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 2019

RESULTS HIGHLIGHTS

- Revenue increased by 7.8% to approximately RMB336,538,000 (2018: RMB312,274,000).
- Gross profit increased by 6.5% to approximately RMB200,853,000 (2018: RMB188,676,000).
- Gross profit margin decreased by 0.7% points to 59.7% (2018: 60.4%).
- Profit for the year ended 31 December 2019 increased by 7.0% to approximately RMB122,550,000 (2018: RMB114,510,000).
- Profit attributable to owners of the Company increased by 7.0% to approximately RMB122,484,000 (2018: RMB114,510,000).
- Earnings per share increased by 7.0% to approximately RMB49.25 cents (2018: RMB46.04 cents).
- In view of the Group's results, the Directors recommend a final dividend in respect of the year ended 31 December 2019 of HK28.04 cents per share (2018: HK25.86 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Wednesday, 20 May 2020.

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 2019 (the "**Year Under Review**") together with the comparative figures for the year ended 31 December 2018 with the selected notes as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Revenue	4	**336,538**	312,274
Cost of sales		**(135,685)**	(123,598)
Gross profit		**200,853**	188,676
Other income	5	**58,444**	50,555
Administrative expenses		**(34,381)**	(35,131)
Selling and distribution expenses		**(62,756)**	(54,079)
Other operating expenses		**(7,182)**	(5,859)
Profit from operations		**154,978**	144,162
Finance Costs		**(634)**	–
Profit before taxation	6	**154,344**	144,162
Income tax	7	**(31,794)**	(29,652)
Profit for the year		**122,550**	114,510
Attributable to			
Owners of the Company		**122,484**	114,510
Non-controlling interests		**66**	–
Profit for the year		**122,550**	114,510
Earnings per share			
		RMB	RMB
Basic and diluted	9	**49.25 cents**	46.04 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	RMB'000
Profit for the year	**122,550**	114,510
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of functional currency to presentation currency	**2,374**	(5,532)
Total comprehensive income for the year	**124,924**	108,978
Attributable to		
Owners of the Company	**124,858**	108,978
Non-controlling interests	**66**	–
Total comprehensive income for the year	**124,924**	108,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**2019**	2018
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**60,539**	60,883
Prepaid lease payments		**–**	15,180
Right-of-use assets		**42,019**	–
Investment properties		**101,240**	100,120
Intangible assets	11	**–**	–
Financial assets at fair value through profit or loss		**–**	65,000
		203,798	241,183
Current assets			
Prepaid lease payments		**–**	737
Inventories	12	**153,072**	145,626
Trade receivables	13	**4,799**	2,351
Other receivables, deposits and prepayments		**18,892**	15,560
Financial assets at fair value through profit or loss		**447,584**	370,480
Cash and bank balances		**39,380**	46,203
		663,727	580,957
Current liabilities			
Trade payables	14	**3,098**	3,617
Other payables and accruals		**196,288**	42,166
Income tax payable		**34,428**	27,164
Lease liabilities		**4,977**	–
		(238,791)	(72,947)
Net current assets		**424,936**	508,010
Total assets less current liabilities		**628,734**	749,193

	Notes	2019	2018
		RMB'000	RMB'000
Non-current liabilities			
Deferred tax liabilities		**23,847**	31,267
Deferred income		**632**	668
Lease liabilities		**7,651**	–
		(32,130)	(31,935)
NET ASSETS		**596,604**	717,258
CAPITAL AND RESERVES			
Share capital		**2,189**	2,189
Reserves		**586,615**	715,069
Equity attributable to owners of the Company		**588,804**	717,258
Non-controlling interests		**7,800**	–
TOTAL EQUITY		**596,604**	717,258

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. GENERAL INFORMATION

Carpenter Tan Holdings Limited (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 Building 10, Shang Island, No. 7 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 purpose 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 and the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which 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 consolidated financial statements.

b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 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 consolidated 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 consolidated financial statements is the historical cost basis except for the investment properties and financial assets at fair value through profit or loss are stated at their fair value as explained in the accounting policies set out below.

The preparation of consolidated 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, 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was around 4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments at 31 December 2018	20,825
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(254)
Less: total future interest expenses	(2,097)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	18,474

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease RMB'000	Reclassification of prepaid lease payments RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Right-of-use assets	–	18,474	15,917	34,391
Prepaid lease payment (non-current)	15,180	–	(15,180)	–
Total non-current assets	241,183	18,474	737	260,394
Prepaid lease payment (current)	737	–	(737)	–
Total current assets	580,957	–	(737)	580,220
Lease liabilities (current)	–	(5,456)	–	(5,456)
Current liabilities	(72,947)	(5,456)	–	(78,403)
Net current assets	508,010	(5,456)	(737)	501,817
Total assets less current liabilities	749,193	13,018	–	762,211
Lease liabilities (non-current)	–	(13,018)	–	(13,018)
Total non-current liabilities	(31,935)	(13,018)	–	(44,953)
Net assets	717,258	–	–	717,258

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of the right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for the operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flow.

4. REVENUE

The principal activities of the Group are design, manufacture and distribution of small wooden handicrafts and accessories under the brand name of "Carpenter Tan"; the operation of a franchise and distribution network primarily in the PRC; and the operation of retail shops for direct sale of the Group products in Hong Kong and the PRC. Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts) and franchise joining fee income within the scope of HKFRS 15.

Disaggregation of revenue by sales channels is as follows:

	2019	2018
	RMB'000	RMB'000
Online business		
– Sales of goods	**115,290**	98,869
Offline business		
– Sales of goods	**214,542**	207,765
– Franchise joining fee income	**575**	571
	215,117	208,336
Directly-operated outlets		
– Sales of goods	**6,131**	5,069
	336,538	312,274

The Group's customer base is diversified. No individual customer (2018: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2019.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

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 June. 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. OTHER INCOME

	2019	2018
	RMB'000	RMB'000
Government grants (note (i))	**2,328**	1,003
Government grants released from deferred income	**36**	36
Interest income from financial assets		
– bank interest income	**228**	2,644
PRC VAT refunds (note 7(a)(i) and (vii))	**25,735**	25,242
Rental income from investment properties	**6,647**	7,018
Net foreign exchange gain	**–**	7,192
Change in fair value of investment properties	**1,120**	2,220
Change in fair value of financial assets at fair value through profit or loss	**20,902**	4,562
Reversal of loss allowance on trade receivables	**–**	56
Reversal of loss allowance on other receivables	**–**	80
Others	**1,448**	502
	58,444	50,555

Note:

(i) In 2018 and 2019, the group successfully applied for funding support from the International Marketing Developing Funds of Small-and-Medium-Sized Enterprises and Industrial Development Funds (the "**Funds**"), set up by Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China and Chongqing Provincial Human Resources and Social Security Department respectively. The purposes of the Funds are to encourage the involvement in overseas marketing by granting financial assistance to commercial entities who have involved in certain marketing activities outside the PRC; and to promote a stable employment environment and prevent unemployment risks by granting financial assistance to commercial entities whose structure, lay off rate, contributions to unemployment insurance meet certain criteria.

6. PROFIT BEFORE TAXATION

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

		2019	2018
		RMB'000	RMB'000
a)	**Staff costs (including directors' emoluments)**		
	Salaries and other benefits	**67,508**	64,624
	Contributions to defined contribution retirement scheme	**8,812**	9,345
	Equity-settled share-based payment expenses	**145**	47
	Total staff costs	**76,465**	74,016
b)	**Other items**		
	Auditor's remuneration		
	– audit services	**709**	805
	– non-audit services	**346**	327
	Amortisation of prepaid lease payments	**–**	737
	Cost of inventories	**131,106**	118,657
	Depreciation of right-of-use assets	**6,884**	–
	Depreciation of property, plant and equipment	**4,357**	4,351
	Impairment of right-of-use assets	**2,081**	–
	Loss allowance on trade receivables	**17**	–
	Loss allowance on other receivables, net	**9**	208
	Reversal of loss allowance on trade receivables	**–**	(56)
	Reversal of loss allowance on other receivables	**–**	(80)
	Net loss on disposal of property, plant and equipment	**76**	77
	Net foreign exchange loss/(gain)	**3,755**	(7,192)
	Total minimum lease payments for lease previously classified as operating leases under HKAS 17	**–**	5,121
	Provision for sales returns	**404**	–
	Reversal of provision of sales returns	**–**	(704)
	Write down of inventories	**4,804**	5,008
	Reversal of write-down of inventories	**(225)**	(67)
	Gross rental income from investment properties	**(6,647)**	(7,018)
	Less: Direct outgoings incurred for investment properties that generated rental income during the year	**858**	859
	Direct outgoings incurred for investment properties that did not generate rental income during the year	**–**	–
	Net rental income	**(5,789)**	(6,159)
c)	**Finance cost**		
	Interest on lease liabilities	**634**	–

Note:

(i) Cost of inventories includes approximately RMB48,780,000 (2018: RMB46,023,000) relating to staff costs and depreciation, 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:

	2019	2018
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax (notes 7(a)(ii) and (iii))	**25,783**	22,692
Hong Kong profits tax (note 7(a)(v))	**–**	–
Withholding tax on dividends (note 7(a)(vi))		
– Provision for the year	**13,805**	6,835
	39,588	29,527
(Over)/under provision in prior years, net		
PRC Enterprise Income Tax	**(374)**	155
Deferred tax		
Transfer to current tax upon distribution of dividends	**(13,805)**	(6,835)
Provision for the year (note 7(a)(vi))	**6,385**	6,805
Total	**31,794**	29,652

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. At the beginning of 2018, Zi Qiang Wood Works was dormant and had transferred its staff to a fellow subsidiary, Chongqing Carpenter Tan Handicrafts Co., Ltd ("**Carpenter Tan**"), which also registered as social welfare enterprise since 24 November 2016 (note vii). Since no salary were paid by Zi Qiang Wood Works to its employees with disabilities, thus Zi Qiang Wood Works was no longer entitled to all the income tax concessions mentioned above. In 2019, Zi Qiang Wood Works is deregistered.

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) 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, wholly-owned subsidiaries, obtained the approval from Wanzhou Bureau of the State Administration of Taxation under notice No. 12 to enjoy concessionary Enterprise Income Tax rate of 15% from 1 January 2011 to 31 December 2020. Since Zi Qiang Wood Works was dormant during 2018, Zi Qiang Wood Works is not entitled to enjoy concessionary Enterprise Turnover Tax rate of 15% for the year ended 31 December 2018. In 2019, Zi Qiang Wood Works is deregistered.

(iii) The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2018: 25%) except for Carpenter Tan (2018: Carpenter Tan) which is eligible for the income tax concessions according to the preferential tax policies as stated in note 7(a)(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 years ended 31 December 2019 and 2018 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these years.

(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 will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

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 have been completed. The management consulted with PRC lawyers and assessed that the Group is entitled to 5% withholding income tax rate since 2019. In 2019, a provision of approximately RMB13,805,000 (2018: RMB6,835,000) for current tax and approximately RMB5,658,000 (2018: RMB4,607,000) for deferred tax has been made.

As at 31 December 2019, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group's PRC subsidiaries amounted to approximately RMB3,125,000 (2018: RMB11,272,000) which are expected to be distributed in the foreseeable future.

(vii) Carpenter Tan, a wholly-owned subsidiary of the Company, is a registered social welfare enterprise since 24 November 2016. Pursuant to the notice on preferential tax policies to social welfare enterprise issued by the SAT, Ministry of Finance of the PRC that, with effect from 1 October 2006, Carpenter Tan 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.

8. DIVIDENDS

i) Dividends payable to owners of the Company attributable to the year

	2019	2018
	RMB'000	RMB'000
Final dividend of HK28.04 cents, equivalent to RMB25.13 cents per ordinary share (2018: HK25.86 cents, equivalent to RMB22.66 cents) proposed after the end of the reporting period (Note i)	**62,502**	56,359

	2019	2018
	RMB'000	RMB'000
No Special dividend (2018: HK25.86 cents, equivalent to RMB22.66 cents) proposed after the end of the reporting period	**–**	56,359

	2019	2018
	RMB'000	RMB'000
Special dividend of HK67.15 cents, equivalent to RMB59.51 cents per ordinary share (2018: nil) declared on 23 December 2019	**148,006**	–

Note i:

The Directors recommend the payment of a final dividend of HK28.04 cents, equivalent to RMB25.13 cents per ordinary share, totaling RMB62,502,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 20 May 2020. This financial statements do not reflect this recommended dividends.

ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2019	2018
	RMB'000	RMB'000
Final dividend of HK25.86 cents, equivalent to RMB22.66 cents per ordinary share (2018: HK30.72 cents, equivalent to RMB25.68 cents) in respect of the previous financial year, approved and paid during the year	**56,359**	63,870
Special dividend of HK25.86 cents, equivalent to RMB22.66 cents per ordinary share (2018: HK30.72 cents, equivalent to RMB25.68 cents) in respect of the previous financial year, approved and paid during the year	**56,359**	63,870

9. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the following profit attributable to owners of the Company and weighted average number of ordinary shares outstanding:

(i) Profit attributable to owners of the Company

	2019	2018
	RMB'000	RMB'000
Earnings used in calculating basic earnings per share	**122,484**	114,510

(ii) Weighted average number of ordinary shares

	Number of shares	
	2019	2018
	'000	'000
Weighted average number of ordinary shares in issue	**248,714**	248,714
Weighted average number of ordinary shares for the purpose of basic earnings per share	**248,714**	248,714

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2019 and 2018 was the same as the basic earnings per share because that the exercise price of the share options granted was higher than the weighted average market price of the Company's shares during the year ended 31 December 2019 and 2018.

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 revenue, 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 revenue 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 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.

11. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,037
Accumulated amortisation and accumulated impairment	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,037
Carrying amount	
At 31 December 2019	–
At 31 December 2018	–

The trademark represents the trademark previously acquired by the Group and registered in the PRC. Subsequent expenditure on internally generated trademarks is recognised as an expense in the period in which it is incurred.

12. INVENTORIES

	2019	2018
	RMB'000	RMB'000
Raw materials	**108,145**	100,169
Work-in-progress	**19,109**	17,476
Finished goods	**25,818**	27,981
	153,072	145,626

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

	2019	2018
	RMB'000	RMB'000
Carrying amount of inventories sold	**131,106**	118,657
Write down of inventories	**4,804**	5,008
Reversal of write-down of inventories	**(225)**	(67)
	135,685	123,598

The reversal of write-down of inventories made in prior years arose due to the slow-moving inventories were sold during the year.

13. 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:

	2019	2018
	RMB'000	RMB'000
Trade receivables	**4,835**	2,389
Less: Loss allowance (note 13(b))	**(36)**	(38)
	4,799	2,351

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

	2019	2018
	RMB'000	RMB'000
0 to 30 days	**2,992**	2,217
31 to 60 days	**37**	43
61 to 90 days	**879**	4
91 to 180 days	**630**	2
181 to 365 days	**198**	7
Over 1 year	**63**	78
	4,799	2,351

b) Movements in the loss allowance for trade receivables

Loss allowance 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 loss allowance for trade receivables are as follows:

	2019	2018
	RMB'000	RMB'000
Opening loss allowance at 1 January	**38**	94
Written off of previous recognised impairment loss	**(19)**	–
Loss allowance on trade receivables	**17**	–
Reversal of loss allowance on trade receivables	**–**	(56)
Closing loss allowance at 31 December	**36**	38

Loss allowance for 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:

	2019	2018
	RMB'000	RMB'000
Past due but not impaired		
1 to 30 days past due	**37**	43
31 to 60 days past due	**879**	4
61 to 150 days past due	**630**	2
151 to 365 days past due	**198**	7
More than 1 year past due	**63**	78
	1,807	134
Neither past due nor impaired	**2,992**	2,217
	4,799	2,351

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.

14. TRADE PAYABLES

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

	2019	2018
	RMB'000	RMB'000
0 to 30 days	**2,222**	2,318
31 to 60 days	**530**	752
61 to 90 days	**59**	80
91 to 180 days	**4**	110
181 to 365 days	**48**	73
Over 1 year	**235**	284
	3,098	3,617

MANAGEMENT REVIEW

2019 is the year of exploration of new core brand values for Carpenter Tan, which exhibits more glamour as well. Carpenter Tan has carried out "Comb Passion Garden" itinerant exhibitions in four cities to coincide with various festivals and emotional themes. We facilitated users' interaction with the brand through live experiences and emotional exchanges. The year's Carpenter Tan Wood Art Exhibition, focusing on the brand, quality and taste, was held at the Hangzhou Grand Canal. We continue to work hard in strengthening its brand concept. The membership system was successfully launched, and the new official website was put into use. The brand's focus has changed from idea development to practical implementation. Research and development of products has improved. Online and offline marketing continued to innovate on the basis of a solid foundation. Substantial progress has been made in overseas expansion. The image and packaging of stores continues to be enhanced. While delivering on an emotional connection, we are proactively looking for new publicity channels and methods to edge into the young consumers and strengthen brand recognition.

Nevertheless, we shall bear in mind to enhance the sense of value of team building with simple style and pragmatic attitude. Facing rapid external changes, Carpenter Tan is firmly committed to keeping its own track while seeking new ideas and approaches in light of changes in the market. We will strive to build Carpenter Tan as a good enterprise respected by the society for its renowned brand of practical handicrafts based on wood.

We believe that Carpenter Tan will stride further and grow better in the way of self-strengthening, self-reliance, self-confidence and self-introspection.

1. Offline Business

(i) Domestic Business

During the Year Under Review, our sales and marketing department experienced personnel changes and restructuring. The former online sales and marketing controller, Ms. Liu Kejia was promoted as vice president who is now responsible for both online and offline sales and marketing departments. Employees left and joined the offline marketing department in the first half of the year. Nevertheless, the offline marketing department continued to present stable performance after experiencing personnel changes and restructuring. As at 31 December 2019, Carpenter Tan had 1,242 franchised stores in China, 7 franchised stores in other countries and regions, 3 directly self-operated stores in China and Hong Kong, respectively.

Franchised stores and overseas stores (counters):

	31 December 2019		31 December 2018	
	Franchised stores	**Directly self-operated stores**	Franchised stores	Directly self-operated stores
Mainland China	**1,242**	**3**	1,216	1
Hong Kong	**–**	**3**	–	3
Other countries and regions	**7**	**–**	6	–
Total	**1,249**	**6**	1,222	4

Number of franchised stores distribution in China as at 31 December 2019

Type of Stores	**Number of franchised store**	**Percentage**
Shopping mall	638	51.4%
Street shop	378	30.4%
Department store	102	8.2%
Supermarket	57	4.6%
Scenic spot	30	2.4%
Transportation hub	24	1.9%
Hotel	2	0.2%
Other	11	0.9%
Total	1,242	100.0%

For the year ended 31 December 2019, the main tasks of the sales and marketing departments include:

Focus on business expansion

The target for expansion is very clear. As at 31 December 2019, shopping mall stores accounted for 51.4% of the total number of franchised stores; and accounted for 83.1% of the new stores opened during the Year Under Review, the ratio of the image stores of the third generation reached 79.4%. Compared with channels expansion, the operational performance of the franchised stores is behind the pace. The improvement of the opening new stores and day-to-day management of stores will still be the focus for the coming year.

Product IP cooperation

During the Year Under Review, the focus of products was put on IP cooperation. In January, May, June and December, respectively, a total of 22 Disney China authorized design products were launched. By the end of November, the sales reached 60,761 boxes which amounted to RMB17.5 million. Product design is more consumer-oriented that functions, user groups and scenarios shall be considered more and the value-added services supporting products shall be improved. In the future, more consideration will be given to the quality of products. As we strive to create popular products, we will review the previous classic products for reshaping.

Raising awareness of brand image

In 2019, we launched the Carpenter Tan membership system with an aim to strengthen interaction between the Company and our members, to cultivate loyal customers and increase customer stickiness. On top of enhancing our brand concept, we continued to enrich and enhance our store image. While ensuring the speed and quality of decoration for franchised stores, we added displays of various materials and sizes in the store, increased product displays area and showcase designs to improve the overall effect of the store by improving the current unaesthetic and improper designs. It is expected that in 2020, a brand new store design will be developed in cooperation with Japanese designers, and the design and production of new image will be completed as scheduled.

Diversified training

Various training models took place in the year of 2019 in the forms of regional routine training, the tailor-made courses for large store managers and storekeeper training camps. A total of 27 multi-level face-to-face trainings for store assistants, store managers and store owners, and 21 national live trainings on YY.com were organized, with more than 2,000 persons trained. In order to get assistants in all the franchised stores nationwide work with the Company to promote the brand image, the improvement and transformation of training content will be one of the priorities in the coming year.

Emphasis on festival marketing

Carpenter Tan attaches great emphasis on "companionship" and spreading "beautiful passion". We plan our publicity programs and products to fit closely with the passion element of festivals to offer personalized and value-added support services at specific festival times. We also formulated a stock pre-ordering and replenishment procedure for the presale of new products at franchised stores, forecasting on customer needs and meeting market demand in advance.

Directly self-operated stores and group purchase business

The Group continued to explore, study and summarize the most suitable operating model and methods for Carpenter Tan's store through operating the three directly self-operated stores in Jurong, Suzhou and Changzhou, providing guidance to franchised stores on standardized operation and management.

In 2019, Carpenter Tan continued to ramp up efforts on its group purchase business. The Company reached agreements on group purchases with Dr Plant and CNPC in the first half of the year. The group purchase policy was released in August 2019, adjusting group purchase discounts, and providing group purchase incentives to external parties, so as to stimulate growth in the group purchase business. For the year ended 31 December 2019, the external group purchase sales grew at a rate of 79.3%.

Make "every comb" good

For the year ended 31 December 2019, the POS sales for our offline business reached 97.5% of the planned target, slightly increased by 1.1% when compared to last year, and the same store's performance delivered a slight increase as well. There is still much room to be improved for brand building. We need to go the extra miles to improve the quality of the stores, continue to promote the brand awareness, reinforce the terminal services for the market, and implement the penetration of brand culture. Looking ahead, we will still put the interests of the franchisees in the first place, make bold innovations and go out of our way. We aim to make "every comb" good with diligent efforts together with the franchisees and store assistants across China as well as all the craftsmen of Carpenter Tan.

(ii) Overseas Business

We have been trying hard on overseas business expansion. After several years of exploration and experiencing, we have made certain progress in 2019 despite the difficulties. The first offline store in North America, Toronto store in Canada, was opened in March 2019. The store recorded satisfactory results under brand promotions by franchisees during Thanksgiving and Christmas sales seasons. We opened the first offline store in Malaysia, Kuala Lumpur store in April, and the first offline store in Taiwan, Taichung store in Taiwan in May. Carpenter Tan opened the first offline flagship store in the United States, Flushing store in New York in October. The first offline store in Japan was opened in Yokohama in November, during which a series of brand promoting activities were carried out, including tram advertisement, publicity by online influencers, customer DIY comb painting experience activities.

For the time being, we still have not sufficient overseas brand awareness, our franchisees are short of thorough understanding of our brand. Consequently, we will continue to prepare for the opening and improving the operation and management of the overseas stores in 2020, affording more desirable ancillary and supporting brand culture, products and services for the overseas markets. Meanwhile, the Group will carry on boosting publicity through exhibitions and promotion platforms, proactively attending overseas high-quality exhibitions of the industry with a good brand image and excellent experience to get greater brand exposure and let more friends at overseas know this small wooden comb from China.

2. Online Business

(i) Domestic Business

Carpenter Tan e-commerce has gained a certain number of VIP customers since it launched the online sales business in 2012 under the principle of continuous online and offline same price policy. In 2019, our e-commerce team successfully completed the sales target. For the year ended 31 December 2019, total sales from T Mall online store was approximately RMB82.4 million, accounting for 71.3% of the total online sales and up 23.6% when compared to the same period of last year. Total sales from Jingdong online store was RMB32.9 million, representing a proportion for 28.7% of the total online sales and increased by 14.9% over the same period of last year.

There are many creative ways to hold online activities. The marketing models are updated and iterated. Our online sales team also vigorously caters to the market needs. Throughout 2019, the sales growth during each event was obvious, especially on the Valentine's Day in February and during the 18 June campaign when the sales compared to last year increased by 110% and 84%, respectively. During the events of Valentine's Day in February 2018, as it was near the Chinese New Year, the sales did not have an upward surge, and that was why the sales on the Valentine's Day in 2019 were up by 110% when compared to 2018. So the sales on the Valentine's Day in 2019 were only up by 9.7% when compared to 2017. During the 18 June campaign, our promotion was made through the internal website and external platforms. We made the topic of "Making a Comb by Yourself", which improved the interaction of consumers, increased the flow and conversion rate, with a sales growth by 84% when compared to last year. The sales decline during the Double Eleven events in 2019 was visible, mainly due to no participation in the official Double Eleven events during that year, in contrast to our participation in the official platform activities in 2018 which benefited our sales with the traffic. Despite promotion made through multiple channels on external platforms in 2019, the sales for Double Eleven events decreased by 44% as compared to the same period in 2018, and increased by 108% when compared to 2017.

(ii) Overseas Business

By accumulating experience in overseas business development, Carpenter Tan's products have been launched on many overseas online platforms, such as U.S. Amazon, Australia Ebay, UK Ebay, U.S. Shopify, U.S. Yamibuy, Japan Amazon, Korea NAVER, Singapore LAZADA and Malaysia Shopee. We have also established cooperation with cross-border e-commerce companies in North America and promotion teams in the U.S. to regularly launch our products and promote our brand on Facebook and Instagram.

Overseas online platforms distribution as at 31 December 2019

Name of platform	Launching time	Operating model
U.S. Amazon	March 2018	Cooperated with BizArk (a cross-border e-commerce company)
Australia Ebay	April 2018	Self-operated by overseas online team
UK Ebay	October 2018	Self-operated by overseas online team
Malaysia LAZADA	April 2018	Self-operated by overseas online team
Thailand/Philippines	August 2018	Self-operated by overseas online team
Korea 11ST	November 2018	Operated by Korean online franchisee
Korea NAVER	November 2018	Operated by Korean online franchisee
Malaysia Shopee	January 2019	Self-operated by overseas online team
U.S. Shopify	March 2019	Operated by U.S. team of BizArk
U.S. Yamibuy	April 2019	Operated by U.S. team of BizArk
Japan Amazon	May 2019	Self-operated by overseas online team

Compared with last year, this year 2019's overseas online expansion performance is more courageous and stable. We frequently launched offline activities consistent with the tone of the brand, expanding the brand's local presence and gathering popularity. Our "Combing Hair for Mom" activity went to overseas for the first time, through which we passed on the Chinese filial piety and family culture in Philadelphia, the United States. We took the wooden comb painting DIY activity to the University of Suwon, giving Korean college students the chance to experience the fun of comb painting. We also entered the international fashion circle and attended the Met Gala with Gemma Chan, a Hollywood actress. We also participated in the Cosmo Show of North America in Las Vegas at the end of July to enlarge the influence of Carpenter Tan brand.

At present, our profitability in overseas markets is not high, so that we need to work hard for brand localization. Consumers are hardly aware of our brand name. Subject to cost constraint and different mindset, large overseas retail channels have not been developed yet. Carpenter Tan brand is mainly known among ethnic Chinese communities and there is still a lot to be done to achieve brand awareness among local consumers. Stepping into 2020, our team will make continued efforts on brand promotion and social media promotion, increase brand exposure, and improve the profitability of existing online stores.

3. Innovative Research and Development

The innovation design center has grown for the past five years, and thus its staffing is basically in place with enhanced solidarity of members. During the Year Under Review, Carpenter Tan's innovation design center focused on the design and development of new products in three directions: (i) traditional culture (Chinese New Year Shu Ni You Fu series (鼠你有福), Chinese New Year Shi Shi Ru Yi (柿柿如意) series, Mother's Day Kai Feng Zi Nan (凱風自南) series), (ii) youth and fashion (Disney IP products, Qixi Festival products), and (iii)functional product (metal needle airbag hair-care comb, nylon needle boar bristle airbag hairbrush).

During the Year Under Review, the innovation design center completed the development for 24 new products, and design 158 samples, of which 85 samples passed the review and 56 samples were launched in the market. Among the products that have been launched, there are 7 single combs, 17 inserted combs, 12 hair-care combs, 6 hairbrushes, 1 single mirror, 8 box-sets, 2 bracelets, and 3 scraping plates. For the year ended 31 December 2019, according to the published new product review report, 20 samples were selected and included in products for regular sales (except Disney products).

During the Year Under Review, the innovation design center carried out 8 innovative research and development projects (technical method and packaging). Amongst others, the following are in progress: glue-free inserted comb and new product structure project (which can be included in the fourth-generation product development project), deep processing technology modular project, embedded wooden mirror project, and side pull-out layered storage packaging box project. For the year ended 31 December 2019, among the patent applications submitted by the innovation design center, there were 1 for invention patent, 5 for technology patent. As at 31 December 2019, 2 technology patent certificates had been obtained.

During the Year Under Review, we still had many shortcomings, and found it not easy to balance design and production. In June and September 2019, a flock of products were launched to the market in a short time. As the communication between design and research and development and the Company's various departments was insufficient, the implementation of new product development and promotion plans was still unsmooth. In the new year 2020, the innovation design center needs to have a general perspective and build partnership with broader ideas for research and development. The innovative research and development shall be focused on the basic aspects, such as reflecting brand tone, tapping Chinese traditional culture, shaping stylish and young brand image, and overcoming basic functional shortcomings of the products.

4. Production Technology

Working creates value and realizes self-value at the same time, which is especially true in Carpenter Tan's Wanzhou factory in Chongqing. As at 31 December 2019, Carpenter Tan's factory has a total of 880 employees, of whom 363 are handicap, where they have used their own hands to make the most beautiful combs in the world. Wanzhou factory completed a production of 3,846 thousand pieces, when compared to 2018 of 3,615 thousand pieces, representing an increase of 231 thousand pieces or around 6.4%. Among them, 807 thousand pieces were horn products, with a completion rate of 102%. 214 thousand pieces were new products, with an increase of 28.2% when compared to 2018. 167 models were new product samples, when compared to 2018 of 161 models, representing a slight increase. 77 models of new products were launched to market, when compared to 2018 of 65 models, representing an increase of 18.5%.

During the Year Under Review, in order to maintain our advantages in new technology, new process and new structure, the Company separated the technology department from Wanzhou factory, and established an independent technology research and development center, developed a medium to long-term project research and development plan, and improved manpower matching. Throughout the year, we initiated 23 short-term, medium-term and long-term technological development and innovation projects approved by the company. Currently, the new lacquer painting technique has been basically matured and launched for production; two technological development projects of "automatic dispensing and shaping" and "comb molding" have obtained approval and entered the mass production stage, and greatly improved the degree of product standardization. During the Year Under Review, we have applied for a total of 6 patents (including 1 invention and 5 practical models), and obtained 2 practical model licenses.

The Company strictly controls safety production and insists on "visual" inspection and rectification. However, our quality management needs to be further strengthened. During the Year Under Review, although there is no quality control failure in production, we still made an overall recall to the new product "Princess Jasmine Mirror" due to imperfection in production process. Quality is what we need to stick to most. We believe that only strict and complete rules and management systems are the basis for the long-term operation of the Carpenter Tan's brand.

During the Year Under Review, the development of new products also put forward many demands for production. Like how to connect more smoothly from design to production. As it has become increasingly difficult to develop compatible technology, technological development inputs by factories are insufficient, our production will face new challenges posed by these factors.

5. Logistics and Distribution

Every chain brand has a dedicated logistics center to meet the requirements of franchisees and solve their practical problems. We will continue to improve the back-office services of our brand and use actual actions to uphold Carpenter Tan brand philosophy "Honesty, Work, Happiness". During the Year Under Review, the logistics center rationally organized production and sped up delivery to meet marketing needs, strictly implemented the warehouse management in accordance with the "Plan Management Measures", and steadily advanced various tasks. The customers' order satisfaction rate reached 99.8%. Based on the sales conditions in previous years, the increase or decrease in number of franchised stores, and the inventory level of the logistics center, the Company issues regular plans on monthly and quarterly basis. Based on the requirements from the marketing department, the Company issues new products, special products, crowdfunding and other plans. There were no inventory backlogs or product shortages due to inaccurate forecasts. We changed the e-commerce shipping method from the original truck cargo transportation to precise logistics or vehicle transportation, which could also save logistics costs. We improved brand value-added services such as after-sales repair and maintenance works. We purchased special-shaped lens cutting machines to solve the repairing problem of damaged special-shaped lens. We also improved packaging quality and the tested tight-fitting packaging has been unanimously praised by our franchisees.

6. Corporate Culture

Comb Passion Garden Theme Interactive Exhibition

Carpenter Tan insists on making a good comb. In order to make the comb a medium to convey beautiful emotions, the brand activities of Carpenter Tan during the Year Under Review began with a "Comb Passion Garden" theme interactive exhibition. This year, our brand cultural center and sales and marketing department jointly launched the promotion activities for "Comb Passion Garden" brand series. We used wooden partition to set up "Warm Tree Holes", "Comb Tooth Forest", "Three Thousand Hair", "Combing Love and Passion", "Sales Area" and other sections, interspersing with the wooden comb manufacturing process.

Customers entering the event site intimately contacted the brand with an immersive experience. During the process of making wooden combs, they felt the hard-won and joy of wooden comb making as well as the combined beauty of the fashion and tradition of Carpenter Tan combs, exquisite craftsmanship, brand culture and stories, Carpenter Tan's corporate philosophy of "Honesty, Work, Happiness", they also felt the beautiful emotions transmitted through small wooden combs.

With the themes of "Let's be beautiful in Comb Passion Garden", "Combing hair for mom in Comb Passion Garden", "Let's speak love about Carpenter Tan in Comb Passion Garden" and "Carpenter Tan's old brands and new concepts", the event had been held in four different locations, including Wanda Plaza in Wujiaochang, Shanghai, Cosmo City in Hefei, Wong Tee Plaza in Futian, Shenzhen, and Paradise Walk in Chongqing, respectively, and had been highly recognized by on-site customers and shopping malls. Through campus promotion activities, inviting masters to experience and do live streaming, and utilizing Weibo, WeChat, Douyin, Xiaohongshu, Zhihu and other platforms to post speech, the events received a total of nearly 100 million exposure times, and obtained a good communication coverage.

Location	**Place of exhibition**	**Time**	**Number of experience time of experience comb**	**Sales of experience comb RMB**	**On-site retail sales RMB**	**Online and offline exposure**
Shanghai	Wanda Plaza, Wujiaochang, Shanghai	March 25 – April 14 (23 days)	1,495	34,281	390,000	51,440,000
Anhui	Cosmo City, Hefei	May 1 – May 12 (12 days)	1,358	64,377	230,000	19,600,000
Guangdong	Wong Tee Plaza, Shenzhen	August 3 – August 9 (9 days)	877	36,161	91,500	16,090,000
Sichuan	Paradise Walk, Chongqing	September 28 – October 7 (11 days)	1,617	59,709	103,815	33,558,000

Arrangement and details of the "Comb Passion Garden" touring

"New Craftsmanship" Wood Art Exhibition

Carpenter Tan is also tirelessly conveying superb ingenuity and artistic taste, presenting the beauty to customers. In October 2019, the "New Craftsmanship" Wood Art Exhibition was held at the Hangzhou Handicraft Living Museum, six wood artists from home and abroad exhibited a total of 56 works, including the carved wooden comb of Mr. Yu Dahong, an arts and crafts master. This is the fourth time that Carpenter Tan has held the exhibition designed to promote the integration of carpentry art and modern life. During the exhibition period, two forums were held, at which Ms. Vivien Grandouiller, a French wood artist, exchanged skills with a group of domestic wood artists. Cooperated with "Chinese Handicraft", a magazine focusing on the handicraft industry in China, the exhibition has received more than 500 thousand exposures times through its omni-channel communication resources.

We launched the upgraded official website, the membership system, and the applet

In 2019, we completed the upgrade of Carpenter Tan's official website, officially launched the membership system of Carpenter Tan, and then launched the Carpenter Tan applet. In the terminal, we have united the data connection among the membership system, the official website sales data, and the applet, and have gradually established and improved our own database. In the future, we'll use the traceability of the applet to establish a communication and promotion reward mechanism, to activate all our employees, franchisees and clerks, investors and Carpenter Tan members to participate in the communication and promotion of Carpenter Tan's brands.

7. Human Resources and Comprehensive Governance

It is Carpenter Tan's team building guideline to care about employees, cultivate employees' sense of value of loving labor, teach employees to be diligent and capable, so that employees have better employability, survivability and social value. As at 31 December 2019, Carpenter Tan's factory has a total of 880 employees, including 363 handicap employees. In the factory, there are "one-yuan staff meals", free commuter vehicles for the handicap staff, various sports fields, and well-equipped new dormitories. In Carpenter Tan, we help not only to improve working skills of employees, but also to teach them how to be a diligent person, how to work, to tap for more of their own value and make employees more confident. In terms of employee care, we always rest assured the benefits of employees. During the Year Under Review, the salary of normal employees and handicap employees had been increased, and 11 handicap employees were installed with artificial limbs.

During the Year Under Review, the Company's demand for human resources is mainly focused on two aspects: (i)offline market expansion, and (ii)product research and development. Based on annual marketing and profit performance targets, we have combed and formulated the targets and key tasks of each department in combination with the Company's overall performance target to make it more cohesive. At the same time, the performance weights of department heads on key missions and targets have been optimized to be more effective and more focused. According to the new issues and risks arising from economic business activities, the "Administrative Measures for Risk Control over Economic Business Contracts" and the "Payment Approval System" have been improved and revised. The "Technical Progress Award Measures" has been effectively optimized in terms of technological achievements, patent achievements, honors and reward incentives. In addition, we effectively cracked down the unauthorized online sales which our franchisees complained much about those illegal activities.

During the Year Under Review, there were still many shortcomings. The Company has not done good enough in employees' professional ethics management, administrative measures to maintain product quality and the Company's brand image and awareness. Outstanding designers and marketing talents were still lacking.

HONORS AWARDED

During the Year Under Review, the Group received the following honors and achievements:

January 2019	:	"The Most Socially Responsible Listed Company" at the 2018 "Golden Hong Kong Equities Awards" Annual Awarding Ceremony, this is the fourth consecutive time we have won such award;
April 2019	:	"Chongqing Famous Brand Products" granted by Chongqing Famous Brand Products Association;
June 2019	:	Outstanding Organization Awards for Disabled Day granted by Wanzhou District Disabled Persons' Federation;
July 2019	:	"2018 Class A Taxpaying Enterprise" granted by Wanzhou District Taxation Bureau;
September 2019	:	"National Model Enterprise with Harmonious Labor Relations" granted by Ministry of Human Resources and Social Security and All-China Federation of Trade Unions;
September 2019	:	The Third Prize for Handicap Entrepreneurship Group granted by Human Resources and Social Security Bureau, Economic and Information Commission, Disabled Persons' Federation of Wanzhou District; and
October 2019	:	Chongqing Cultural and Sports Demonstration Site for Disabled Persons.

FINANCIAL REVIEW

1. Revenue

The Group recorded a revenue of approximately RMB336,538,000 for the year ended 31 December 2019, representing an increase of approximately RMB24,264,000 or 7.8% as compared to that of approximately RMB312,274,000 for the year ended 31 December 2018. The revenue of offline business amounted to approximately RMB214,542,000, representing an increase of 3.3% against last year. The revenue of online business amounted to approximately RMB115,290,000, representing an increase of 16.6% against last year. The revenue of directly-operated outlets amounted to approximately RMB6,131,000, representing an increase of 21.0% against last year. During the Year Under Review, the Group's enhanced the team structure, store image and channel distribution for offline business, as well as the proactive marketing for online business. As at 31 December 2019, the Group had 1,249 franchised stores and 6 directly-operated outlets respectively while as at 31 December 2018, the Group had 1,222 franchised stores and 4 directly-operated outlets respectively. The franchise fee income was approximately RMB575,000 which represents an increase of 0.7% when compared to that of approximately RMB571,000 of last year.

	For the year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Revenue				
– Combs	**66,298**	**19.7**	67,079	21.4
– Mirrors	**673**	**0.2**	781	0.3
– Box sets	**265,290**	**78.8**	242,612	77.7
– Other accessories*	**3,702**	**1.1**	1,231	0.4
Franchise fee income	**575**	**0.2**	571	0.2
Total	**336,538**	**100.0**	312,274	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 RMB135,685,000 for the year ended 31 December 2019, representing an increase of approximately RMB12,087,000 or 9.8% as compared to that of approximately RMB123,598,000 for the year ended 31 December 2018. The increase in cost of sales was in line with the increase in revenue and the change in sales mix for the Year Under Review.

3. Gross profit and gross profit margin

For the year ended 31 December 2019, the gross profit of the Group was approximately RMB200,853,000, representing an increase of approximately RMB12,177,000 or 6.5% as compared to that of approximately RMB188,676,000 for the year ended 31 December 2018. The gross profit margin decreased slightly from 60.4% in 2018 to 59.7% in 2019. The decrease in gross profit margin was mainly due to the change in sales mix of our Group for the Year Under Review.

4. Other income

Other income was approximately RMB58,444,000 for the year ended 31 December 2019, representing an increase of approximately RMB7,889,000 or 15.6% as compared to that of approximately RMB50,555,000 for the year ended 31 December 2018. Other income was mainly comprised of PRC VAT refunds of approximately RMB25,735,000, rental income of approximately RMB6,647,000, interest income of approximately RMB228,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB20,902,000 and fair value change of investment properties of RMB1,120,000 respectively (2018: PRC VAT refunds of approximately RMB25,242,000, rental income of approximately RMB7,018,000, interest income of approximately RMB2,644,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB4,562,000 and fair value change of investment properties of RMB2,220,000 respectively).

5. Selling and distribution expenses

The selling and distribution expenses of the Group amounted to approximately RMB62,756,000 for the year ended 31 December 2019, representing an increase of approximately RMB8,677,000 or 16.0% as compared to that of approximately RMB54,079,000 for the year ended 31 December 2018. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB17,150,000, delivery charges of approximately RMB7,959,000, depreciation of right-of-use assets of approximately RMB5,768,000, salaries and allowances of approximately RMB11,928,000 and travelling expenses of approximately RMB2,587,000, respectively (2018: advertising and promotion expenses of approximately RMB15,353,000, delivery charges of approximately RMB7,556,000, rental expenses of approximately RMB4,268,000, salaries and allowances of approximately RMB10,233,000 and travelling expenses of approximately RMB2,508,000, respectively).

6. Administrative expenses

The administrative expenses of the Group was approximately RMB34,381,000 for the year ended 31 December 2019, representing a decrease of approximately RMB750,000 or 2.1% as compared to that of approximately RMB35,131,000 for the year ended 31 December 2018. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB13,432,000, legal and professional fee of approximately RMB1,787,000, design and sample expenses of approximately RMB1,479,000, consultancy fee of approximately RMB329,000 and audit and review fee of approximately RMB1,055,000, respectively (2018: salaries and allowances of approximately RMB13,789,000, legal and professional fee of approximately RMB2,325,000, design and sample expenses of approximately RMB2,291,000, consultancy fee of approximately RMB516,000 and audit and review fee of approximately RMB1,132,000, respectively).

7. Other operating expenses

Other operating expenses of the Group was approximately RMB7,182,000 for the year ended 31 December 2019, representing an increase of RMB1,323,000 or 22.6% as compared to that of approximately RMB5,859,000 for the year ended 31 December 2018. The increase was mainly due to the increase in impairment loss on right-of-use assets of RMB2,081,000 during the Year Under Review.

8. Finance costs

The finance costs of the Group was approximately RMB634,000 for the year ended 31 December 2019 while there was no such cost in last year.

9. Income tax

For the year ended 31 December 2019, the income tax expenses of the Group amounted to approximately RMB31,794,000, representing an increase of approximately RMB2,142,000 or 7.2% when compared to approximately RMB29,652,000 for the year ended 31 December 2018. The increase was mainly due to the increase in PRC Enterprise Income Tax during the Year Under Review. The details is set out in Note 7 to the financial statements in this announcement.

The effective tax rate for the Year Under Review was 20.6% when compared to 20.6% for the year ended 31 December 2018.

10. Profit for the year

The profit for the year ended 31 December 2019 was approximately RMB122,550,000, representing an increase of approximately RMB8,040,000 or 7.0% as compared to that of approximately RMB114,510,000 for the year ended 31 December 2018. The increase was mainly due to the increase in gross profit of approximately RMB12,177,000, for the Year Under Review.

11. Profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB122,484,000, representing an increase of approximately RMB7,974,000 or 7.0% as compared to that of approximately RMB114,510,000 for the year ended 31 December 2018.

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 2019, the book value of property, plant and equipment amounted to approximately RMB60,539,000, representing a decrease of approximately RMB344,000 or 0.6% as compared with the previous year of approximately RMB60,883,000. The decrease was mainly attributable to the depreciation for the year ended 31 December 2019.

2. Inventories

The Group's inventories as at 31 December 2019 increased by approximately RMB7,446,000 or 5.1% from approximately RMB145,626,000 as at 31 December 2018 to approximately RMB153,072,000 as at 31 December 2019, primarily due to the increase in raw materials level. Raw materials increased by approximately RMB7,976,000 or 8.0% from RMB100,169,000 in last year to approximately RMB108,145,000 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 2019, the Group's trade receivables amounted to approximately RMB4,799,000 which increased by approximately RMB2,448,000 to that of approximately RMB2,351,000 as at 31 December 2018.

4. Other receivables, deposits and prepayments

The Group's other receivables, deposits and prepayments increased by approximately RMB3,332,000 or 21.4% from approximately RMB15,560,000 as at 31 December 2018 to approximately RMB18,892,000 as at 31 December 2019. The increase in other receivables, deposits and prepayments was mainly due to an increase in trade and other deposits of approximately RMB3,778,000 when compared to last year.

5. Trade payables

As at 31 December 2019, the Group's trade payables was approximately RMB3,098,000, which is close to that of approximately RMB3,617,000 as at 31 December 2018.

6. Other payables and accruals

The balance of other payables and accruals consists of dividend payables, other payables, accruals, trade deposits received, provision for sales return, VAT and other non-income tax payables. The Group's other payables and accruals increased by approximately RMB154,122,000 from approximately RMB42,166,000 as at 31 December 2018 to approximately RMB196,288,000 as at 31 December 2019. The increase was primarily due to an increase in dividend payables of approximately RMB148,006,000 during the Year Under Review.

CAPITAL STRUCTURE

1. Indebtedness

As at 31 December 2019, the Group did not have any bank borrowings (2018: RMB nil).

2. Gearing ratio

As at 31 December 2019 and 2018, the Group did not have any bank borrowings. The calculation of gearing ratio is not meaningful.

3. Pledge of assets

As at 31 December 2019, the Group did not have any pledged assets to the bank (2018: RMB nil).

4. Capital expenditure

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and purchases of motor vehicles. The Group's capital expenditures amounted to approximately RMB4,129,000 and approximately RMB6,163,000 for the year ended 31 December 2019 and the year ended 31 December 2018 respectively.

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 2019, the Group did not have any bank borrowings. The disclosure of effective interest rates for variable rate loans is not applicable.

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 2019, the Group had cash and bank balances of approximately RMB39,380,000 (2018: approximately RMB46,203,000), which was mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital commitment amounted to approximately RMB942,000 (2018: approximately RMB1,535,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2019, the Group had not made any material acquisition and disposal.

FUTURE OUTLOOK

At the end of 2019, the outbreak of the novel coronavirus epidemic has blocked most of the retail industry in the country instantly, and it has also had a huge impact on economic operations. Like many peers, most of franchised stores have to take temporary closures, and the development in 2020 will face huge challenges. However, the more tense the situation, the more rational and calm thinking is required. Every member of Carpenter Tan, while trying to support Wuhan stores and first-line hospitals, worked with full spirit, sought innovations and changed marketing strategy. The Group led the operation of private traffic marketing in circle of friends in a unified manner, cooperated with shopping malls to promote traffic marketing and increased online live training for store staff. With these three initiatives, we believe we can overcome the immediate difficulties together.

We will vigorously strengthen our internal management without relaxation, continue to improve corporate image, products, packaging, etc., enhance brand awareness, and carry out product development with an open mind. At the same time, we will actively develop online and offline business, domestic and overseas omni-channel marketing, and continue to improve our product range by adding new categories and upgrading new processes while taking into account of diversification, individualization, refinement, and style reduction and yield increase. We will pragmatically carry out brand promotion to bring it closer to young consumers, and keep up with market changes.

Our Chairman requires: "Put life first and business behind, make every effort to do our works on prevention, control and support best on the epidemic in the Company's internal and franchising systems." We believe that, after experiencing the novel coronavirus epidemic, every member of Carpenter Tan will more cherish our work and life, love this era we enjoy, devote ourselves to being a happy and ordinary brand, and work together to make this "comb" symbolizing happiness and simple life.

DIVIDENDS

Final dividend

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend of HK28.04 cents per share for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 29 May 2020, amounting to approximately HK$69,739,000 subject to the approval of the Company's annual general meeting to be held on Wednesday, 20 May 2020. The dividend payout ratio is 51.0% of the profit for the year attributable to owners of the Company or 40.5% of the profit before taxation of the Company.

The above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2020.

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, 15 May 2020 to Wednesday, 20 May 2020 (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 Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 14 May 2020.

To qualify for the proposed final dividend and special dividend

The register of members of the Company will be closed from Wednesday, 27 May 2020 to Friday, 29 May 2020 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified for receiving the proposed final dividend and special dividend, all share transfer documents must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 26 May 2020.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2019, 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 2019, the Group had used net proceeds of approximately RMB54,200,000, of which approximately RMB25,500,000 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 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 Company's shareholders.

SHARE OPTION SCHEME

On 17 November 2009, the Company conditionally adopted a share option scheme (the "**Share Option Scheme**"), which became effective on 29 December 2009 (the "**Effective Date**"). Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from the Effective Date offer to grant to any Eligible Persons (as defined herein below), including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for Shares.

The principal terms of the Share Option Scheme are summarised as follows:

1. The purpose of the Share Option Scheme is to recognise and motivate Eligible Persons (as defined herein below) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

2. "Eligible Persons" include (i) employees or persons being seconded to work for any member of the Group (the "**Executive**"); (ii) directors (including independent non-executive directors) of any member of the Group; (iii) shareholders of any member of the Group; (iv) suppliers, customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group; (v) persons or entities that provide research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and (vi) an associate of any of the foregoing persons.

3. The total number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of the Group must not in aggregate exceed 25,000,000 Shares, being 10% of the total number of shares in issue as at the date on which the Shares first commenced trading on the Stock Exchange. The 10% limit may be refreshed with approval by ordinary resolution of the Shareholders. The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to the Eligible Persons specified by the Company before such approval is obtained.

   The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time. As at 26 March 2018 and 30 August 2018, being the dates of the 2017 annual report of the Company and 2018 interim report respectively, the total number of Shares available for issue in respect thereof were 24,871,400 Shares and 24,871,400 Shares, representing approximately 10% and 10% of the then issued shares of the Company respectively.

4. The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

5. The exercise period of any option granted under the Share Option Scheme shall be determined by the Board, but such period shall not exceed ten years from the date of grant of the relevant option.

6. The Share Option Scheme does not specify any minimum holding period but the Board may fix any minimum period for which an option must be held before it can be exercised.

7. The acceptance of an offer of the grant of an option must be made within the period as stated in the offer document provided that no such offer shall be open for acceptance after the Share Option Scheme has been terminated with a non-refundable payment of HK$1.00 from the grantee.

8. The subscription price shall be determined by the Board but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day ("**Offer Date**"); (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

9. Subject to early termination by an ordinary resolution in general meeting of Shareholders, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 29 December 2009. Upon the expiry or termination of the Share Option Scheme, no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other aspects with respect to options granted thereunder.

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 2019 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 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

The duties and responsibilities of the Audit Committee include:

- provide an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems;
- review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process;
- monitor the integrity of the Company's financial statements, annual report and accounts;
- review the Group's financial and accounting policies and practices; and
- discuss the risk management and internal control systems with management the ensure that management has performed its duty to have effective systems.

During the Year Under Review, the Audit Committee had held two meetings. The work performed by the Audit Committee during the Year Under Review included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2018, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019 and the effectiveness of the internal control practices of the Group. The Audit Committee has also reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly.

Pursuant to the meeting of the Audit Committee held on 30 March 2020 attended by all the members of the Audit Committee, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2019, this results announcement, the 2019 annual report and accounting principles and practices adopted for the Group, as well as the risk management and internal control systems of the Group, for the Year Under Review, and agreed with the accounting treatments adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus (COVID-19) epidemic since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the epidemic on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2019 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 2019 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 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tan Chuan Hua, Mr. Tan Di Fu and Mr. Tan Lizi; two non-executive Directors, namely Madam Tan Yinan and Madam Huang Zuoan; and three independent non-executive Directors, namely Mr. Yang Yang, Madam Liu Liting and Mr. Chau Kam Wing, Donald.

* *For identification purpose only*