementation of "Innovation Star Awards" and "Factor Director's Rewards", we have mobilized the enthusiasm of the whole production team to innovate. The staff look for issues on the whole process of product voluntarily. We organize the enhancement and there are still more than 20 technical innovations in progress. During the first quarter of the year, "Factor Director's Rewards" were awarded to raw material output rate improvement, gantry milling stable operation improvement, vibration grinding, wood beads polishing, flake machine improvement (which decreases the flaking length from 80mm to 50mm) and other projects. The digital control system of opening teeth machine was awarded "Innovation Star Awards". We have 100% intellectual property rights of the Toothed Combs production line, which can produce 30,000 combs per month while being built and begins to take shape. The bidding project (automatic gear shaping machine) in development is being tested in an orderly manner. We have developed an inlay teeth automatic milling machine, which greatly improves the processing surface quality and increases the production efficiency by 100%. We have put two of these machines into operation and they are in a stable operation. We introduced the use of dual-axis milling machine, which increases efficiency by 60%. The digital control system of opening teeth machine was awarded “Innovation Star Awards”. We have put three of these systems into operation. We established horn products dehumidification system, which effectively prevent the mildew of storage materials, protect the quality of stored horn products and reduce the storage risk. Our self-developed automatic drilling machine has been put into operation, which almost doubled the efficiency.

Adhere to improvement and enhancement of the safety visualization

We adhere to improve and enhance the safety visualization. We have updated version of the safety visualization and regularly complied with 6S governance model of visualization. We have achieved safe and orderly production.

Copy right

As at 30 June 2017, we have 45 patents with validity, among which there are 29 utility model patents, 15 invention patents and 1 appearance patent.

6. “Honesty, Work and Happiness” the Core Value of Carpenter Tan

Since 1995, we have established “Honesty, Work and Happiness” as the Company’s philosophy, which remained the same for over 20 years. In 2015, we put forward “The goodness in oneself is the cure”, aiming to review the utilitarian and impetuous in one’s heart. We adhere to the “Combing Dearest Mother” campaign, using new media to promote the filial piety culture. The endless and earnest innovation and cultural promotion has made Carpenter Tan younger, more proactive and happier.

We jointly organized the design contest “Beauty of Ingenuity” with ZCOOL (a famous design website) completed at the end of June. During the past one year, we have held a total of 4 contests, attracting 4,108 designers to participate in and submit 4,474 pieces of work, with a page view of more than 2.3 million times.

We will work with Locker Technology Company Limited(洛客科技有限公司) and build “Global Online Design Center for Carpenter Tan”, hoping to expand a new model of innovative design.

Carpenter Valley Art Museum has been officially opened. In April, the “Ingenuity” Wood Art Exhibition has bought together works of 13 domestic and overseas outstanding wood artists and farmers art paintings of side comb miao from Guizhou. The planning and design of this exhibition, as well as the cold meal of more than 200 people, were all completed by the staff of Carpenter Tan on their own. This exhibition has attracted more than 1,000 guests to attend.

One of the focuses of brand promotion in the recent two years is telling stories of Carpenter Tan with videos. After the success of"The Story of A Comb", we have filmed "The Secret of Head Office", which is about the decoration ideas and environmental protection ideas of the Company, and "Voiceless World", which is about the working and living situation of the disabled workers in the factory.

We are collecting love stories for "Love is no small matter". Combing with videos and pictures, we carry out brand marketing events via video websites, picture society and offline exhibitions. We use Weibo and WeChat to strengthen the promotion of new products and marketing campaigns, with 43 issues on WeChat, gaining a view number of 150,000.

In addition, we carry out brand promotion events in various forms. We held a color-painting comb event in Nanjing University and invited students of Nanjing University to Jurong to take part in the events of making combs, which makes the brand and the college students to interact closely. We jointly held an event of "The Beauty of Made in China: Learning Camp of Famous Enterprise - Into Carpenter Tan" with Made-in-China.com. More than a dozen operators and persons in charge from all industry had a face to face learning exchange with Carpenter Tan.

However, in terms of new media, we still need to put more efforts on the brand promotion. The slow response of promotion is the challenge that traditional enterprises are facing.

7. Strict Governance is the Guarantee of Brand Quality

We believe that there is no small thing. Staff of Carpenter Tan not only know how to make combs, but also do the cleaning, the cooking, as well as farming. People don't understand these seemingly unregistered behaviors. But we insisted on such behaviors and our staff became more grounded and sincere without outrageous ambitions. If one doesn't start by sweeping his room, how can he sweep to victory globally? We implemented "Professional Ethics Regulations for the Franchisees of Carpenter Tan" on our franchisees and "Regulations on Occupational Conduct in Economic Business Activities" on our staff by signing commitment letters, in order to cultivate a fine character out of staff of Carpenter Tan. Our management always say: if we let our staff become lazy, we are jeopardizing the staff.

During the Reporting Period, our works have just begun. With the interest temptation from business and franchise cooperation, the anti-corrosion anti-corruption is facing with challenges. We face challenges in the transformation of domestic market channels, the starting of international markets, the fierce competition of thousands of stores in E-commerce industry, the innovation of research and development, new systems and sense of value. The project of Carpenter Valley is also a challenge. We must keep cautious at all time and not proud of ourselves. We shall insist on focusing on every detail, looking forward to the future. We still have a long way to go.

FINANCIAL REVIEW

1. Revenue

The Group recorded revenue of approximately RMB157,520,000 for the six months ended 30 June 2017, representing an increase of RMB24,763,000 or 18.7% as compared to approximately RMB132,757,000 for the six months ended 30 June 2016. The increase was mainly attributable to the Group's enhancement in team reorganization, store image and channel transformation for offline business; and online marketing for online business.

	For the six months ended 30 June			
	2017		2016	
	(RMB'000)	**%**	(RMB'000)	%
Sales				
– Combs	**36,183**	**23.0**	34,394	25.9
– Mirrors	**577**	**0.4**	411	0.3
– Box sets	**119,236**	**75.7**	96,568	72.8
– Other accessories*	**1,316**	**0.8**	1,241	0.9
Franchise fee income	**208**	**0.1**	143	0.1
	157,520	**100.0**	132,757	100.0

* Other accessories include hair decoration, bracelet and small home accessories

2. Cost of Sales

The cost of sales of the Group was approximately RMB51,361,000 for the six months ended 30 June 2017, representing an increase of approximately RMB7,462,000 or 17.0% as compared to approximately RMB43,899,000 for the six months ended 30 June 2016, the increase in cost of sales is in line with the increase in revenue for the Reporting Period.

3. Gross Profit and Gross Profit Margin

For the six months ended 30 June 2017, gross profit of the Group was approximately RMB106,159,000, representing an increase of approximately RMB17,301,000 or 19.5% as compared to approximately RMB88,858,000 for the six months ended 30 June 2016. The gross profit margin increased from approximately 66.9% in 2016 to 67.4% in 2017. The increase in gross profit margin was mainly due to the change in sales mix for offline business and the increase in revenue for online business which has a higher profit margin for the Reporting Period.

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

Other revenue and other net income comprise of PRC VAT refunds, investment income, exchange gain, bank interest income and rental income. Other revenue and other net income was approximately RMB11,080,000 for the six months ended 30 June 2017, representing a decrease of approximately RMB14,352,000 or 56.4% as compared to approximately RMB25,432,000 for the six months ended 30 June 2016. The decrease was mainly due to a decrease in investment income from derivative financial instrument of approximately RMB10,897,000 and PRC VAT refunds of approximately RMB3,264,000 while partially off-set by the increase in bank interest income of approximately RMB2,291,000.

5. **Selling and Distribution Expenses**

The selling and distribution expenses, mainly including advertising, marketing and promotion expenses, rental expenses, salaries and benefits, transportation fee and travelling expenses, amounted to approximately RMB21,121,000 for the six month ended 30 June 2017, representing a slight decrease of approximately RMB173,000 or 0.8% as compared to RMB21,294,000 for the six months ended 30 June 2016. This decrease was mainly a result of the decrease in promotion expenses for the Reporting Period.

6. **Administrative Expenses**

The administrative expenses of the Group was approximately RMB12,385,000 for the six months ended 30 June 2017, representing an increase of approximately RMB409,000 or 3.4% as compared to approximately RMB11,976,000 for the six months ended 30 June 2016. The increase was primarily due to an increase in professional fee for the Reporting Period.

7. **Profit from Operations**

For the six months ended 30 June 2017, profit from operations for the Group amounted to approximately RMB74,678,000, increased by approximately RMB464,000 or 0.6% when compared to approximately RMB74,214,000 for the six months ended 30 June 2016. Increase in profit from operations was mainly due to the increase in gross profit of approximately RMB17,301,000 while partially off-set by the decrease in other revenue and other net income of approximately RMB14,352,000 and an increase in other operating expenses of approximately RMB2,249,000 for the six months ended 30 June 2017.

8. Finance Costs

For the six months ended 30 June 2017, finance costs amounted to approximately RMB0 decreased by approximately RMB31,000 when compared to approximately RMB31,000 for the six months ended 30 June 2016. The decrease was mainly due to the decrease in bank loan interest as a result of the decrease in bank borrowings.

9. Profit Before Taxation

For the six months ended 30 June 2017, profit before taxation for the Group amounted to approximately RMB74,678,000, increased by approximately RMB495,000 or 0.7% when compared to approximately RMB74,183,000 for the six months ended 30 June 2016. Increase in profit before taxation was mainly due to the increase in profit from operation of approximately RMB464,000 and the decrease in finance cost of approximately RMB31,000 for the Reporting Period.

10. Income Tax Expenses

For the six months ended 30 June 2017, income tax expenses for the Group amounted to approximately RMB13,304,000, decreased by approximately RMB2,953,000 or 18.2% when compared to approximately RMB16,257,000 for the six months ended 30 June 2016. This decrease was mainly due to the increase in profit before tax for a subsidiary which operated the manufacturing bussiness and was entitled to the concessionary tax rate of 15% for the Reporting Period.

The effective tax rate for the Reporting Period was 17.8% which was lower than 21.9% for the six months ended 30 June 2016. Details of income tax expenses are set forth in note (7) to the unaudited interim financial report.

11. Profit for the Period

The profit for the six months ended 30 June 2017 was approximately RMB61,374,000, representing an increase of RMB3,448,000 or 6.0% as compared to approximately RMB57,926,000 in the corresponding period of 2016.

12. 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. During the Reporting Period, 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 12 months from the date of publication of this announcement.

As at 30 June 2017, the Group had cash and bank balances of RMB446,149,000 mainly generated from operations of the Group and funds raised by the Company in December 2009.

13. Cash Flows

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

Net cash generated from operating activities

The Group's cash inflow generated from operations primarily derives from payments for the sale of the Group's products. During the Reporting Period, the Group's net cash generated from operating activities amounted to approximately RMB56,055,000 representing a decrease of net cash generated from operating activities of approximately RMB520,000 from approximately RMB56,575,000 for the six months ended 30 June 2016. The decrease was primarily due to the increase in income tax paid (net) of approximately RMB3,150,000 and decrease in interest received of approximately RMB946,000 while partially off-set by the increase in cash generated from operations of approximately RMB3,545,000.

Net cash (used in)/generated from investing activities

The Group's net cash outflow used in investing activities amounted to approximately RMB35,335,000 during the Reporting Period, representing a decrease of approximately RMB117,119,000 as compared with the cash inflow generated from investing activities of approximately RMB81,784,000 for the six months ended 30 June 2016. The decrease is mainly due to the decrease in pledged bank deposits held at bank and increase in investment in financial assets during the Reporting Period.

Net cash used in financing activities

The Group's net cash outflow used in financing activities amounted to approximately RMB355,596,000 during the Reporting Period, representing an increase of approximately RMB295,646,000 as compared with the net cash outflow used in financing activities of approximately RMB59,950,000 for the six months ended 30 June 2016. The increase was primarily due to the decrease in non-pledged bank deposits during the Reporting Period.

14. Capital Structure

Indebtedness

As at 30 June 2017 and during the Reporting Period, the Group did not have any bank borrowings.

Gearing ratio

As at 30 June 2017 and 31 December 2016, the Group did not have any bank borrowings. The caluclaion of gearing ratio was not meaningful.

Pledge of assets

As at 30 June 2017, the Group did not have any assets pledged to the banks (31 December 2016: nil).

Capital expenditure

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and motor vehicles. The Group's capital expenditures amounted to RMB1,086,000 and RMB1,077,000 for the Reporting Period and the six months ended 30 June 2016 respectively.

Foreign exchange risk

The major 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.

15. Contingent Liabilities, Legal and Potential Proceedings

As at 30 June 2017, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

16. Major Acquisitions and Disposals

For the six months ended 30 June 2017, the Group has not made any material acquisition and disposal.

17. 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.

OUTLOOK

We will adhere to the corporate culture of "Honesty, Work and Happiness" and create a large research and development environment with an open mind, in order to expand the online and offline, domestic and foreign channels marketing and take advantages of the tide. We should have a more pragmatic brand communication, which is closer to the target consumer. We will improve staff salaries and benefits, establish a good value and build a good Group which Carpenter Tan can be proud of.

HUMAN RESOURCES AND TRAINING

As of 30 June 2017, the Group had a total of 903 employees in Mainland China, Hong Kong and overseas, with a total labor cost of approximately RMB20,372,000 (2016: approximately RMB23,338,000) during the Reporting Period.

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 Reporting Period, 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.

OTHER INFORMATION

CAPITAL COMMITMENT

As at 30 June 2017, the Group did not have any capital commitment (31 December 2016: RMB883,000).

PUBLIC FLOAT

According to information disclosed publicly and as far as the Directors of the Company are aware, during the Reporting Period and up to the date of this announcement, at least 25% issued shares of the Company has been held by public shareholders.

DIVIDENDS

Pursuant to a resolution passed by the shareholders of the Company on 31 May 2017, the Company declared the audited distributable profits as at 31 December 2016 amounting to approximately HK$63,725,000 (equivalent to approximately to RMB57,000,000) to the shareholders of the Company. The dividend was paid on 30 June 2017 by the internal cash resources of the Company.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: nil).

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

During the Reporting Period, the Company repurchased 262,000 shares of the Company. These shares together with 1,024,000 shares of the Company which were repurchased during the year ended 31 December 2016 were cancelled on 5 June 2017.

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

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 29 December 2009, after deducting the related issuance expenses, amounted to approximately HK$132,900,000 (equivalent to approximately RMB116,800,000). As at 30 June 2017, the Group had used net proceeds of approximately RMB50,700,000, of which RMB22,000,000 had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, RMB16,500,000 for enhancement for sales network and sales support services, construction of production base and RMB12,200,000 as working capital. The remaining net proceeds have been deposited with banks.

Due to the change in market environment and the Group's business strategy, the Group has held-up the business plan in developing the high-end home accessories shops and lifestyle handicraft stores. The Board is studying the market and other alternative business development opportunities, which would generate better investment return to the Group's shareholders.

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 (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 Reporting Period, the Company complied with the code provisions as set out in the CG Code, other than code provision A.2.1 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.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his or her compliance with the Model Code for the six months ended 30 June 2017. 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 written guidelines. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the Reporting Period.

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. Yang Yang, Madam Liu Liting 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 reviewed the Company's unaudited condensed consolidated interim financial information, this results announcement and the interim report of the Company for the six months ended 30 June 2017 with the management of the Group and agreed with the accounting treatment adopted by the Company.

CHANGE OF DIRECTORS

With effect from 28 February 2017, Mr. Liu Chang tendered his resignation to the Board of the Company as a non-executive Director of the Company and Madam Huang Zuoan was re-designated from an independent non-executive Director to a non-executive Director of the Company.

With effect from 31 May 2017, Madam Liu Liting was appointed as an independent non-executive Director of the Company.

EVENTS AFTER THE REPORTING PERIOD

There is no material events after the Reporting Period as at the date of this announcement.

DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2017 will be duly despatched to shareholders of the Company and published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ctans.com).

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

Hong Kong, 24 August 2017

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 Madam Tan Yinan and Madam Huang Zuoan; and three independent non-executive Directors, namely Madam Liu Liting, Mr. Yang Yang and Mr. Chau Kam Wing, Donald.

* *For identification purpose only*