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## **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 2024**

#### **RESULTS HIGHLIGHTS**

- Revenue increased by 1.2% to approximately RMB505,436,000 (2023: RMB499,688,000).
- Gross profit increased by 1.4% to approximately RMB305,202,000 (2023: RMB300,877,000).
- Gross profit margin increased by 0.2% points to 60.4% (2023: 60.2%).
- Profit for the year ended 31 December 2024 decreased by 1.3% to approximately RMB171,479,000 (2023: RMB173,774,000).
- Profit attributable to owners of the Company decreased by 1.4% to approximately RMB171,366,000 (2023: RMB173,734,000).
- Earnings per share decreased by 1.4% to approximately RMB68.90 cents (2023: RMB69.85 cents).
- In view of the Group's results, the Directors recommend a final dividend in respect of the year ended 31 December 2024 of HK36.63 cents per share (2023: HK38.64 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Friday, 23 May 2025.

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 2024 (the “**Year Under Review**”) together with the comparative figures for the year ended 31 December 2023 with the selected notes as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Revenue</b>	4	<b>505,436</b>	499,688
<b>Cost of sales</b>		<u>(200,234)</u>	<u>(198,811)</u>
<b>Gross profit</b>		<b>305,202</b>	300,877
Other income and other net gain/(loss)	5	<b>42,456</b>	41,210
Administrative expenses		<b>(41,851)</b>	(40,469)
Selling and distribution expenses		<b>(85,624)</b>	(85,502)
Other operating expenses		<u>(6,638)</u>	<u>(5,844)</u>
<b>Profit from operations</b>		<b>213,545</b>	210,272
Finance costs	6(C)	<u>(611)</u>	<u>(581)</u>
<b>Profit before taxation</b>	6	<b>212,934</b>	209,691
Income tax	7	<u>(41,455)</u>	<u>(35,917)</u>
<b>Profit for the year</b>		<u><b>171,479</b></u>	<u>173,774</u>
<b>Attributable to</b>			
Owners of the Company		<b>171,366</b>	173,734
Non-controlling interests		<u>113</u>	<u>40</u>
<b>Profit for the year</b>		<u><b>171,479</b></u>	<u>173,774</u>
<b>Earnings per share</b>			
Basic and diluted	9	<u><b>RMB68.90 cents</b></u>	<u>RMB69.85 cents</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
<b>Profit for the year</b>	<b>171,479</b>	173,774
<b>Other comprehensive income/(expense) for the year</b>		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	4,891	3,538
Item that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(6,454)</u>	<u>(3,829)</u>
Other comprehensive expense for the year, net of nil income tax	<u>(1,563)</u>	<u>(291)</u>
<b>Total comprehensive income for the year</b>	<b><u>169,916</u></b>	<b><u>173,483</u></b>
<b>Attributable to</b>		
Owners of the Company	169,803	173,443
Non-controlling interest	<u>113</u>	<u>40</u>
<b>Total comprehensive income for the year</b>	<b><u>169,916</u></b>	<b><u>173,483</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		132,355	105,925
Right-of-use assets		36,233	38,362
Investment properties		84,100	91,570
Intangible assets	11	–	–
Non-pledged fixed bank deposits with maturity over one year		218,000	53,000
Other receivables, deposits and prepayments		624	601
		<u>471,312</u>	<u>289,458</u>
<b>Current assets</b>			
Inventories	12	292,498	248,136
Trade receivables	13	7,153	6,808
Other receivables, deposits and prepayments		10,656	8,994
Financial assets at fair value through profit or loss		80,791	10,000
Non-pledged fixed bank deposits with maturity more than 3 months, but within one year		105,000	300,000
Cash and cash equivalents		41,714	67,381
		<u>537,812</u>	<u>641,319</u>
<b>Current liabilities</b>			
Trade payables	14	9,507	6,856
Other payables and accruals		47,798	50,435
Income tax payable		38,595	33,724
Lease liabilities		2,161	2,179
		<u>(98,061)</u>	<u>(93,194)</u>
<b>Net current assets</b>		<u>439,751</u>	<u>548,125</u>
<b>Total assets less current liabilities</b>		<b>911,063</b>	<b>837,583</b>

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>16,654</b>	17,943
Deferred income	<b>497</b>	518
Lease liabilities	<b>9,953</b>	10,638
	<u>(27,104)</u>	<u>(29,099)</u>
<b>NET ASSETS</b>	<b><u>883,959</u></b>	<b><u>808,484</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>2,189</b>	2,189
Reserves	<b>881,770</b>	802,196
<b>Equity attributable to owners of the Company</b>	<b>883,959</b>	804,385
<b>Non-controlling interests</b>	<u>–</u>	<u>4,099</u>
<b>TOTAL EQUITY</b>	<b><u>883,959</u></b>	<b><u>808,484</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 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 Type A Factory Building, Longbao Shuanghekou, Light Industry Park, Wanzhou District, Chongqing, the People’s Republic of China (the “**PRC**”) respectively.

The functional currency of the Company and its subsidiaries in Hong Kong, and its subsidiaries in the PRC are Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”) respectively. For the 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 and also engaged in the operation of retail shops for direct sale of the Group’s products in Hong Kong. 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION

#### a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all 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.

The HKICPA has issued certain new and amendments to HKFRSs which are mandatorily effective or available for early adoption for the current accounting period of the Group. 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 the consolidated financial statements.

**b) Basis of preparation of the consolidated financial statements**

The consolidated financial statements for the year ended 31 December 2024 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**”). The 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 (“**FVPL**”) are stated at their fair value as explained in the accounting policies.

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.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note to the consolidated financial statements.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period for the first time, which are mandatorily effective for the Group's financial annual period beginning on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The Group has not applied any amendments to HKFRSs that are not yet mandatorily effective for the current accounting period. The application of the new and amendments to HKFRSs, HKASs and guidance from HKICPA in the current year has no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

#### **Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants**

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within twelve months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date. Only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting period. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation ("HKAS 32").



The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period. The amendments have no impact on the consolidated financial statements for the current year and no retrospective impact on the comparative consolidated statement of financial position at 31 December 2023.

#### **Amendments to HKFRS 16, Leases-Lease liability in a sale and leaseback**

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the group has not entered into any sale and leaseback transactions.

#### **Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements**

The amendments add a disclosure objective to HKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial statements for the current period.

#### 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’s 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 from contracts with customers by sales channels is as follows:

	<b>2024</b>	2023
	<b>RMB’000</b>	RMB’000
Online business		
– Sales of goods	<u>209,636</u>	<u>211,468</u>
Offline business		
– Sales of goods	<u>290,161</u>	282,441
– Franchise joining fee income	<u>1,179</u>	<u>1,118</u>
	<u>291,340</u>	<u>283,559</u>
Directly-operated outlets		
– Sales of goods	<u>4,460</u>	<u>4,661</u>
	<u><u>505,436</u></u>	<u><u>499,688</u></u>

The Group’s customer base is diversified. No individual customer (2023: nil) had transaction which exceeded 10% of the Group’s aggregate revenue for the year ended 31 December 2024.

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

## 5. OTHER INCOME AND OTHER NET GAIN/(LOSS)

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Government grants (note (I))	<b>833</b>	2,908
Government grants released from deferred income	<b>21</b>	12
Interest income from financial assets measured at amortised cost		
– bank interest income	<b>11,757</b>	8,805
PRC VAT refunds (note 7(A)(VI))	<b>28,904</b>	26,865
Operating lease rental income from investment properties	<b>4,743</b>	4,860
Net foreign exchange loss	<b>4</b>	505
Change in fair value of investment properties	<b>(7,470)</b>	(5,550)
Change in fair value of financial assets at		
fair value through profit or loss	<b>816</b>	883
Loss on disposal of property, plant and equipment	<b>(331)</b>	–
(Recognition)/reversal of loss allowances on trade		
receivables (note 13(B))	<b>(24)</b>	6
Others	<b>3,203</b>	1,916
	<b>42,456</b>	41,210

Note:

- (I) In 2024, among the government grants, approximately RMB833,000 (2023: approximately RMB2,908,000) was for the PRC subsidiaries of the Group. It was the funding support mainly from Chongqing Regulatory Bureau, Ministry of Finance and Chongqing Provincial Human Resources and Social Security Department (the “Funds”). 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. There are no unfulfilled conditions and other contingencies attaching to these grants.

## 6. PROFIT BEFORE TAXATION

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

	2024 RMB'000	2023 RMB'000
<b>A) Employee benefits expenses (including directors' emoluments)</b>		
Salaries and other benefits	95,885	92,101
Contributions to defined contribution retirement scheme	<u>11,162</u>	<u>9,645</u>
Total staff costs (note (I))	<u><u>107,047</u></u>	<u><u>101,746</u></u>
<b>B) Other items</b>		
Auditor's remuneration		
– audit services	729	707
– non-audit services	240	250
Cost of inventories sold (note (I))	197,383	196,738
Depreciation of right-of-use assets (note (I))	3,858	3,652
Depreciation of property, plant and equipment (note (I))	6,273	6,462
Loss allowance on other receivables, net	666	37
Net loss on disposal of property, plant and equipment	331	44
Reversal of provision for sales returns	(783)	(508)
Write down of inventories	2,851	2,091
Reversal of write-down of inventories	–	(18)
Gross rental income from investment properties	(4,743)	(4,860)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	<u>679</u>	<u>671</u>
Net rental income	<u><u>(4,064)</u></u>	<u><u>(4,189)</u></u>
<b>C) Finance cost</b>		
Interest on lease liabilities	<u><u>611</u></u>	<u><u>581</u></u>

Note:

- (I) Cost of inventories includes approximately RMB65,686,000 (2023: RMB64,341,000) 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:

	2024 RMB'000	2023 RMB'000
<b>Current tax</b>		
PRC Enterprise Income Tax (notes (I) and (II))	34,631	34,712
Hong Kong profits tax (note (IV))	–	–
Withholding tax on dividends (note (V))		
- Provision for the year	<u>7,838</u>	<u>4,579</u>
	<b>42,469</b>	39,291
<b>Over provision in prior years, net</b>		
PRC Enterprise Income Tax	<u>275</u>	<u>(287)</u>
	<b>42,744</b>	39,004
<b>Deferred tax</b>		
Transfer to current tax upon distribution of dividends	–	–
Provision for the year	<u>(1,289)</u>	<u>(3,087)</u>
<b>Total</b>	<u><b>41,455</b></u>	<u><b>35,917</b></u>

Notes:

- (I) On 6 April 2012, the State Administration of Taxation of the PRC (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, Chongqing Carpenter Tan Handicrafts Co., Ltd (“Carpenter Tan”), wholly-owned subsidiary, 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. On 23 April 2020, the SAT extended the policy from 1 January 2021 to 31 December 2030.

- (II) 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% (2023: 25%) except for Carpenter Tan (2023: Carpenter Tan) which is eligible for the income tax concessions according to the preferential tax policies as stated in note 7(A)(I) above.
- (III) 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.
- (IV) No provision for Hong Kong profits tax has been made for the years ended 31 December 2024 and 2023 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for both years.
- (V) 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.

- (VI) Pursuant to the notice on preferential tax policies to entities with disabilities issued by the SAT, Ministry of Finance of the PRC that, Carpenter Tan, a wholly-owned subsidiary of the Group, 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 since 24 November 2016.

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.

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

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Profit before taxation	<u><b>212,934</b></u>	<u>209,691</u>
Tax charge at domestic tax rates applicable to profits in the countries concerned	<b>52,461</b>	52,401
Tax effect of non-deductible expenses	<b>1,540</b>	186
Tax effect of non-taxable incomes	<b>(3,291)</b>	(2,053)
Effect of tax concessions granted to subsidiaries (note 7(A)(VI))	<b>(5,501)</b>	(5,624)
Effect of concessionary tax rate enjoyed by subsidiaries (note 7(A)(I))	<b>(12,335)</b>	(12,629)
Unrecognised temporary differences	<b>(3)</b>	(2)
Unrecognised tax losses	<b>506</b>	–
Utilisation of previously unrecognised tax losses	<b>(35)</b>	(654)
Withholding tax on dividends (note 7(A)(V))	<b>7,838</b>	4,579
Over provision in prior years	<u><b>275</b></u>	<u>(287)</u>
Income tax expense	<u><b>41,455</b></u>	<u>35,917</u>

## 8. DIVIDENDS

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

	2024	2023
	RMB'000	RMB'000
Final dividend of HK36.63 cents, equivalent to RMB34.43 cents per ordinary share (2023: HK38.64 cents, equivalent to RMB34.98 cents) proposed after the end of the reporting period (Note I)	<u>85,632</u>	<u>87,000</u>

Note I:

The Directors recommend the payment of a final dividend of HK36.63 cents, equivalent to RMB34.43 cents per ordinary share, totaling RMB85,632,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on Friday, 23 May 2025. These 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

	2024	2023
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2023, approved and paid during the current year, of HK38.64 cents, equivalent to RMB36.18 cents per ordinary share (2023: in respect of the financial year ended 31 December 2022, approved and paid during the year ended 31 December 2023, of HK25.03 cents, equivalent to RMB22.86 cents per ordinary share)	<u>89,996</u>	<u>56,878</u>



## 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

	2024	2023
	RMB'000	RMB'000
Earnings used in calculating basic earnings per share	<u>171,366</u>	<u>173,734</u>

#### (ii) Weighted average number of ordinary shares

	Number of shares	
	2024	2023
	'000	'000
Weighted average number of ordinary shares outstanding	<u>248,714</u>	<u>248,714</u>

### b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2024 and 2023 was the same as the basic earnings per share because the exercise price of the share options granted was higher than the average market price of the Company's shares during the exercisable period before the lapse of the share options during the year ended 31 December 2023 and no dilutive potential shares in issue during the year ended 31 December 2024.

## 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 chief operating decision maker 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

	<b>Trademark</b> RMB'000
<b>Cost</b>	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	<u>1,037</u>
<b>Accumulated amortisation and accumulated impairment</b>	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	<u>1,037</u>
<b>Carrying amount</b>	
At 31 December 2024	<u><u>–</u></u>
At 31 December 2023	<u><u>–</u></u>

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

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Raw materials	<b>230,711</b>	189,151
Work-in-progress	<b>24,307</b>	25,981
Finished goods	<b>37,480</b>	33,004
	<b><u>292,498</u></b>	<u>248,136</u>

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

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Carrying amount of inventories sold	<b>197,383</b>	196,738
Write down of inventories	<b>2,851</b>	2,091
Reversal of write-down of inventories	<b>–</b>	(18)
	<b><u>200,234</u></b>	<u>198,811</u>

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

Except for raw materials of RMB127,971,000 (2023: RMB138,448,000) that are expected to be recovered more than twelve months after the reporting period, all the other inventories are expected to be recovered within one 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:

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Trade receivables from contracts with customers	<b>7,222</b>	6,854
Less: Loss allowance (note (B))	<u>(69)</u>	<u>(46)</u>
	<b><u>7,153</u></b>	<b><u>6,808</u></b>

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

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
0 to 30 days	<b>5,617</b>	3,662
31 to 60 days	<b>799</b>	1,939
61 to 90 days	<b>315</b>	672
91 to 180 days	<b>52</b>	323
181 to 365 days	<b>163</b>	169
Over 1 year	<u>207</u>	<u>43</u>
	<b><u>7,153</u></b>	<b><u>6,808</u></b>

## B) Movements in the loss allowance for trade receivables

The movements in the loss allowance in respect of lifetime ECL recognised for trade receivables are as follows:

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Opening loss allowance at 1 January	<b>45</b>	52
Impairment/(reversal) of loss allowance on trade receivables (note 5)	<u><b>24</b></u>	<u>(6)</u>
Closing loss allowance at 31 December	<u><b>69</b></u>	<u>46</u>

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.

## 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:

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
0 to 30 days	<b>5,209</b>	5,016
31 to 60 days	<b>3,211</b>	1,511
61 to 90 days	<b>777</b>	119
91 to 180 days	<b>104</b>	22
181 to 365 days	<b>95</b>	109
Over 1 year	<u><b>111</b></u>	<u>79</u>
	<u><b>9,507</b></u>	<u>6,856</u>

## MANAGEMENT REVIEW

At the beginning of the year 2024, the Group clearly put forward, among others, the main directions of work, key tasks and business objectives for the whole year, including corporate governance, performance targets, governance policies, domestic and international market expansion, specialty store brightness, cleanliness, tidiness and value-added services, new product development and hot item creation, technology research and development and efficiency enhancement, adherence to values, brand building, manpower policy, market rectification, safe production, material guarantee, financial service supervision, charity activities, new factory construction in Wanzhou, compensation and performance policy, employment support and security for people with disabilities, and other multi-dimensional work, with distinctly defined objectives and specific implementation measures.

Domestic market strategies focused on continuously improving the quality of established stores and new store openings, as well as entering prime commercial districts (tourist hubs, transportation nodes), leading shopping malls, and favorable retail locations; successful launch of offline marketing and promotional campaigns for “Garden of Combs” comb-making experiential activities; effectively executing the ‘Combing Hair for Customers’; constantly supporting the establishment of brand image stores in new first-tier cities; continuously implementing market development policy support for the revitalization of the Northeast Region; consistently engaging in brand image maintenance and development with a focus on brightness, cleanliness and tidiness. International market strategies focused on prioritizing the development of offline market from the perspective of sustainable and healthy brand cultivation and development, developing quality offline channels, platforms and premium franchise resources, while concurrently conducting pilot works for online overseas agency business; persistently and boldly exploring, implementing, adjusting, and making necessary corrections to identify a successful model suitable for the Group’s international business. The Company has provided full support for business expansion, human resource security, compensation and performance incentives, while adhering to the principles of learning from mistakes, taking bold initiatives, having work planning and implementation measures. Online business focused on enhancing the overall service quality and value-added services of the stores; optimizing the layout of store pages and product detail pages; continuously collaborating with top-tier influencers to secure opportunities for exposure and sales-driven activities, consistently promoting the brand; expanding marketing activities targeted towards our members, ensuring the maintenance and sustaining long-term interactive engagement of online members; carrying out effective product categorization, inventory control, and further strengthening on-site management; vigilantly monitoring and detecting illegal online sales and counterfeit information on online platforms, promptly contacting platforms to remove links, and liaising with administrative and risk control center to pursue litigation for safeguarding rights.

During the Year Under Review, the Group set clear objectives and implemented effective measures. All departments performed their duties and cooperated closely. The Company made progress in various aspects such as corporate governance. The market space was better expanded and the number and quality of specialty stores were significantly increased and improved. Despite the current macro-environment of weak demand and sluggish growth, the market retail segment still managed to achieve a certain degree of growth.

## **I. Offline Business**

For the year ended 31 December 2024, POS sales for our offline business reached 131.47% of the planned target, representing an increase of 4.88% as compared to the same period in 2023. During the Year Under Review, the offline business team established 223 new stores with the goal of increasing store coverage and improving store image. The number of specialty stores recovered significantly after the impact of the pandemic and maintained a good trend of increasing year by year, and traditional sales channels were further expanded and enriched. With the goal of improving store services and matching customers' needs, the Company continued to carry out and refine the in-store hair combing services, and made appropriate adjustment and supplement to services such as gift wrapping and words engraving, thus implementing the consumer-first sales strategy. With the goal of expanding brand recognition and enhancing brand awareness, multiple types, frequencies and sessions of advertising media promotions and offline landing activities were launched. With the goal of solidifying our presence in the offline market while embracing online platforms, official mall in mini program achieved sales of RMB19,280,000, and the Group successively entered local lifestyle platforms such as Meituan-Dianping, Kuaishou and Xiaohongshu, taking a substantial step forward to new channels and new retail businesses development. The offline business has always been committed to building a healthy and stable franchise system, collaborating with the franchise team to firmly implement Carpenter Tan's policy of "Doing every little thing deeply and thoroughly", jointly working towards the goal of "not striving to be a top 500 company, but rather lasting for 500 years".

### ***1. Specialty Stores Overview***

For the year ended 31 December 2024, Carpenter Tan had a total of 1,245 franchised stores and 1 self-operated store in Mainland China, 5 franchised stores in other countries and regions, and 3 self-operated stores in Hong Kong. The total number of stores was 1,254. There was an increased by 84 stores as compared to 1,170 stores as of 31 December 2023. Among them, shopping mall stores, image stores of the third generation, and Morandi image stores accounted for 70.3%, 55.0% and 42.4%, respectively.

## Number of franchised stores, overseas stores and counters as at 31 December 2024

	As at 31 December			
	2024		2023	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,245	1	1,161	1
Hong Kong	–	3	–	3
Other countries and regions	5	–	5	–
Total	<u>1,250</u>	<u>4</u>	<u>1,166</u>	<u>4</u>

## Number of franchised stores distribution in China as at 31 December 2024

Type of stores	As at 31 December			
	2024		2023	
	Number of franchised store	Percentage	Number of franchised store	Percentage
Shopping mall	875	70.3%	774	66.7%
Street shop	236	19.0%	248	21.3%
Department store	59	4.7%	63	5.4%
Supermarket	12	1.0%	17	1.5%
Scenic spot	46	3.7%	44	3.8%
Transportation hub	9	0.7%	7	0.6%
Hotel	2	0.2%	2	0.2%
Others	6	0.4%	6	0.5%
Total	<u>1,245</u>	<u>100.0%</u>	<u>1,161</u>	<u>100.0%</u>



## **2. *Offline Advertising and Brand Promotion***

During the Year Under Review, the offline business team adhered to the core strategy of “deepening brand recognition, enhancing market penetration”, systematically promoted offline advertising and brand promotion, which achieved remarkable results. The forms of advertising and promotion were varied, including DP points/LED large screens in core business circles, light box, offline brand exhibitions, metro advertisements, etc. Specifically, in terms of brand exposure, we actively explored diversified communication channels to ensure that our brand message could reach a wider audience. In terms of brand image building, we conducted in-depth exploration on the core values of our brand, and gradually established an emotional connection between the brand and consumers through high-quality content output and user interaction. The Company strived to promote the overall improvement of brand marketing effectiveness, consistently laying a solid foundation for market expansion.

## **3. *Growth in Both Membership Size and Activity Level***

During the Year Under Review, the total cumulative number of registered members in the membership system has reached more than 1,190,000. The number of new members were 287,567 in 2024, representing an increase of 76.77% as compared to the corresponding period of last year. At the same time, in 2024, a total of 200,187 member redemption orders were processed, representing an increase of 87.99% as compared to the corresponding period of last year. The data shows that both the activity and engagement of our members have increased significantly, reflecting the members’ strong recognition of the brand benefits and redemption mechanism.

In the future, we will continue to improve the construction of the membership system, further optimize the membership benefits system, enhance the member service experience, and continuously enhance the stickiness of members, so as to provide a solid user base and sustained momentum for the long-term development of the brand.

## **4. *Diverse New Product Launch***

During the Year Under Review, a total of 44 new products were launched, covering various series and themes. By accurately grasping the market demand, the Company launched a series of practical and artistic products based on festival themes and user scenarios, bringing diversified choices and pleasant user experience to consumers.

Among the new products for Mother’s Day, 2 hair care combs used Carpenter Tan’s patented anti-tangling technique, preserving the classic comb shape design to create a parent-child matching set, fostering the concept of a joyful interactive experience of hair combing.

Among the new summer products, most of them were limited editions. Designers drew inspiration from the elements of traditional Chinese culture, including auspicious golden tortoise beetle, green bamboo, auspicious cloud, lucky patterns, and then innovatively combined wood with gold, silver and stones to create new products of Fu Jia Yi Fang (富甲一方) series, Green Bamboo (青竹) series, Fu Lu (福祿) series, which ingeniously integrated traditional culture and modern fashion.

To address the market demand for light and easy-to-carry combing products, the Company developed a portable comb series, including 3 scraping massage comb, 1 small-sized inserted comb and 1 small-sized wood comb. The products not only provide a comfortable experience but also feature a compact size, satisfying the convenience needs of business trips or daily commuting.

Among the new inserted comb products, centering on traditional Chinese culture, 1 new product for Qixi Festival – Meng Xi Zhou (夢西洲) inserted comb as well as 2 new products for Teacher’s Day – Yi Fan Feng Shun (一帆風順) and Tao Li Fen Fang (桃李芬芳) inserted combs were launched, conveying beautiful blessings to loved ones and teachers.

The new products in wood massage series adopt warm and pristine wood as their material and combine practical design to provide consumers with a soothing and relaxing experience for both body and mind.

New products for online channels cater to the needs of online customers and supplement 8 new products of different comb types and different price ranges, including inserted comb, scraping massage comb, hair care comb, set comb, etc.

Inspired by the four wonderful moments in life, the new products in New Year series carry the good wishes of the Year of the Snake. 4 products for Joy of Life (人生喜樂) series and 1 product for You De Fu Pai (有得福牌) were launched, symbolizing auspiciousness and happiness. While enriching the product line, they also show the brand’s deep understanding and innovative expression of traditional culture and modern needs.

In the future, Carpenter Tan will continue to uphold the spirit of craftsmanship, deeply explore cultural connotations, continuously innovate product design, so as to infuse strong impetus into brand development and create more wonderful life experiences for consumers.

## **5. *Store Image Upgrade and Renewal***

During the Year Under Review, important breakthroughs were achieved in store image upgrade and renovation, with a total of 328 stores renovated throughout the year. Among them, the number of Morandi-styled stores reached 274, accounting for 83.5% of the overall renovation volume, becoming the dominant direction for brand image upgrade.

At the same time, phased results were achieved in the image upgrade of the third generation-styled stores, and the renovation of the first store was successfully completed. Although some details still need to be improved, the overall framework has initially taken shape. In the future, it will bring new vitality to the shopping mall scene, providing customers with a completely new brand experience.

In addition, the design work of the campaigns for Garden of Combs has been fully completed and is currently in the final production stage. Garden of Combs is expected to be officially launched in 2025. It will not only infuse more fresh elements into the brand, but also further bring us closer to consumers, deepening the emotional connection and providing continuous momentum for the long-term development of the brand.

## **6. *Offline Business Focus in 2025***

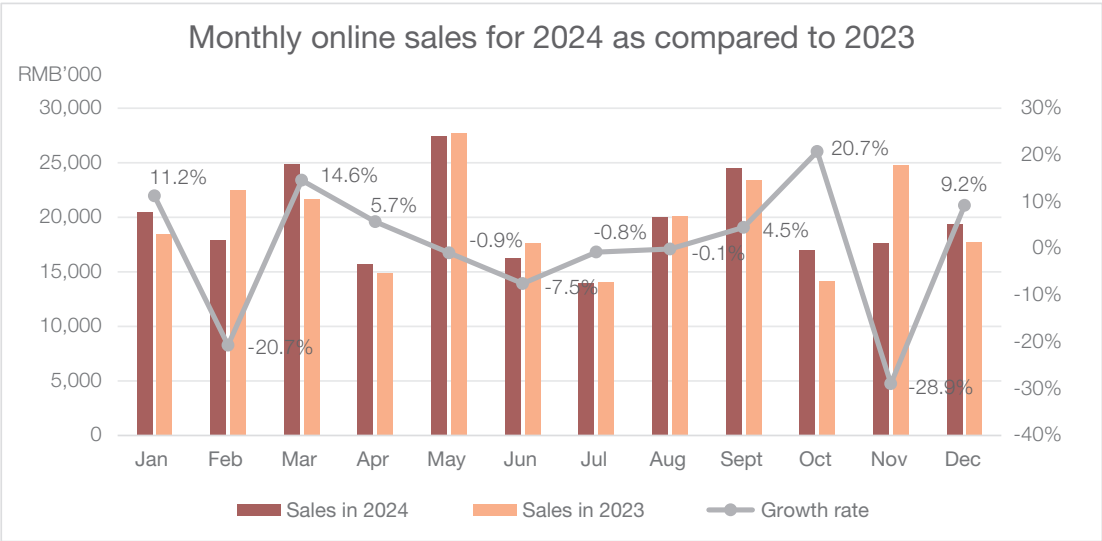
Enhance the profitability of stores: Facing the complex and volatile consumer market environment, we will strengthen support through targeted investments from the Group and business guidance from the sales team from various angles, including store construction, sales staff training, product package, after-sales service and advertising, thereby enhancing the risk resilience of the franchise system.

Create a content ecosystem and innovate live broadcasting model: With our successive entry into local lifestyle platforms, we will carry out sales work through multiple channels, which will enable the team to focus more on the content development, tell brand story and convey product value. Leveraging external live streaming team while accelerating the establishment of our own live streaming team is also an important task. We will infuse fresh vitality into offline sales through diverse live streaming methods.

Enhance product competitiveness: By adopting multi-product development strategies such as classic reimagining, youthful trends, craftsmanship, we will launch multi-channel promotional activities. We will also pay attention to consumer needs and fill the product gap.

**II. Online Business**

For the year ended 31 December 2024, the online business completed sales of RMB235 million and met 102.17% of the yearly target, representing a year-on-year decrease of 0.84% when compared to same period of 2023. The sales in February declined, which was mainly due to Valentine’s Day and the Spring Festival coinciding in February during the Year Under Review, diluting the consumption atmosphere of gift-giving among couples. The sales in November were also affected as the brand insisted on its price system and did not participate in the platforms’ official Double Eleven events, which led to a decline in traffic and conversions during the events. Except for February and November, the average monthly sales growth rate in other months was around 5%.



**1. New Platform Modules and New Promotion Methods**

In terms of the use of new promotion methods, the e-commerce team kept up with platform development trend, actively opened new platform modules and operated new promotion methods, such as Tmall Quan Zhan Tui, Tmall Quan Dian Zhi Tou, JD.com cloud messaging, JD.com La Xin customized crowd scenarios, Douyin Giant Qianchuan, etc. These models were new marketing solutions for e-commerce platforms, aiming at comprehensively increasing the exposure, traffic and sales of stores by integrating internal and external resources. They covered advertising, promotional activities, content marketing, social interaction and other aspects, which not only helped brands improve their sales performance, but also enhanced brand influence and user stickiness, laying a solid foundation for sustainable development in the future.

## **2. *Douyin Channel Expansion***

In terms of Douyin channel promotion, we still focused on promoting brand culture, and adopted the three-in-one promotion model with our own account operation + staged creative activities + talent account creative video promotion (we tried our self-operated themed live streaming on Mother's Day this year). During the Year Under Review, (1) a total of 320 videos were published on our own account, with the total number of followers reaching more than 546,000, the total account exposure exceeding 62.371 million and the total account interactions reaching over 1.432 million; (2) we collaborated with a total of 91 talent accounts and published a total of 99 videos for the year, with the total promotion exposure reaching over 45.6127 million and the total promotion interaction exceeding 1.0908 million; (3) we held special live streaming through our self-operated account @ Carpenter Tan official flagship store during Mother's Day this year to promote brand culture, introduce product techniques, and allow product designers to enter the live streaming room and interact with consumers. The overall exposure was 1.10 million. There were 115,000 views in the live streaming room, with 8,500 new followers and 38,588 comments.

## **3. *Marketing Activities***

During the Year Under Review, we carried out a total of 13 marketing activities, with the content of the activities synchronized online and offline to facilitate the achievement of overall sales target. On-site and off-site content promotion was arranged in advance based on activity nodes and the pace of platform activities, putting effort on various channels simultaneously. Therefore, sales increased significantly during the event. For example, the average daily sales increased by 24.86% year-on-year during the 8-day 3.8 Women's Day event on Tmall platform, and the average daily sales reached a year-on-year increase of 39.02% during Teacher's Day marketing campaign. However, as 2.14 Valentine's Day coincided with the Spring Festival period and the atmosphere of gift-giving among couples has shown a downward trend in recent years, the average daily sales dropped by 61.07% during Valentine's Day event when compared to last year. Whether it is for the underlying design logic of products, service experience, marketing direction or other aspects, the brand needs to be optimized and improved constantly. Online product supply still needs to be optimized and there are many subdivided paths that need to be supplemented with our main products. In the future, we will exert strong effort on optimization and build a sound product system.

#### **4. *On-Site and Off-Site Content Promotion***

We continued to output content through on-site content channels and off-site channels such as Xiaohongshu to promote brand culture, strengthen emotional marketing, retain and expand demographic assets, and reinforce brand identity. By producing short videos, live broadcast direct selling and other forms of content, we regularly published product recommendations, unpacking evaluations and other contents on mainstream e-commerce platforms to vividly demonstrate the usage scenarios and functional characteristics of products. Through real demonstrations, we helped users understand the products more intuitively, attracted traffic within the platform and increased our exposure through on-site advertising at the same time. During the Year Under Review, we published 149 pieces of content through Xiaohongshu, with over 2.19 million views and more than 105,000 interactions. We published a total of 720 pieces of talent content through Tmall and JD.com content channels, generating more than 2.131 million customer views and more than 926,000 customer visits.

#### **5. *Digital Transformation***

We used Banniu work order system to automatically track all waybills for abnormal logistics processing. It automatically identified and reported abnormalities based on the preset abnormal logistics rules to achieve real-time monitoring of parcels throughout the whole process. Besides, according to the preset processing strategies, express notifications, etc., an automated, timely and accurate closed-loop was formed. The automatic processing of invoicing function facilitated the automatic matching between orders and invoice information, eliminating the need for manual entry of invoice information and thus significantly reducing the manpower input. The system can process the invoicing request automatically without time limit and ensure a quick response to customer needs at any time. Smart AI software were used to gain deeper understanding of customer needs and preferences, improve operational efficiency, optimize decision-making process, promote innovation and flexibility, and enhance customer trust and loyalty.

#### **6. *Creating Popular Products***

During the Year Under Review, the online business team created popular new products based on 3 products, being “hair care comb Cui Ping (翠屏)”, “lacquer comb Xin Xiang Shi Cheng (心想事成)” and “Xiong You Cheng Zhu (熊有成竹)”. According to the online product sales statistics, hair care comb Cui Ping ranked third in sales while Xin Xiang Shi Cheng (心想事橙) ranked ninth, reaching the targeted level of popularity.

## **7. *Tmall Live Streaming***

During the Year Under Review, the online business team demonstrated a strong and steady development trend in the official live broadcast room on Tmall platform. The cumulative live streaming time reached 2,841 hours and the transaction amount generated from live streaming achieved a significant increase of 36% compared with that of 2023. The store's live streaming account was successfully upgraded to the industry-leading V5 level. Although we were no longer able to obtain the traffic support by the platform, the optimization at the operation level and the improvement of the proficiency of streamers greatly enhanced the conversion effectiveness of traffic retention. The conversion rate of live streaming reached 14.3%, representing a year-on-year increase of 3.6 percentage points in absolute value.

## **8. *Online Business Focus in 2025***

Our key tasks for next year will be planned and carried out under the overall strategy of “adhering to the basic principle of channel diversification”. We will organize and implement marketing activities for 2025, cooperate with on-site content channels, off-site publicity channels such as Xiaohongshu and Douyin to carry out promotion simultaneously. In order to further expand market share and enhance brand competitiveness, we will develop initiatives in various aspects, such as expanding product categories, innovating marketing models, optimizing value chain management and enhancing customer services to achieve sustainable business growth.

In terms of Douyin promotion, with the main goals of “brand promotion”, “online sales” and “offline empowerment”, we will carry out two major areas of work, being “node activity marketing” and “account content operation”. We will constantly output account matrix content throughout the year and produce IP account content and series content. With brand IP as the core and brand promotion as the objective, we will increase exposure to attract followers and focus on improving the content sections closely related to the Carpenter Tan brand and products to consolidate the brand foothold.

We will expand Weixin Xiao Dian and Dewu platform to increase vertical sales opportunities and implement additive marketing in conjunction with private domain. We will fully capitalize on the traffic and user base within the ecosystem of each platform, provide online customer service to answer users' inquiries and questions in a timely manner, which will enhance user trust, attract more new users and increase the repurchase rate and loyalty of existing users, thereby achieving steady growth in sales.

We will optimize online product system and subdivide the products by scenarios and functions to strengthen the courtesy mind and a sense of ritual to please oneself. We will collect customers' opinions to optimize and improve our products, update marketing and promotion methods and fill in the gaps in online exclusive product price ranges and categories to improve special product system.

In terms of Tmall live streaming, in order to continuously consolidate our leading position in the comb industry and ensure steady growth of live streaming sales, we will put efforts into the following aspects:

On the traffic side: During the events, we will appropriately increase the coverage of live streaming sessions to leverage more free traffic in the public domain. At the same time, on the basis of existing streamer team, we will continue to expand the streamer reserves and strengthen streamers' learning of brand and product knowledge.

On the operational strategy side: We will emphasize the exclusive benefits of live streaming to increase the first-time purchase rate for new customers and enhance the repurchase rights for existing customers to boost the repurchase rate. In addition to popular products, we will also need to increase the exposure and product clicks of mid-tier products to improve the sales contribution of mid-tier and high-priced products. During the events, we will try to introduce promotions such as free orders and red packets to further enhance the conversion rate of the live streaming room. In the future, the store live streaming will also continue to be optimized to achieve steady growth and reach new highs.

We will build Weixin private domain system and Xiaohongshu private domain system, which will cover all aspects such as user acquisition, retention, conversion and fission, forming a complete closed-loop in user lifecycle management. Based on users' hobbies and purchase behaviors, we will create different layers of Weixin groups, such as new product experience groups, loyal user groups, etc., to provide targeted services and interactions. We will deploy dedicated customer service personnel to promptly answer users' questions and needs to enhance user experience. We will collect customers' feedback and suggestions regularly to understand their needs and pain points, and constantly optimize our products and services to ensure continuous improvement of user experience. At the same time, we will study the successful cases of private domain operations of other brands to adapt and innovate based on our own characteristics. Based on the actual operation, we will constantly optimize all aspects of the private domain system to ensure its efficient operation. We will effectively build a complete brand private domain system to enhance user stickiness and loyalty.

We will improve the utilization efficiency of delivery equipment and sites to reduce operating costs and enhance competitiveness. According to the functional requirements, the working areas will be divided into receiving area, storage area, picking area, packaging area, shipping area, customized areas, etc., to ensure a smooth process. We will plan reasonable routes for the flow of personnel and goods to reduce unnecessary walking distances and improve work efficiency. We will develop a detailed delivery operation manual, clarify the responsibilities of each position and standardize the specific steps in each section to reduce human errors. At the same time, we will establish a scientific and reasonable performance evaluation system to motivate employees to be proactive, while also enabling timely identification and resolution of problems to improve our service levels continuously.



### III. Overseas Business

For the year ended 31 December 2024, our offline overseas business recorded a total shipment of RMB3,675,000, representing a year-on-year decrease of 4.73%. The sales of cross-border e-commerce platform amounted to RMB999,900, with a year-on-year increase of 25.2%. The self-operated stores and online platforms in Hong Kong achieved a total sales of HK\$4,268,000, representing a year-on-year decrease of 8.2%.

During the Year Under Review, the overseas business team mainly carried out the following tasks:

1. We opened a new self-operated store in Eslite Bookstore at Festival Walk, Kowloon Tong, Hong Kong.
2. In Hong Kong, we began to experiment with utilizing local KOLs to promote our brand and products on social platforms. We launched the Hong Kong regional product “Chinese White Dolphin” series, which were well received by store staffs and consumers.
3. We upgraded the images of our US Amazon store and Japan Amazon store by fully considering the aesthetic style, consumer logic and purchasing habits of the local market population in order to capture the consumer population and increase the conversion rate.
4. Overseas event exhibitions: In March, we participated in the ASD Market Week in Las Vegas, USA, where we won the Best Exhibitor Award and gained a strong reputation in brand communication. In August, we participated in the Malaysia Exhibition. In September, we returned to the Tokyo Gift Show in Japan after several years, marking the first introduction of our new “Comb Research Institute” activities into Japan. The wooden comb-making experience and painting activities attracted more people to learn about the brand of Carpenter Tan.

Overseas business outlook:

1. We will establish Tommy Li’s new image store in Hong Kong and launch a collaborative product series featuring two designers, accompanied by public relations promotion: marketing and promotion planning and implementation of brand image upgrade (for specialty stores, products and packaging).
2. We plan to open a self-operated store in Singapore, targeting a launch by 2025.

3. Pilot operation of online overseas local service warehouses. Based on the current business scale and future development considerations, we will select suitable overseas warehouse locations and give full consideration to the appropriateness of features such as receiving and dispatch costs, timeliness and security.
4. Overseas exhibitions. We will continue to participate in the exhibitions in Las Vegas, USA and Tokyo, Japan to maintain continuous brand exposure.
5. We will maintain follow-up with overseas potential franchisees and channel partners, ensuring timely engagement to speed up their implementation.

#### **IV. Innovative Research and Development**

During the Year Under Review, the creative R&D team focused on the creation of new style products, the upgrade and optimization of functional products, the design and R&D of patented structured processes, and the R&D of unused material utilization, increasing R&D investment in new functions, new structures, new designs and new processes, consistently striving for breakthroughs and innovations, maintaining close contact and connection with the market, so as to continuously enhance our product strength. We completed the design and development of 16 projects for new products and launched a total of 44 new regular products. Out of 34 trial-marketed and evaluated products, 27 were converted to regular products, representing a successful rate of product launch of 79.4%.

In terms of material utilization, we paid attention to the systematic matching of single material products and focused on carrying out complementary development and supplementary development of material usage specifications, which effectively suppressed the increase of total inventory of unused materials.

In terms of packaging, we completed the upgrade and iteration of sandalwood packaging, with adjustments made to the packaging structure to ensure that the hand beads were stored in a sealed package, and the inclusion of auxiliary accessories such as folding materials, wiping cloths and elastic cords to increase the added value of high-end products. We also completed the upgrade and iteration of wedding packaging, with adjustments made to the packaging structure and laminating materials, and the inclusion of auxiliary accessories such as cloth bags and greeting cards to enhance the sense of ritual of wedding packaging and gift features.

During the Year Under Review, key projects carried out by the creative R&D team included the anti-tangling hair-care comb with new comb teeth structure, which has obtained a utility model patent. It allows for smoother combing and resolves the issue of hair getting entangled at the root of comb teeth to avoid pain associated with hair being pulled, making the combing process more comfortable. Another project was the portable comb product development project. We made adjustment to the size and design of the existing wood comb, inserted comb, massage comb and tendon comb. In addition to the combing or massage function, the new version also fulfills the need for on-the-go portability. For different materials integration design and development project, by incorporating gold, silver and garnet into the design of hand beads and bracelets, we aimed to create a refreshing and distinctive visual effect. The regimen function series focuses on the development and design of product structure and functions to enhance the body comfort during use. We independently developed craftsmanship product series such as lacquer technique, cloisonné enamel technique and mother-of-pearl inlay technique. Small batch trial production has been conducted or completed to achieve commercialization.

Innovative research and development outlook:

We will continue to promote the development and optimization of products with new structure, new comb shape and new style to enhance the added value of products; improve the design transformation capability and develop new resources to control product costs; continue to promote the development and innovation of independent products and make breakthroughs.

We will be committed to the in-depth exploration of traditional Chinese culture, basing our product design on the market demand for consumer goods, and creating products with a comprehensive and systematic mindset. We will take into full consideration the marketing points of our products, combining them with the marketing strategies in the later stage to ensure that the product concept can be integrated with the marketing promotion.

We will establish clear cooperation strategies and objectives in accordance with the development plans of the Company/departments and market demand. We clarify the direction, focus, expected outcomes and evaluation criteria for collaborations involving intangible cultural heritage and traditional culture. We will broaden our perspectives, break the thinking limitation of the traditional product joint development model, and let market demand guide the innovation of cooperation models and content, including co-branding efforts in packaging, promotional activities, and more.

We will continue to improve and optimize packaging to meet functional needs, enhance packaging quality and control costs.

We will introduce advanced design software and technologies, such as AI-aided design, to improve design efficiency and quality, and accelerate the pace of product innovation.

## V. Production Technology

During the Year Under Review, the production organization team continued to adhere to the principle of “making full use of our human resources” and follow the main theme of “increasing production capacity and ensuring supply”, constantly promoting the technological innovation and improvement of process equipment, paying attention to the physical and mental health of front-line employees. They strengthened multiple measures such as the training for one post with multiple skills and facilitating mutual assistance and collaborative coordination between different factories, effectively assuring the supply of market orders. Throughout the year, the number of products delivered was 5,628,200, representing a year-on-year increase of 500,000.

Technological innovations and improvements of craftsmanship and equipment mainly include:

Method for correcting the deformation of horn combs has been improved, increasing the qualification rate for treating deformed horn materials and combs from 20% to 80%. The automatic milling process for irregular flat-shaped hair care combs has been enhanced and fully implemented. Gradual upgrades have been made to the equipment processing base, transitioning from handling a single product type to being capable of processing multiple product categories, thereby increasing equipment’s utilization rate and flexibility, enabling it to meet and adapt to changes in production orders resulting from variations in product categories.

The non-lacquer craftsmanship has steadily progressed through trial production and has been launched on the market, establishing all-around production conditions for lacquer craftsmanship and advancing the standardization of the production process. Technical challenges in cloisonné enamel craftsmanship have been resolved, a color spectrum template has been created and the small-batch trial production of new products has been gradually completed.

Comprehensive acceptance of the automated polishing technology for wood combs has been completed, achieving a 70% improvement in equipment processing efficiency and significantly reducing the labor intensity of manual operations, with two new pieces of technological equipment put into production.

The development of the automated polishing technology project for inserted comb has completed experimental verification of transitioning from partial process automation to full process automation. The prototype equipment has achieved initial goals, and the next step will involve the improvement in the design of the molding machine.

The automated pasting project for wood combs has completed batch pilot production verification. Through process improvements in fixtures and adhesives, the issues of degumming and glue seam quality have been effectively reduced, achieving the initial goals of reducing labor intensity by eliminating the need for manual tightening and transporting fixtures, as well as shortening the combination cycle.

After adjustments to the technology solution, the automatic profile milling technology project for comb blanks has achieved one-time clamping of the comb blank, completing the arc processing of both the comb back and the comb curve. The prototype equipment has now entered the product pilot verification phase.

For material and product stability improvement technology project, firstly, the technically mature red sandalwood has been applied in production; secondly, research has been conducted on the processing techniques for chacate preto materials, with over 6,000 products mass-produced for market verification, resulting in a significant reduction in quality returns for both materials.

As of 31 December 2024, the Group had the following effective patents: 15 invention patents, 56 utility model patents and 44 design patents.

The Company testing laboratory has passed the capability review and verification of China National Accreditation Service for Conformity Assessment (CNAS), and has been authorized to perform testing in 7 areas for comb products.

## **VI. Logistics and Distribution**

During the Year Under Review, the logistics and distribution team paid close attention to the market needs and coordinated production capacity, timely and accurately released production and procurement plans. The team implemented measures such as enhancing employee skills, implementing one post with multiple skills to increase the production capacity of bottleneck processes, adopting the “daily clearance and completion” production target, etc. The total production and distribution amounted to 5.352 million units for the whole year, ensuring the fulfillment of market orders and maintaining appropriate safety stock levels.

Regarding product after-sales repair services, the Company operated a total of 31 repair stations during the Year Under Review, completing 267,134 repairs throughout the year, which received positive feedback from customers. To continuously improve the quality of repair work, the “Management Measures for After-Sales Repair Operations” has been drafted and implemented. The primary focus is to clarify the responsibilities of each department, ensuring that all parties perform their duties and cooperate and collaborate in a standardized manner.

## VII. Brand Building

During the Year Under Review, the Ministry of Culture and Tourism announced a new batch of National-level Cultural Industry Demonstration Base List. Chongqing Carpenter Tan Handicrafts Company Limited was honorably listed, becoming a National-level Cultural Industry Demonstration Base. This serves not only as a recognition of Carpenter Tan's achievements in the cultural industry, but also as an affirmation of the overall strength of the Carpenter Tan brand.

Carpenter Tan Holdings Limited was selected for Forbes' "2024 Asia Best Small and Midsized Publicly Traded Companies" list. Each year, Forbes selects outstanding companies from thousands of small and midsized enterprises across Asia based on criteria including, but not limited to, financial health, innovation capability, corporate governance and social responsibility. Carpenter Tan distinguished itself with its steady growth and exceptional social contributions, earning a place among this year's honored companies.

During the Year Under Review, we organized or participated in several online and offline branding events, such as the 'Beauty of Zhipei' design competition, the collection of comb-themed poetry, Carpenter Tan wooden combs entering the Beijing Palace Museum, taking part at the Shenzhen Cultural Expo, joining the 'Belt and Road' International Skills Competition, and attending the Xi'an Design Week. These efforts were part of our ongoing commitment to enhance brand visibility and influence across all dimensions.

In an era where digital media has distinct advantages, print media remains valuable in its unique way regarding reading experience and cultural preservation. Therefore, we have revived the printed version of the "Carpenter Tan" internal newsletter.

We would like to share two short stories published in the newsletter:

### ***The 200-yuan red envelope***

The amount of 200 yuan is neither too much nor too little. Yet, when misused, it can lead to some unpleasant consequences. This actually happened quite some time ago, but I still find it worth sharing.

I remember that day when my husband returned home and said, "Today, someone gave me a red envelope. He put it in my drawer and said, 'Here's 200 yuan for you, just take it,' and then he walked away." Curious, I asked, "Why did he do that?" He explained, "Well, his work isn't as detailed as that of others in the same process. He's submitted a few times but still hasn't passed; there's been a lot of rework needed."

I was surprised and asked, “So how did you handle this issue?” He replied, “What else can I do? The rework has to be done, and of course I returned the red envelope to him unopened. I also reported this to my supervisor right away. It’s a matter of principle – everyone is just trying to make a living, and it’s tough out there. If everyone does things like that, it wouldn’t be acceptable. We can modify a product if it’s not up to standard, but if I accepted that money, it would leave a stain on my integrity. It may not be much, but it’ll still tarnish my reputation.”

He said, “When I returned it to him, I also told him, ‘I’ve informed my supervisor and yours about you giving me red envelope. You need to learn from your coworkers in the same process and stop trying to do these showy and impractical things in the future.’ I also took the time to advise him on how to enhance his product-making techniques. Our products are handcrafted, and we must uphold our integrity towards ourselves and our customers.”

“Hey,” I said, “that’s impressive! You’ve got a good mindset!” He replied, “Of course.”

Indeed, we all encounter difficulties in life and work, but we have to work out the solutions rather than take shortcuts. (Wanzhou Factory: Xing Chunyan)

### ***Backpackers in the blazing sun***

In April, Shenzhen was scorching hot. Director Zhang Yichun and I came for a business trip and arrived at 3:30 PM after finishing our work. Carrying our bags, we trudged through 30°C heat for 20 minutes before we finally found a hotel. I hurried into the lobby and inquired the front desk about the price, which was 380 yuan per night. I thought this wasn’t too expensive for a first-tier city like Shenzhen, and it was within the reimbursement limit. Since I really didn’t want to go anywhere else, I suggested to Director Zhang that we should just stay here. Director Zhang immediately took out his phone to look it up and said with a smile, “I found a Vienna hotel about 1 km away, and it’s only a little over 200 yuan per night. We’ve already walked a good bit; it won’t hurt to walk a little more. Plus, I’m older than you and can still manage; are you saying you can’t keep up?” I could only smile helplessly and walk for another ten minutes until we finally reached the Vienna hotel.

I set down my backpack and lay on the bed, unable to calm my mind for quite some time. Self-restraint and devotion to public good go beyond merely abstaining from accepting favors; Director Zhang showed me through his actions that only by staying vigilant, with a clear conscience, and overcoming oneself can one truly embody moral and uprightness.

The next day, two backpackers hurried along the streets of Shenzhen under the blazing sun again. However, at that moment, I no longer harbored any complaints; instead, I became resolute in my path forward. (Technical Center: Liao Heng)

## **VIII. Human Resources and Comprehensive Governance**

The Company has placed the adherence and implementation of the core values of “honesty, hard work and happiness” in the top priority, and has deeply implemented the work principles of “honesty and integrity, happy work, selflessness, incorruptibility and compliance, kindness and humbleness, moral and uprightness” proposed at the Company’s 30th anniversary celebration last year. These principles are displayed and emphasized at the Company’s main office sites.

Throughout the year, a total of 5 investigations and public criticisms were issued to 7 departments, along with 3 commendations given to 5 departments.

During the Year Under Review, encouraging employees at all levels to propose reasonable improvement suggestions and promote change and innovation has been an important measure to drive the Company’s development towards higher and better goals. Led by the Human Cultural Center and the Administrative and Risk Control Center, employees from various departments and levels enthusiastically participated, playing a good promotion role and making substantial contributions. During the year, the Company received a total of 626 reasonable improvement suggestions, of which 256 were adopted, 174 were fully implemented, 58 were in the process of implementation, 24 were yet to be implemented or evaluated, and 26 quarterly excellent reasonable improvement suggestions and 7 annual excellent reasonable improvement suggestions were approved by review and voting. In 2024, a total of 43 change and innovation projects were proposed, and 26 of these projects were approved through review and voting.

In addition to doing a good job in market expansion and order maintenance, the Company has also increased its efforts to investigate and crack down on counterfeiting and illegal online sales. Throughout the year, the Company collected 103 cases of violations and illegal acts, completed the collection and preservation of evidence for all 103 cases, and 13 cases proceeded to litigation and were concluded, with a total compensation amount of RMB437,000. A total of 91 litigation cases from 2021 to 2024 were settled by court through mediation (rulings, compulsory enforcement), resulting in the recoverable compensation amount of RMB2,056,000. Along with the strengthening of the Company’s efforts to rectify the market both internally and externally, based upon the foundation of ensuring that the offline franchise system operates in compliance with rules and regulations while upholding honesty and legality, the Company will continue to intensify the crackdown on illegal online sales, the sale of counterfeit and shoddy products, as well as trademark infringement, in order to further safeguard the market operating environment and brand reputation.



The Group has strictly abided by the national laws and regulations on labor safety, environmental protection and occupational health, and has ensured that the system is sound, the measures are appropriate, and the inspection is in place. While fulfilling the national labor, safety, environmental protection and other compliance requirements, the Company holds safety production and operation risk meetings every quarter to summarize, rectify and prevent process problems in a timely manner. During the Year Under Review, there were no violations of laws and regulations on the protection of employees' labor rights, no labor disputes or litigation, and no accidents related to labor safety, environmental protection and occupational health. During the production, sales and use of the products, there were no cases of toxic side effects or allergic reactions.

The Company has remained committed to promoting and safeguarding the employment of the disabled, as well as improving and enhancing the conditions of venues and equipment for the rehabilitation of the disabled. While constructing and utilizing the community for disabled individuals, the Company has further improved the barrier-free production and living facilities in a more people-oriented and humane manner, so that more people with disabilities could join the Company. This act has fully demonstrated the Company's humanitarian care and social responsibility. During the Year Under Review, there were 43 new employees with disabilities and 32 retired persons with disabilities, resulting in a net increase of 11 persons with disabilities in employment.

The Company has continued to intensify its efforts in the construction of the new factory in Wanzhou, as well as in the technological upgrades and research and development of process equipment. With the completion and operation of the southern area of the new factory in Wanzhou, longstanding bottlenecks in material processing and drying have been resolved. This has enabled the establishment and implementation of optimized craftsmanship for the precise processing of raw timber using saws instead of planers and material drying, leading to gradual improvement and effective enhancement in material utilization and product quality. At present, the construction of phase one of the northern area of the new factory in Wanzhou has completed the initial project inspection and is ready for on-site decoration and construction. It is planned to realize the relocation of the logistics packaging, distribution and processing center in June 2025, aiming to fundamentally address the long-standing "three-in-one" risk issue associated with the current location of the department. At the same time, the production process of Wanzhou factory will be optimized, configured and integrated. Significant progress has been made in craftsmanship improvement, autonomous technological research and development, and the introduction of external technologies. While effectively reducing the difficulty of skills and the intensity of operations, the Company has seen an improvement in production efficiency, a further enhancement of market supply capabilities, and a gradual realization of perfect integration of advanced processing technology and manual craftsmanship.

During the Year Under Review, the Company's order production has remained in a high-pressure operational state, and there are still shortcomings in terms of labor protection such as employee leave and rest. The Company will continue to improve operation efficiency and reduce working hours through upgrading process equipment technology and improving operating methods. The design and launch of the Tommy Li's new store tailored for the international market has been slightly delayed. The newly established compensation and performance system is insufficient in terms of employee awareness, personal growth, development direction and value contribution. Changes to the regulations governing online platforms have brought about growth impediment challenges for the Company and require proactive responses. In terms of image building and value-added experience services of offline specialty stores, as well as new ideas for expanding into overseas markets, there are still many areas that have not been well executed or are lacking, which require the Company to work harder. The construction of the single-product cost accounting system that dynamically and sensitively reflects single-product costs and provides decision-making support for design and marketing has effectively solved the most complex and difficult challenges in the materials factory. However, the overall progress has already fallen significantly behind the contractual plan, and it will be fully achieved in 2025. In the process of deeply encouraging employees to provide more improvement suggestions and innovative work, there has been a tendency for the management to adopt a rigid approach in the recommendation and application of excellent suggestions. In the second half of 2024, the evaluation methods and mechanisms have been improved and actively guided, gradually reflecting the Company's spirit of "small suggestions with big rewards, big suggestions with small rewards" and comprehensively promoting the improvement and innovation of all employees. The activity of "Garden of Combs" proposed by the Company was not realized due to the timetable and high cost of the designer. At present, the internal designers of the Company have completed the design proposal, and it is planned to launch approximately 4 to 6 market operation and brand promotion activities for the "Garden of Combs" both domestically and overseas in 2025.

In respect of trademark management, the Company held of a total of 775 valid trademarks as of the year ended 31 December 2024. Among them, Carpenter Tan (including Chong Tan (重譚) and Xiang Tan (香譚)) owned 388 registered trademarks in China, as well as 133 registered trademarks in Hong Kong, Macau, Taiwan and overseas. Mujianggu (木匠谷) owned 233 registered trademarks in China and 21 registered trademarks in Hong Kong, Macau, Taiwan and overseas.

In 2024, 4 new trademarks were registered and 37 trademarks were renewed.

## FINANCIAL REVIEW

### 1. Revenue

The Group recorded a revenue of approximately RMB505,436,000 for the year ended 31 December 2024, representing an increase of approximately RMB5,748,000 or 1.2% as compared to that of approximately RMB499,688,000 for the year ended 31 December 2023. The increase was mainly due to the gradual recovery of market demand during the Year Under Review as compared to the year ended 31 December 2023. The revenue of offline business amounted to approximately RMB290,161,000, representing an increase of approximately RMB7,720,000 or 2.7% against last year of approximately RMB282,441,000. The revenue of online business amounted to approximately RMB209,636,000, representing a decrease of approximately RMB1,832,000 or 0.9% against last year of approximately RMB211,468,000. The revenue of directly-operated outlets amounted to approximately RMB4,460,000, representing a decrease of approximately RMB201,000 or 4.3% against last year of approximately RMB4,661,000. As at 31 December 2024, the Group had 1,250 franchised stores and 4 directly-operated outlets, respectively, while as at 31 December 2023, the Group had 1,166 franchised stores and 4 directly-operated outlets, respectively. The franchise fee income was approximately RMB1,179,000, which represent an increase of approximately RMB61,000 or 5.5% when compared to that of approximately RMB1,118,000 of last year.

	For the year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue				
– Combs	<b>38,221</b>	<b>7.6</b>	46,072	9.2
– Mirrors	<b>505</b>	<b>0.1</b>	552	0.1
– Box sets	<b>462,552</b>	<b>91.5</b>	447,459	89.6
– Other accessories*	<b>2,979</b>	<b>0.6</b>	4,487	0.9
Franchise fee income	<b>1,179</b>	<b>0.2</b>	1,118	0.2
Total	<b>505,436</b>	<b>100.0</b>	499,688	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 RMB200,234,000 for the year ended 31 December 2024, representing an increase of approximately RMB1,423,000 or 0.7% as compared to that of approximately RMB198,811,000 for the year ended 31 December 2023. The increase in cost of sales was in line with the increase in sales volume and the change in sales mix for the Year Under Review.

## **3. Gross profit and gross profit margin**

For the year ended 31 December 2024, the gross profit of the Group was approximately RMB305,202,000, representing an increase of approximately RMB4,325,000 or 1.4% as compared to that of approximately RMB300,877,000 for the year ended 31 December 2023. The gross profit margin increased from 60.2% in 2023 to 60.4% in 2024. The increase in gross profit margin was mainly due to the change in sales mix of our Group for the Year Under Review.

## **4. Other income and other net gain/(loss)**

Other income and other net gain/(loss) was a gain of approximately RMB42,456,000 for the year ended 31 December 2024, representing an increase of approximately RMB1,246,000 or 3.0% as compared to the gain of approximately RMB41,210,000 for the year ended 31 December 2023. Other income and other net gain/(loss) was mainly comprised of PRC VAT refunds of approximately RMB28,904,000, rental income of approximately RMB4,743,000, interest income of approximately RMB11,757,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB816,000 and negative fair value change of investment properties of approximately RMB7,470,000, respectively (2023: PRC VAT refunds of approximately RMB26,865,000, rental income of approximately RMB4,860,000, interest income of approximately RMB8,805,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB883,000 and negative fair value change of investment properties of approximately RMB5,550,000, respectively).

## **5. Selling and distribution expenses**

The selling and distribution expenses of the Group amounted to approximately RMB85,624,000 for the year ended 31 December 2024, representing an increase of approximately RMB122,000 or 0.1% as compared to that of approximately RMB85,502,000 for the year ended 31 December 2023. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB28,231,000, delivery charges of approximately RMB2,903,000, depreciation of right-of-use assets of approximately RMB2,978,000, salaries and allowances of approximately RMB15,943,000 and travelling expenses of approximately RMB2,686,000, respectively (2023: advertising and promotion expenses of approximately RMB29,962,000, delivery charges of approximately RMB11,289,000, depreciation of right-of-use assets of approximately RMB2,948,000, salaries and allowances of approximately RMB13,221,000 and travelling expenses of approximately RMB1,910,000, respectively).

## **6. Administrative expenses**

The administrative expenses of the Group were approximately RMB41,851,000 for the year ended 31 December 2024, representing an increase of approximately RMB1,382,000 or 3.4% as compared to that of approximately RMB40,469,000 for the year ended 31 December 2023. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB24,050,000, legal and professional fee of approximately RMB3,066,000, design and sample expenses of approximately RMB939,000, consultancy fee of approximately RMB364,000 and audit and review fee of approximately RMB1,079,000, respectively (2023: salaries and allowances of approximately RMB22,330,000, legal and professional fee of approximately RMB1,166,000, design and sample expenses of approximately RMB961,000, consultancy fee of approximately RMB521,000 and audit and review fee of approximately RMB1,067,000, respectively).

## **7. Other operating expenses**

Other operating expenses of the Group were approximately RMB6,638,000 for the year ended 31 December 2024, representing an increase of approximately RMB794,000 or 13.6% as compared to that of approximately RMB5,844,000 for the year ended 31 December 2023.

## **8. Finance costs**

The finance costs of the Group were approximately RMB611,000 for the year ended 31 December 2024, representing an increase of approximately RMB30,000 or 5.2% as compared to that of approximately RMB581,000 for the year ended 31 December 2023. The finance costs were interest on lease liabilities.

## **9. Income tax**

For the year ended 31 December 2024, the income tax expenses of the Group amounted to approximately RMB41,455,000, representing an increase of approximately RMB5,538,000 or 15.4% when compared to that of approximately RMB35,917,000 for the year ended 31 December 2023. The increase was mainly due to the increase in profit before taxation during the Year Under Review. The details are set out in Note 7 to the Financial Statements in this announcement.

The effective tax rate for the Year Under Review was 19.5% as compared to 17.1% for the year ended 31 December 2023.

## **10. Profit for the year**

As a result of the foregoing, the profit for the year ended 31 December 2024 was approximately RMB171,479,000, representing a decrease of approximately RMB2,295,000 or 1.3% as compared to that of approximately RMB173,774,000 for the year ended 31 December 2023. The decrease was mainly due to the increase in income tax 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 2024 was approximately RMB171,366,000, representing a decrease of approximately RMB2,368,000 or 1.4% as compared to that of approximately RMB173,734,000 for the year ended 31 December 2023.

## **ANALYSIS OF MAJOR CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS**

### **1. Property, plant and equipment**

The Group's property, plant and equipment consists of buildings, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2024, the book value of property, plant and equipment of the Group amounted to approximately RMB132,355,000, representing an increase of approximately RMB26,430,000 or 25.0% as compared with the previous year of approximately RMB105,925,000. The increase was mainly attributable to the increase in construction in progress for the year ended 31 December 2024.

### **2. Inventories**

The Group's inventories as at 31 December 2024 increased by approximately RMB44,362,000 or 17.9% from approximately RMB248,136,000 as at 31 December 2023 to approximately RMB292,498,000 as at 31 December 2024, primarily due to the increase in raw materials. Raw materials increased by approximately RMB41,560,000 or 22.0% from approximately RMB189,151,000 in last year to approximately RMB230,711,000 in this year. The details are set out in Note 12 to the Financial Statements in this announcement.

### **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 2024, the Group's trade receivables amounted to approximately RMB7,153,000 which increased by approximately RMB345,000 or 5.1% as compared to that of approximately RMB6,808,000 as at 31 December 2023. The ageing analysis of trade receivables is set out in Note 13 to the Financial Statements in this announcement.

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

The Group's other receivables, deposits and prepayments (non-current plus current portion) increased by approximately RMB1,685,000 or 17.6% from approximately RMB9,595,000 as at 31 December 2023 to approximately RMB11,280,000 as at 31 December 2024. The increase in other receivables, deposits and prepayments was mainly due to an increase in other receivables when compared to that of last year.

### **5. Trade payables**

As at 31 December 2024, the Group's trade payables amounted to approximately RMB9,507,000 which increased by approximately RMB2,651,000 or 38.7% as compared to that of approximately RMB6,856,000 as at 31 December 2023. The credit terms granted by the suppliers are generally 30 days. The ageing analysis of trade payables is set out in Note 14 to the Financial Statements in this announcement.

### **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 and contract liabilities. The Group's other payables and accruals decreased by approximately RMB2,637,000 or 5.2% from approximately RMB50,435,000 as at 31 December 2023 to approximately RMB47,798,000 as at 31 December 2024. The decrease in other payables and accruals was primarily due to a decrease in salary payable during the Year Under Review.

## **CAPITAL STRUCTURE**

### **1. Indebtedness**

As at 31 December 2024, the Group did not have any interest-bearing bank borrowings (31 December 2023: RMB nil).

### **2. Gearing ratio**

As at 31 December 2024 and 2023, the Group did not have any interest-bearing bank borrowings. The calculation of gearing ratio is not meaningful.

### **3. Pledge of assets**

As at 31 December 2024, the Group did not have any pledged assets to the bank (31 December 2023: RMB nil).

### **4. Capital expenditure**

The capital expenditures of the Group primarily included purchases of plant and equipment, furniture and fixtures, construction in progress and motor vehicles. The Group's capital expenditures amounted to approximately RMB33,081,000 and approximately RMB21,056,000 for the year ended 31 December 2024 and the year ended 31 December 2023, 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 2024, 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 announcement.

As at 31 December 2024, the Group had cash and bank balances of approximately RMB41,714,000 (31 December 2023: approximately RMB67,381,000), which was mainly generated from operations of the Group.



## **CAPITAL COMMITMENT**

As at 31 December 2024, the Group had capital commitment amounting to approximately RMB20,718,000 (31 December 2023: approximately RMB44,433,000).

## **MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP**

For the year ended 31 December 2024, the Group had not made any material acquisition and disposal.

## **FUTURE OUTLOOK**

KEY FOCUS AREAS FOR 2025:

### **I. Market expansion and operation management**

1. Adhere to a long-term brand-centric strategy: 1) do not engage in price wars, do not offer discounts, do not compromise quality, and do not participate in group coupons or any other direct or indirect price-based marketing; 2) build and make good use of the standardized platform brand image stores of the Company, strengthen the interaction and value-added services between offline stores, customer members and the brand stores, and strategically orchestrate and execute the Company's brand campaigns; 3) advance against the trend, promote the optimization and upgrade of newly built, relocated and renovated stores with firm confidence, and support the stores to expand in better business districts, shopping malls and shop locations; increase the number of new stores while ensuring their qualities, and effectively prevent speculative behaviors such as the use of untrue data and closure of stores when policies were exhausted, and strengthen its efforts in punishment; 4) further provide policy support for the construction of independent stores in transportation ports, tourist scenic spots and core business districts that are in line with the brand image of the Company; 5) for the online e-commerce business, while strengthening core competencies in established channel platforms, stay attentive to and maintain tracking of new channels, platforms and engagement models to boldly implement experimentation with new models, so as to sustain competitive position through continuously expanding new exposure and growth point.

2. Consistently promote the unified brand image building with a focus on brightness, cleanliness and tidiness: 1) take “related to the brand and adding value to the brand” as the sole evaluation criterion; 2) unwanted personal interests, hobbies and aesthetics are not allowed to influence decisions, and strictly adhere to the Company’s requirements; 3) persist in eliminating, refining and simplifying relentlessly to build and maintain a cohesive brand image.
3. Strengthen and promote the succession of the second generation of Tan family within the franchise system: 1) abide by the rules, uphold bottom lines, and keep up with the Company’s directions; maintain the brand and deliver strong performance from the perspective of sustainable Company’s brand value and individual career; 2) encourage innovative operation with tolerance for trial and error; grant autonomy without indulgence and value authenticity and reliability over unattainable perfection; 3) ensure the enduring legacy of Carpenter Tan’s craftsmanship, where each generation builds upon predecessors’ achievements to create surpassing excellence.
4. Resolutely enforce market rectification and strengthen rights protection: 1) the Company is determined to enforce market rectification, showing no leniency towards external infringements or violations within the franchise system, tackling both major and minor issues alike; 2) build and maintain the Company’s brand and franchise system, which is the foundation and key to success.

## **II. Service market support**

1. Unwaveringly advance the path of “perfectly integrating research and development of advanced processing techniques with exploration of traditional craftsmanship”.
2. Promote the maturity of mass production processes and operational methods for different material structures along with the launch of supporting new products; implement process technology improvement and technology research and development initiatives to meet the demand of new product production, enhance product quality and improve processing operation efficiency; adopt a shop-around procurement strategy and prioritize material savings to reduce costs and improve the overall gross profit margin.
3. Hold a total of 4 to 6 pop-up events for brand promotion and marketing campaigns.
4. Organize the tenth anniversary event of the design competition and promote the brand; transform the outcomes of the design competition into products and display, promote and sell them in specialty stores.

5. Expand the scope and depth of efforts, and intensify the investigation and punishment of violations within the franchise system and market infringement.
6. Engage in all-round study and introduction of Inamori Kazuo's altruism – the Amoeba management philosophy and tools to prepare the groundwork for full implementation in 2026, so as to promote the integration of Inamori's philosophy across all positions, departments and the entire company, strengthen interactive collaboration and support, enhance crisis awareness, continuously pursue innovation and transformation, and holistically improve the Company's systematic competitiveness.
7. Urgently convert hot-selling product orders into production and enhance capacity to meet demand.
8. Conduct live streaming of the brand culture content for "Carpenter Tan & Craftsmanship"; collaborate with influential figures in the craftsmanship culture sector to launch brand activities such as "factory tours of a quality comb, intangible cultural heritage and charity initiatives."
9. Further promote innovative activities such as reasonable proposals, transformative innovation and technological progress.
10. Construct and fully operate the phase one of the northern area of the new factory, along with all the follow-up construction procedures; improve and upgrade the barrier-free facilities for the disabled employees' production and daily life in the existing plants; launch pilot initiatives to improve and upgrade the brand image of the existing plants; and propose the planning scheme for the Carpenter Tan Museum.
11. Secure a position for Carpenter Tan on the brand value evaluation list.
12. Promote the employment of people with disabilities and deeply embody the Company's existing values; train employees to be diligent and capable, and facilitate targeted overseas visits for learning, training and exchange in stages and batches.
13. Hold the annual meeting of the franchise system and the 10th staff sports meeting.

## **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 HK36.63 cents per share for the year ended 31 December 2024 to the Shareholders whose names appear on the register of members of the Company on Friday, 6 June 2025, amounting to approximately HK\$91,104,000 (equivalent to approximately RMB85,632,000) in total, subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Friday, 23 May 2025. The dividend payout ratio is 50.0% of the profit for the year attributable to owners of the Company.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends. The above-mentioned final dividend is expected to be paid on or before Monday, 30 June 2025.

## **CLOSURE OF THE REGISTER OF MEMBERS**

### **To be eligible to attend and vote in the forthcoming annual general meeting**

The register of members of the Company will be closed from Tuesday, 20 May 2025 to Friday, 23 May 2025 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 May 2025.

### **To qualify for the proposed final dividend**

The register of members of the Company will be closed from Tuesday, 3 June 2025 to Friday, 6 June 2025 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified for receiving the proposed final dividend, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 2 June 2025.

## CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

Included in the Group's property, plant and equipment, there is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB23,384,000 as at 31 December 2024. The Group purchased the property from 蘇州建興置業有限公司 (the "**Developer**") in 2013. The Group has fully paid the cost of the buildings but as at 31 December 2024, the Group has not obtained the ownership certificate yet. The Group has litigations against the Developer in these few years. During the Year Under Review, the Developer was under liquidation procedure. The management has obtained legal opinion and assessed that it is more probable for the liquidator to continue executing the sales and purchase agreement between the Developer and the Group and complete the issue of ownership certificate. Therefore, there are no material adverse effects on the business operation and financial position of the Group.

Save as disclosed above, as at 31 December 2024, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

## 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 its 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. Details of the Share Option Scheme are set out in the Prospectus. The Share Option Scheme expired on 28 December 2019.

As at 31 December 2024, a total of 400,000 share options to subscribe for a total of 400,000 ordinary shares of HK\$0.01 each in the capital of the Company under the Share Option Scheme which were accepted by certain eligible participants, have been lapsed.

## **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 2024 and up to the date of this announcement, at least 25% issued shares of the Company were held by public Shareholders.

## **PURCHASES, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

For the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **CORPORATE GOVERNANCE FUNCTIONS**

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and has adopted various measures to enhance the internal control system, the Directors’ continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company had complied with the applicable code provisions as set out in the CG Code in force.

## **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 an audit committee (the “**Audit Committee**”) on 17 November 2009 with written terms of reference in compliance with the CG Code. The Audit Committee has three members comprising all the independent non-executive Directors. Members of the Audit Committee include Ms. Liu Liting, Mr. Yang Tiannan 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 to ensure that management has performed its duty to have effective systems.

During the Year Under Review, the Audit Committee 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 2023, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2024 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.

The Audit Committee also carried out corporate governance functions during the Year Under Review, including developing and reviewing the Company’s policies and practices on corporate governance and other duties prescribed under code provision D.3.1 of the CG Code.

Pursuant to the meeting of the Audit Committee held on 27 March 2025 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 and this results announcement for the year ended 31 December 2024, and the 2024 annual report and accounting principles and practices adopted by the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this results announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

## **EVENTS AFTER THE REPORTING PERIOD**

The Board has approved the appointments of Mr. Tan Lizi and Ms. Liu Kejia, both as an executive Directors of the Company with effect from 1 February 2025. Please refer to the announcement of the Company dated 28 January 2025 for details.

Save as disclosed, there is no material events after the reporting period as at the date of this announcement.

## **DISCLOSURE OF INFORMATION**

The annual results announcement for the year ended 31 December 2024 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 2024 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, 27 March 2025

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Tan Chuan Hua, Mr. Tan Di Fu, Mr. Luo Hongping, Mr. Tan Lizi and Ms. Liu Kejia; and three independent non-executive Directors, namely Ms. Liu Liting, Mr. Yang Tiannan and Mr. Chau Kam Wing, Donald.*

*\* For identification purpose only*