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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 2025

RESULTS HIGHLIGHTS

- Revenue increased by 10.4% to approximately RMB558,223,000 (2024: RMB505,436,000).
- Gross profit increased by 13.1% to approximately RMB345,302,000 (2024: RMB305,202,000).
- Gross profit margin increased by 1.5% points to 61.9% (2024: 60.4%).
- Profit for the year ended 31 December 2025 decreased by 0.3% to approximately RMB171,027,000 (2024: RMB171,479,000).
- Profit attributable to owners of the Company decreased by 0.2% to approximately RMB171,027,000 (2024: RMB171,366,000).
- Earnings per share decreased by 0.2% to approximately RMB68.76 cents (2024: RMB68.90 cents).
- In view of the Group's results, the Directors recommend a final dividend in respect of the year ended 31 December 2025 of HK38.31 cents per share (2024: HK36.63 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Friday, 22 May 2026.

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 2025 (the “**Year Under Review**”) together with the comparative figures for the year ended 31 December 2024 with the selected notes as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	4	558,223	505,436
Cost of sales		<u>(212,921)</u>	<u>(200,234)</u>
Gross profit		345,302	305,202
Other income and other net gain	5	45,045	42,456
Administrative expenses		(45,432)	(41,851)
Selling and distribution expenses		(96,945)	(85,624)
Other operating expenses		<u>(30,820)</u>	<u>(6,638)</u>
Profit from operations		217,150	213,545
Finance costs	6(C)	<u>(664)</u>	<u>(611)</u>
Profit before taxation	6	216,486	212,934
Income tax	7(A)	<u>(45,459)</u>	<u>(41,455)</u>
Profit for the year		<u>171,027</u>	<u>171,479</u>
Attributable to			
Owners of the Company		171,027	171,366
Non-controlling interests		<u>–</u>	<u>113</u>
Profit for the year		<u>171,027</u>	<u>171,479</u>
Earnings per share			
Basic and diluted	9	<u>RMB68.76 cents</u>	<u>RMB68.90 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025	2024
	RMB'000	RMB'000
Profit for the year	171,027	171,479
Other comprehensive income/(expense) for the year		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	1,498	4,891
Item that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>3,289</u>	<u>(6,454)</u>
Other comprehensive income/(expense) for the year, net of nil income tax	<u>4,787</u>	<u>(1,563)</u>
Total comprehensive income for the year	<u>175,814</u>	<u>169,916</u>
Attributable to		
Owners of the Company	175,814	169,803
Non-controlling interest	<u>–</u>	<u>113</u>
Total comprehensive income for the year	<u>175,814</u>	<u>169,916</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment		120,650	132,355
Right-of-use assets		53,551	36,233
Investment properties		81,400	84,100
Intangible assets	11	–	–
Non-pledged fixed bank deposits with maturity over one year		336,000	218,000
Other receivables, deposits and prepayments		4,459	624
		<u>596,060</u>	<u>471,312</u>
Current assets			
Inventories	12	308,556	292,498
Trade receivables	13	7,733	7,153
Other receivables, deposits and prepayments		36,702	10,656
Financial assets at fair value through profit or loss		80,669	80,791
Non-pledged fixed bank deposits with maturity more than 3 months, but within one year		10,000	105,000
Cash and cash equivalents		79,739	41,714
		<u>523,399</u>	<u>537,812</u>
Current liabilities			
Trade payables	14	12,099	9,507
Other payables and accruals		59,639	47,798
Income tax payable		40,349	38,595
Lease liabilities		2,943	2,161
		<u>(115,030)</u>	<u>(98,061)</u>
Net current assets		<u>408,369</u>	<u>439,751</u>
Total assets less current liabilities		1,004,429	911,063

	2025 RMB'000	2024 RMB'000
Non-current liabilities		
Deferred tax liabilities	15,919	16,654
Deferred income	476	497
Lease liabilities	<u>17,830</u>	<u>9,953</u>
	<u>(34,225)</u>	<u>(27,104)</u>
NET ASSETS	<u><u>970,204</u></u>	<u><u>883,959</u></u>
CAPITAL AND RESERVES		
Share capital	2,189	2,189
Reserves	<u>968,015</u>	<u>881,770</u>
TOTAL EQUITY	<u><u>970,204</u></u>	<u><u>883,959</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

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 principal subsidiaries in Hong Kong, and its principal 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, the PRC and Singapore.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRS Accounting Standards, which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and interpretations as 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. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Material accounting policy information adopted by the Group are disclosed below.

The HKICPA has issued certain new and amendments to HKFRS Accounting Standards 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 2025 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 set out below.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards 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 HKFRS Accounting Standards 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.

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, Singapore and the PRC. Revenue represents the considerations to which the Group expects to be entitled in exchange for those goods or services within the scope of HKFRS 15.

Disaggregation of revenue from contracts with customers by sales channels is as follows:

	2025	2024
	RMB’000	RMB’000
Online business		
– Sales of goods	<u>228,738</u>	<u>209,636</u>
Offline business		
– Sales of goods	323,983	290,161
– Franchise joining fee income	<u>712</u>	<u>1,179</u>
	<u>324,695</u>	<u>291,340</u>
Directly-operated outlets		
– Sales of goods	<u>4,790</u>	<u>4,460</u>
	<u>558,223</u>	<u>505,436</u>

The Group’s customer base is diversified. No individual customer (2024: nil) had transaction which exceeded 10% of the Group’s aggregate revenue for the year ended 31 December 2025.

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

	2025	2024
	RMB'000	RMB'000
Government grants (note (I))	3,313	833
Government grants released from deferred income	21	21
Interest income from financial assets measured at amortised cost		
– bank interest income	7,725	11,757
PRC VAT refunds	30,898	28,904
Operating lease rental income from investment properties	2,899	4,743
Net foreign exchange (loss)/gain	(124)	4
Change in fair value of investment properties	(2,700)	(7,470)
Loss on disposal of property, plant and equipment	(15)	(331)
Loss of allowance on trade receivables	(7)	(24)
Change in fair value of financial assets at fair value through profit or loss	669	816
Others	2,366	3,203
	<u>45,045</u>	<u>42,456</u>

Note:

- (I) In 2025, among the government grants, approximately RMB3,313,000 (2024: approximately RMB833,000) was for the PRC subsidiaries of the Group. It was the funding support mainly from Chongqing Regulatory Bureau, Ministry of Finance, Chongqing Provincial Human Resources and Social Security Department and the Economic and Information Technology Committee (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; 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; and to promote the high quality development of the manufacturing industry in Chongqing. 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):

	2025 RMB'000	2024 RMB'000
A) Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	107,251	95,885
Contributions to defined contribution retirement scheme	<u>12,605</u>	<u>11,162</u>
Total staff costs (note (I))	<u><u>119,856</u></u>	<u><u>107,047</u></u>
B) Other items		
Auditor's remuneration		
– audit services	726	729
– non-audit services	230	240
Cost of inventories sold (note (I))	210,981	197,383
Change in fair value of investment properties	2,700	7,470
Depreciation of right-of-use assets (note (I))	4,551	3,858
Depreciation of property, plant and equipment (note (I))	6,090	6,273
Loss allowance on trade receivables	7	24
Loss allowance on other receivables	8	21
Loss on derecognition of property, plant and equipment	24,332	–
Loss on disposal of property, plant and equipment	15	331
Reversal of provision for sales returns	(760)	(783)
Write off on other receivables	–	666
Write down of inventories	2,259	2,851
Reversal of write-down of inventories	(320)	–
Gross rental income from investment properties	(2,899)	(4,743)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	438	679
Net rental income	<u><u>(2,461)</u></u>	<u><u>(4,064)</u></u>
C) Finance cost		
Interest on lease liabilities	<u><u>664</u></u>	<u><u>611</u></u>

Note:

- (I) Cost of inventories includes approximately RMB73,037,000 (2024: RMB65,686,000) 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:

	2025 RMB'000	2024 RMB'000
Current tax		
PRC Enterprise Income Tax (notes (I) and (II))	37,965	34,631
Hong Kong profits tax (note (IV))	–	–
Singapore Corporate Income Tax (note (VII))	–	–
Withholding tax on dividends (note (V))		
– Provision for the year	<u>10,557</u>	<u>7,838</u>
	48,522	42,469
(Over)/under provision in prior years, net		
PRC Enterprise Income Tax	<u>(2,328)</u>	<u>275</u>
	46,194	42,744
Deferred tax		
Transfer to current tax upon distribution of dividends	–	–
Provision for the year	<u>(735)</u>	<u>(1,289)</u>
Total	<u>45,459</u>	<u>41,455</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% (2024: 25%) except for Carpenter Tan for both years of 2024 and 2025 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 2025 and 2024 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.

- (VII) No provision for Singapore Corporate Income tax has been made for the year ended 31 December 2025 as the subsidiary did not have assessable profit to Singapore Corporate Income tax for the year ended 31 December 2025.

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

	2025	2024
	RMB'000	RMB'000
Profit before taxation	<u>216,486</u>	<u>212,934</u>
Tax charge at domestic tax rates applicable to profits in the countries concerned	53,993	52,461
Tax effect of non-deductible expenses	8,308	1,540
Tax effect of non-taxable incomes	(4,082)	(3,291)
Effect of tax concessions granted to subsidiaries (note 7(A)(VI))	(6,622)	(5,501)
Effect of concessionary tax rate enjoyed by subsidiaries (note 7(A)(I))	(13,399)	(12,335)
Unrecognised temporary differences	(743)	(3)
Unrecognised tax losses	20	506
Utilisation of previously unrecognised tax losses	(245)	(35)
Withholding tax on dividends (note 7(A)(V))	10,557	7,838
(Over)/under provision in prior years	<u>(2,328)</u>	<u>275</u>
Income tax expense	<u>45,459</u>	<u>41,455</u>

8. DIVIDENDS

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

	2025	2024
	RMB'000	RMB'000
Final dividend of HK38.31 cents, equivalent to RMB34.44 cents per ordinary share (2024: HK36.63 cents, equivalent to RMB34.43 cents) proposed after the end of the reporting period (Note I)	<u>85,657</u>	<u>85,632</u>

Note I:

The Directors recommend the payment of a final dividend of HK38.31 cents, equivalent to RMB34.44 cents per ordinary share, totaling RMB85,657,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on Friday, 22 May 2026. The 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

	2025	2024
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2024, approved and paid during the current year, of HK36.63 cents, equivalent to RMB32.93 cents per ordinary share (2024: in respect of the financial year ended 31 December 2023, approved and paid during the year ended 31 December 2024, of HK38.64 cents, equivalent to RMB36.18 cents per ordinary share)	<u>89,569</u>	<u>89,996</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

	2025 RMB'000	2024 RMB'000
Earnings used in calculating basic earnings per share	<u>171,027</u>	<u>171,366</u>

(ii) Weighted average number of ordinary shares

	Number of shares	
	2025 '000	2024 '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 2025 and 2024 was the same as the basic earnings per share as there was no dilutive potential shares in issue during the years ended 31 December 2025 and 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

	Trademark RMB'000
Cost	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>1,037</u>
Accumulated amortisation and accumulated impairment	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>1,037</u>
Carrying amount	
At 31 December 2025	<u><u>–</u></u>
At 31 December 2024	<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

	2025 RMB'000	2024 RMB'000
Raw materials	234,417	230,711
Work-in-progress	29,313	24,307
Finished goods	<u>44,826</u>	<u>37,480</u>
	<u>308,556</u>	<u>292,498</u>

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

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	210,981	197,383
Write down of inventories	2,259	2,851
Reversal of write-down of inventories	<u>(320)</u>	<u>—</u>
	<u>212,920</u>	<u>200,234</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 RMB166,816,000 (2024: RMB127,971,000) 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:

	2025 RMB'000	2024 RMB'000
Trade receivables from contracts with customers	7,809	7,222
Less: Loss allowance (note (B))	<u>(76)</u>	<u>(69)</u>
	<u><u>7,733</u></u>	<u><u>7,153</u></u>

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

	2025 RMB'000	2024 RMB'000
0 to 30 days	3,516	5,617
31 to 60 days	1,933	799
61 to 90 days	1,238	315
91 to 180 days	375	52
181 to 365 days	153	163
Over 1 year	<u>518</u>	<u>207</u>
	<u><u>7,733</u></u>	<u><u>7,153</u></u>

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:

	2025	2024
	RMB'000	RMB'000
Opening loss allowance at 1 January	69	45
Loss allowance on trade receivables	<u>7</u>	<u>24</u>
Closing loss allowance at 31 December	<u>76</u>	<u>69</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:

	2025	2024
	RMB'000	RMB'000
0 to 30 days	6,295	5,209
31 to 60 days	3,572	3,211
61 to 90 days	844	777
91 to 180 days	1,163	104
181 to 365 days	74	95
Over 1 year	<u>151</u>	<u>111</u>
	<u>12,099</u>	<u>9,507</u>

MANAGEMENT REVIEW

Based on the operational performance targets, key task areas, and critical work measures proposed in early 2025, the Company has closely monitored their execution and implementation. Each performance target and key task is anchored through three dimensions: strategic indicators at the corporate level, specific assignment to functional departments, and concrete execution by internal functional roles. This is further reinforced by quality objectives, process controls, and implementation measures within the three-quality management system. Monthly work meetings, special topic sessions, and quarterly evaluations then ensure concrete implementation and execution from the corporate level through functional departments to individual responsible personnel.

Construction of Phase I of the northern area of the new factory in Wanzhou has been fully completed according to design plan, with both the northern and southern areas now fully operational. This has provided effective site support for strategic raw material reserves and enabled implementation conditions for material drying techniques and the balanced conditioning process that ensures property stability. It has completely eliminated the significant “three-in-one” safety risk that persistently existed at the formerly leased logistics distribution center. Alongside optimizing production workflows and layout, comprehensive plans for improvements have been largely implemented to facilitate the employment of persons with disabilities and to enhance accessibility in production and living facilities. Photovoltaic power generation capacity has been further enhanced, representing a positive step forward in exploring low-carbon energy, green factory initiatives, and economic efficiency.

The Beijing flagship store, designed under the concept of Song Dynasty aesthetics, has completed its design phase and entered construction. It is scheduled to open in April 2026. The store will deeply showcase Song Dynasty aesthetics, combining experiences, handmade woodcraft, art curation, and the “Garden of Combs”. During the Year Under Review, a store of approximately 100 square meters with similar functionality and image to the Beijing flagship was launched in Suzhou, receiving positive feedback from property owners, along with strong market reputation and solid sales performance. Based on this, while ensuring the successful launch of the Beijing flagship store, the Company also plans to introduce flagship concept stores in Shanghai, Guangzhou, or Shenzhen. These initiatives aim not only to enhance brand image but also to further strengthen franchisees’ confidence in opening larger, higher-quality stores, fostering greater respect and recognition for the brand from property owners, and creating more favorable conditions for the brand’s reach and market expansion.

We intensified our efforts in brand communication and promotion, including the “Garden of Combs” and the Design Competition. Throughout the year, six “Garden of Combs” pop-up experience events were held across six cities. In Hangzhou, we hosted the 10th Design Competition Anniversary celebration, achievement exhibition and salon exchange. Meanwhile, efforts to build and preserve our intangible cultural heritage continued without pause. The stunning introduction of traditional lacquer techniques and cloisonné enamel inlay work aligned with government initiatives in cultural tourism and intangible cultural heritage, continuously exploring, presenting, and building upon these traditional crafts.

In the domestic offline market, we continued to expand into prime locations – including tourist attractions and transportation hubs – as well as desirable shopping malls and quality storefronts. Underperforming side counters and strip counters were remodeled and upgraded into independent stores. Through the franchisee annual conference and the Combing Competition, we advanced and delivered immersive combing experiences that bring us closer to our customers. Throughout the year, significant growth was achieved in store expansion and upgrades, product refreshes, retail sales, and order fulfillment. In the domestic online market, adhering to our long-standing principle of refraining from price-based marketing and discounting, we deepened customer relationship management and after-sales service across various platforms. Through effective live streaming planning and content marketing, we still maintained healthy growth. In overseas markets, despite the impact of tariffs and trade wars, the Company adjusted its strategies in a timely manner. Both online platform channels and offline self-operated and co-operated expansion models showed initial improvements and results. The opening of a self-operated store in Singapore, a co-operated store in Malaysia, and an international image store in Hong Kong’s Festival Walk simultaneously enhanced sales performance and brand image building.

Leveraging the wisdom of our employees, we continuously optimized and improved processes, procedures, and operating methods. Through initiatives such as improvements in raw material sawing and cutting methods, reasonable suggestions on material drying temperatures, combined patterning templates, and the efficient utilization of returned materials, we gathered ideas to implement lean production, cost savings, productivity enhancement, and waste elimination. The R&D of intelligent comb-tooth polishing, automated one-step milling of comb blanks, product patina finishing, and all-natural green plant-dyeing techniques is now ready for craftsmanship and mass production, with gradual delivery and expanded application underway. Regarding intelligent detection of product defects, external equipment tested by multiple professional institutions has failed to meet the Company’s requirements. In the detection of tube hole cracks and ball-head defects, we have made some progress through in-house development and have achieved partial implementation. However, arduous efforts are still required to overcome current production and technical bottlenecks. This represents precisely the value that the Company must pursue – and succeed in achieving.

During the Year Under Review, the Company operated with well-defined performance targets, clear strategic priorities, as well as appropriate and effective corresponding measures. As a result, the Company achieved solid growth in areas such as net retail sales and core business profitability compared to 2024, while overall corporate governance remained effective and healthy.

I. Offline Business

For the year ended 31 December 2025, the offline team continued to steadfastly execute its core strategy of “expanding and deepening sales channels, enhancing and enriching specialty store services, and exploring and operating new retail businesses”. As a result, the offline business achieved leapfrog growth, with core performance indicators reaching record highs. POS retail sales of our offline business reached RMB847 million, representing an increase of 11.2% compared to the same period in 2024.

During the Year Under Review, the offline team pursued the objectives of consolidating channel advantages and unlocking network potential. By implementing policies that support store expansion and image upgrades, the Company added 182 new stores and renovated 161 stores over the year. We secured presence in several landmark projects, including the largest outlet mall in the country, Beijing Zhongguancun Art Park DALEONG City, first stores in Taiyuan and Hohhot MixC, and Henan Fat Donglai Angel City – achieving both quantitative and qualitative enhancement of our channel network. The group purchasing business successfully expanded into Sam’s Club and precious metals channels, opening new avenues for performance growth. With the goal of deepening service experiences and building brand loyalty, we organized the inaugural Combing Competition to foster skills exchange and learning among stores nationwide. Service offerings such as gift wrapping and engraving were adaptively refined, and the “Specialty Store Social Platform Behavior Guidelines” were formulated and implemented, embedding the “consumer-first” philosophy into operational details. Aiming to strengthen brand momentum and connect with target customers, we continued our offline marketing strategy of Group-led, store-coordinated initiatives. The “Garden of Combs” campaign was successfully launched in multiple cities including Changsha, Kunming, Guangzhou, Hangzhou, Nanjing, and Shenyang. Through a unified design language and comb-making experiences, we achieved a dual enhancement of brand communication and market performance.

Offline business will continue to deepen our symbiotic growth and mutual prosperous with the franchise teams. Through more systematic training, more precise operational support, and closer marketing collaboration, we will solidify a healthy and stable franchise system. We are committed to transforming our strategy of ‘deep cultivation and thorough execution’ into sustainable profitability at the retail side. Together, hand in hand, we will lay a solid foundation for our century-long endeavor.

1. Specialty Stores Overview

For the year ended 31 December 2025, Carpenter Tan had a total of 1,301 franchised stores and 1 self-operated store in Mainland China, 6 franchised stores in other countries and regions, and 3 self-operated stores in Hong Kong. The total number of stores was 1,311. There was an increased by 57 stores as compared to 1,254 stores as of 31 December 2024. Among them, shopping mall stores, image stores of the third generation, and Morandi image stores accounted for 73.8%, 40.7% and 58.3%, respectively.

Number of franchised stores, overseas stores and counters as at 31 December 2025

	As at 31 December			
	2025		2024	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,301	1	1,245	1
Hong Kong	–	3	–	3
Other countries and regions	6	–	5	–
Total	<u>1,307</u>	<u>4</u>	<u>1,250</u>	<u>4</u>

Number of franchised stores distribution in China as at 31 December 2025

Type of stores	As at 31 December			
	2025		2024	
	Number of franchised store	Percentage	Number of franchised store	Percentage
Shopping mall	960	73.8%	875	70.3%
Street shop	217	16.7%	236	19.0%
Department store	57	4.4%	59	4.7%
Supermarket	8	0.6%	12	1.0%
Scenic spot	43	3.3%	46	3.7%
Transportation hub	9	0.7%	9	0.7%
Hotel	2	0.1%	2	0.2%
Others	5	0.4%	6	0.4%
Total	<u>1,301</u>	<u>100.0%</u>	<u>1,245</u>	<u>100.0%</u>

2. *Offline Advertising And Brand Promotion*

During the Year Under Review, the Group continued to strengthen its brand marketing initiatives and established dedicated subsidy funds for systematic, multi-dimensional offline advertising and integrated marketing promotion, effectively enhancing brand exposure and market recognition. In terms of specific implementation, the Group advanced the image development of DP points within core business circles, deployed LED large screens and light box advertisement, and actively participated in key industry exhibitions, achieving a brand presence transformation from static displays to dynamic engagements and from isolated placement to systematic presentation. Through the integration of diversified channels, the Group have not only expanded the brand's reach but also ensured the consistent delivery of the brand value. Leveraging high-quality visual content and emotive communication, the Group has strengthened users' recognition of and connection with the brand.

During the Year Under Review, "Garden of Comb" brand pop-up events were successively held in six cities, including Changsha, Kunming, Guangzhou, Nanjing, Hangzhou and Shenyang. The event prominently showcased the award-winning works from the Design Competition, limited-edition new products from the intangible cultural heritage handicraft series and comb-making art, allowing customers to experience the beauty of the products and the exquisiteness of the craftsmanship directly. With the on-site brand culture displays and explanation of production process, participants had a deeper understanding of Carpenter Tan's inheritance, inner core of craftsmanship and brand philosophy through interactions. Through the series of pop-up events, the brand awareness and emotional recognition in the regional market have been effectively enhanced, and a clearer and more appealing brand image has been established for the core customer base.

Overall, the advertising investment and marketing execution during the year further consolidated the brand image and position in key markets, accumulated valuable offline interaction experience for the long-term development of the brand, and laid a solid foundation for sales conversion and long-term development.

3. *Continuous Improvement on the Construction of the Membership System*

During the Year Under Review, the membership system of Carpenter Tan entered a new development stage, with significant increase in both total number and activity of our members. As of the end of the year, the total number of members exceeded 1.55 million, with 330,812 new members during the year, representing a year-on-year increase of 15.04% (as compared with 287,567 in 2024). Members' enthusiasm for engagement remained consistently high, with a total of 182,132 benefit redemption orders completed throughout the year, reflecting the members' strong recognition and active response to the brand interaction mechanism.

In the future, the offline team will further optimize the membership system, strive to improve the allocation of member benefits and service experience, and deepen the emotional connection between members and the brand through more engaging interactions and more valuable feedback, thereby providing a solid and active user base for the long-term development of the brand.

4. *Diverse New Product Launch*

During the Year Under Review, a total of six rounds of new products were launched, with a total of 37 new products under seven series. These include 10 innovative works carrying intangible cultural heritage skills, as well as thematic series for various seasons and occasions such as Mother's Day, summer, wedding and New Year's Day. While precisely addressing market and consumer demands, the Group has continued to expand the products' emotional connotations and aesthetic expression.

Among the intangible cultural heritage handicraft series, "Hua Cai Liu Nian (華彩流年)" cloisonné enamel comb draws inspiration from the art of traditional enamel painting to reinterpret the radiant brilliance through a contemporary design. "Qi Yun Dong Fang (漆韻東方)" lacquer comb strictly adheres to traditional methods, undergoing dozens of processes to embody millennia of lacquer craftsmanship, thereby expressing oriental elegance.

The Mother's Day series focuses on emotional gifting. Through structural optimization and tooth shape innovation, the two products, "Shuxin" and "Shunyi", combine the lightness of ring combs and the thoughtfulness of haircare combs to provide a more refined massage experience. "Jingbo" and "Qiyun" further embrace the contours of the head through refined curve and tooth tip, conveying warmth and care.

The summer series features wood as its base, adorned with natural materials such as Hotan Jade and South Red Agate. The artistic conception of landscapes is incorporated into accessories such as bracelets and hairpins, balancing practicality for daily wear with stylish embellishment and adding a touch of elegance to the summer season. The scraping massage comb launched in the same period was made from new materials, with an ergonomically optimized comb shape to provide a more comfortable experience.

The inserted comb series achieves a differentiated iteration of existing inserted comb through materials contrast and meticulous pattern design, embodying a beautiful wish of “lifelong togetherness”. The wedding-themed set features traditional auspicious motifs such as mandarin ducks and linked-wing birds, along with practical combination of a comb, mirror and haircare comb, conveying a blessing of “mirrored in pairs, flying side by side” for couples.

The New Year’s Day series draws inspiration from poetry, calligraphy and painting and outlines the comb body with fluid shape and free-flowing lines. It integrates the oriental life philosophy of “living life to the fullest with joy and contentment”, conveying a sense of calmness through the act of combing.

New products launched throughout the year consistently centered on users’ real-world usage scenarios and emotional needs. Through a themed and serialized product matrix, we continued to enrich consumer choices and strengthen the brand’s product appeal and emotional connection.

5. *Coexistence of Multiple Store Image Styles*

During the Year Under Review, a total of 391 stores were renovated throughout the year. Among them, the number of Morandi-styled stores, Tommy Li’s image stores and Song Dynasty aesthetics image stores was 298, 1 and 1, respectively, and the remaining stores were third generation-styled stores.

The store design created in collaboration with Hong Kong designer Tommy Li is implemented at Qinghe Mixc Mall in Qinghe, Beijing, which has now officially opened. Relevant materials and structures will undergo minor adjustment and modification during the implementation at subsequent stores. The plan will be refined and the quality of renovation will be enhanced to ensure each store presents a high-quality image to consumers, thereby enhancing the brand’s market appeal.

The image design plan for the Song Dynasty aesthetics store in collaboration with Luokey Company is currently underway. Currently, the Suzhou Mixc World store has completed renovation and opened on schedule. Given that the preliminary design and process are still in an unstable phase, further observation and refinement of specific implementation plan are required. The design plan for Beijing flagship store has been finalized and the preparations for renovation are currently underway.

At the same time, phased results have been achieved in the image upgrade of the third generation-styled stores (Matsumoto-styled). In the future, it will bring new vitality to the shopping mall scene, providing customers with a completely new brand experience.

6. *Offline Business Focus in 2026*

Through our franchisee team and self-owned new retail platform, we will continue to expand domestic high-quality channels and further advance store image upgrade. For core regions and key channels, we will provide market support and continuously promote the opening of new image stores and large-format stores to further enhance brand awareness across the nation. By leveraging the geographical advantages of stores nationwide and utilizing new media and other channels for brand promotion, we will reinforce the brand's irreplaceable position in the market.

We will retain existing customers and expand new customer base with high-quality products and high emotional value. In an era where consumers are becoming increasingly rational, robust product strength serves as the strongest defense against price wars and economic fluctuations. Simultaneously, the approach of extending products to visual design and consumer touchpoint will be adopted to diversify the interactions between products and consumers. We will endeavor to innovate by extending brand experience to store services, packaging designs and member interactions, thereby continuing to strengthen the cultural attributes of the brand. Wooden combs will be positioned not only as hair caring tools, but also as carriers of "health needs", "cultural inheritance" and "self-enjoyment".

Improving service level while iterating and upgrading new products to enhance the profitability of stores: In response to the external environment characterized by consumers' need for enhanced service quality and growing demand for emotional wellness products, the Group will establish standards and allocate resources to set up demonstration stores. Through online and offline training alongside store supervision, we will ensure the effective implementation of service standards. The sales team will continue to enhance support across multiple areas, including store image maintenance, sales assistant service supervision, product promotion package, after-sales value-added expansion and diversification of experimental activities, thereby strengthening the franchise system's resilience to risks.

Continuously developing the brand content ecosystem and increasing live streaming frequency: We will conduct multi-channel brand promotion by integrating various nodes and organizing pop-up events, enabling consumers to experience the brand's advocacy for a positive, healthy lifestyle alongside its rich Chinese cultural heritage and craftsmanship throughout their journey of learning about the brand and using our products. The current consumer goods market has consistently demonstrated that those who are able to soothe consumers' emotions will win the market.

II. Online Business

For the year ended 31 December 2025, the online business completed sales (including VAT) of RMB256.8 million and met 104.4% of the yearly target, representing a 9.17% year-on-year increase as compared to 2024. As the Group insisted on its price system and refrained from participating in price wars, platforms were required to remove all consumption coupons during the Double Eleven, Double Twelve, and Christmas and New Year's Day events. This led to a slight year-on-year decline in traffic and conversions during the events, which in turn led to a decrease in sales for November and December. The average monthly sales growth rate in other months throughout the year was around 11.8%.

1. New Channel Expansion and New Promotion Methods

During the Year Under Review, the online team closely followed platform development trends and actively explored operations on new channels and promotional methods, such as: (i) In February, we newly expanded to WeChat Store and maintained normal operations. The WeChat Store features a gift-sending function that allows users to forward purchased products to others with one single click. This function carries a sense of ritual, aligning well with our brand's gift-giving attribute. (ii) We actively followed up on new channels on the Tmall platform and conducted in-depth research into the Lazada-mall sales model. However, due to the involvement of overseas pricing structure, we did not establish a presence on the platform. (iii) Negotiations with the Dewu platform remain ongoing. Due to the platform's relatively high commission rates and the requirement to purchase its packaging materials for order fulfillment, we have not yet established a presence. However, both parties remain in ongoing communication to seek solutions. The platform is now willing to lower its commission rates and upgrade our brand's onboarding status. We are still in discussions about onboarding. (iv) This year, we launched a new content promotion channel – Xiao Hong Xing (a collaboration between Xiao Hong Shu and Tmall)—establishing a data link between Taobao and Xiao Hong Shu. As a content-sharing platform, Xiao Hong Shu possesses a vast user base and

strong influence in driving purchases. By integrating e-commerce activities with tailored promotional strategies, combined with information flow advertising, we rapidly adjust budget allocation based on real-time data feedback to achieve “integrated brand and performance marketing”. This significantly enhanced user awareness and interest in our products, thereby increasing store search volume, traffic, add-to-cart rate and transaction volume. In 2025, through Xiao Hong Xing promotion, we achieved 849,000 reading UV, 125,000 store visit UV, and RMB4,440,000 in GMV attributed to the channel.

2. *Douyin Channel Expansion*

In terms of Douyin channel promotion, we still focused on promoting brand culture. During the Year Under Review, a total of 287 videos were published on our own account (Douyin channel), with the total number of followers reaching more than 845,000, the total account exposure exceeding 313 million and the total account interactions reaching over 5.4 million. We collaborated with a total of 39 talent accounts and published a total of 91 videos for the year (including videos distributed to other platforms), with the total promotion exposure reaching over 37.15 million and the total promotion interaction exceeding 1.84 million. We held special live streaming through our self-operated account @Carpenter Tan official flagship store during Mother’s Day this year. The live streaming spanned three days, featuring themes centered around emotions, new product launches and historical culture. The overall exposure was 2.1 million. There were 180,200 views in the live streaming room, with 49,800 new followers. Annual sales from Douyin’s self-operated platform reached 10.98 million, marking a 34.4% increase. An IP offline event attracted over 250 fans to participate in check-ins and content creation, with the hashtag #CarpenterTansIPISoCute generating over 10,000 interactions.

3. *Marketing Activities*

During the Year Under Review, the online team executed a total of 15 marketing campaigns, maintaining consistent tone and execution across both online and offline activities to drive overall sales targets. In alignment with brand campaign milestones and platform activity schedules, the team coordinated and planned both on-site and off-site content promotion in advance, with relevant work deployments made ahead of time. During the campaign build-up period and the peak period, all channels spoke with a unified voice to promote simultaneously, resulting in a significant sales uplift during the campaign windows. Average daily front-end sales increased by 31.3% year-on-year.

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

The online team centered its efforts around Carpenter Tan’s woodworking craftsmanship, cultural connotations and product usage scenarios, focusing on themes such as combing, gifting and wellness. Through scenario-based storytelling, we demonstrated the close connection between our products and daily life, effectively increasing brand exposure. By leveraging influencer recommendations, we expanded brand influence and precisely targeted our intended customer base. Supported by the establishment of data analytics and user feedback mechanisms, we continuously optimized content strategies and enhanced promotional effectiveness.

During the Year Under Review, we published 147 pieces of content on Xiao Hong Shu, generating over 1.227 million clicks and more than 69,800 interactions. This drove 849,000 in-app clicks and 125,000 store visits. On-site content channels such as Tmall and JD.com published 548 short videos created by KOLs, achieving 4.836 million+ views and attracting 710,000+ visitors.

5. *Digital Transformation*

During the Year Under Review, the online team has introduced an intelligent refund processing bot system, enabling 24/7 automated operations. It consistently handles over 500 refunds daily, significantly shortening the refund response cycle and substantially improving operational efficiency. Accuracy approaches 100%, effectively eliminating human error to safeguard fund security and customer satisfaction. Resource allocation is optimized, reducing labor requirements while compressing abnormal order verification time from 4 hours to under 1 hour. The entire process automatically generates records and synchronizes status updates with the customer service system, ensuring full traceability.

To enhance the customer inquiry experience and meet consumer needs for personalized services in scenarios such as delivery timeliness, marketing campaigns, product information and after-sales support, the online team has deployed and operated an advanced intelligent customer service bot. It effectively covers both platform-wide standard rules and store-specific personalized service content. Overall, nearly 80% of inquiries focus on standardized, highly repetitive areas like logistics, promotions, product information and basic after-sales support. By leveraging the intelligent customer service bot’s capabilities in these core scenarios, it provides clear direction for subsequent optimization of the knowledge base structure, improvement of automated response accuracy and enhancement of service efficiency.

6. *Creating Popular Products*

During the Year Under Review, the online team continued to focus on three new key products that emerged as new hit items: the hair care comb Cui Ping (翠屏), the HET ring-shaped tooth comb and the lacquer comb Xin Xiang Shi Cheng (心想事橙).

In the 2025 sales statistics, the hair care comb Cui Ping (翠屏) ranked first in sales, accounting for 8.76% of the annual sales; Xin Xiang Shi Cheng (心想事橙) ranked ninth, accounting for 1.76% of the annual sales; and the HET ring-shaped tooth comb ranked thirteenth, accounting for 1.53% of the annual sales. The sales volume of these three items surpassed those of Que Ling II (雀翎二) (which accounted for 1.26% of the annual sales) and Lianyu (which accounted for 1.33% of the annual sales), all reaching the targeted level of popularity.

7. *Tmall Live Streaming*

During the Year Under Review, the online team's in-store live streaming promotions generated total transactions of RMB21,227,000, representing a 3% year-on-year increase as compared to 2024. The annual penetration rate was 10.1%, achieving the annual penetration target. Total live-hosted streaming hours amounted to 2,840 hours, reflecting a decrease of 1 hour as compared to 2024, and ROI was improved.

Live streaming GMV growth was primarily concentrated in the first half of 2025 (January-June), with growth slowing and showing a downward trend in the second half of the year. The platform promoted consumer vouchers this year to boost daily sales, extending coverage into regular-sales periods. In the fourth quarter (October-December), platform activities became frequent. Merchants and live streaming that offered no discounts were relatively disadvantaged in voucher-driven purchase scenarios, and conversion rates showed no growth during promotional periods. At the same time, without relevant mechanisms to attract traffic, live streaming became overly reliant on brand exposure and inherent product conversion rate, indicating that the current growth mechanisms for live streaming were somewhat inadequate.

In 2025, live streaming attached 3.02 million viewers. Although in-stream traffic declined by 3% year-on-year, click-through rate for promoted products increased by 2.4% and the number of users clicking merchant links rose by 12%. This growth was mainly attributable to dedicated GMV promotion campaigns, which unlocked exclusive traffic incentives, reaching 687,000 viewers and accounting for nearly 23% of total views. This indicated that precision was more effective, than broad traffic, elevating the overall value of livestream traffic by 7% year-on-year.

8. *Online Business Focus in 2026*

We aim to achieve a leap from “online sales” to “online brand asset accumulation”. We will plan and execute 2026 marketing activities focused on elevating the brand and implementing refined operations, continuously converting online traffic into lasting brand equity. Our priority will be operating the “membership system” to boost repeat purchases from existing customers through targeted engagement with core audiences such as 88VIP and PLUS members. We will develop different marketing strategies and platform-exclusive offerings based on the characteristics of each platform. In our communications, we will emphasize “craftsmanship demonstrations” and “immersive experiences”, such as using short videos and live streaming to showcase the unique features of wooden combs. We will use short-video product links and search-placement tactics to capture broad audiences interested in Guochao, gifting and wellness. We will leverage data analysis to provide proactive care for users and build long-term ties between our brand and users.

Regarding Douyin promotion, we will continue to deepen our brand promotion. Through systematic operations, we will establish “IP Xiao Tan” as a core brand asset of Carpenter Tan. We will further embed the idea that “every woman deserves a good comb”, transforming the definition of a “good comb” from a “daily commodity” to a “daily life experience”. Aligned with the characteristics and needs of themed marketing events, we will use influencer promotions to raise brand awareness and drive traffic, while also supporting offline store sales. For IP account content operations, we will operate both the official flagship store and interest-based accounts, centering content on the brand IP and establishing content sections closely related to Carpenter Tan’s brand and products, so as to solidify our market position and equate a good comb with Carpenter Tan. For material production, we will feature our brand IP characters (Xiao Tan and Panda Tan-Tan) as protagonists to create online promotional assets (videos, posters, stickers/emojis and other formats) and extend these materials for use in offline promotions.

We will expand Dewu platform to increase vertical sales opportunities. Dewu, as a next-generation online community for trendy shopping, gathers young users who are passionate about “Guochao”, “design aesthetics” and “quality lifestyle”. We expect that, through this platform, Carpenter Tan will accelerate its youth-oriented transformation, positioning the brand as a “Guochao collectible” favored and shared by Gen Z.

We will optimize our online product system by upgrading product scenarios and completing a product-tiering system across online and offline markets. For the core online use scenarios of “self-use” and “gifting”, we will prioritize developing items such as minimalist, stylish “business light-gifts” suitable for workplace exchanges, as well as compact, aesthetically pleasing “self-reward gifts” designed for women to indulge themselves. Using Tmall platform’s data bank, we will create bespoke gift sets for different customer groups (e.g., newlyweds, workplace newcomers and seniors). We will employ AI data tools to analyze social-media viral elements, consumer feedback and competitor’s strengths, empowering designers to innovate product forms, ensuring new products preserve artisanal quality while aligning with current aesthetic trends.

For Tmall live streaming, improvements will be made in the following areas: (1) implement a “daily standardization + themed-events” strategy; (2) improve the streamer team; (3) optimize live streaming strategies by maintaining foundational, light-touch interactions while adding initiatives such as giveaways, lucky bags, red-packet showers and hidden livestream perks to boost conversion rates. Additionally, we may launch themed activities such as “new-product validation” and “packaging suggestions”, delegating certain activity decision-rights to fans. We will also establish a dedicated livestream feedback channel to collect product-related and after-sales issues during live streaming and relay them to the brands for collaborative improvement.

We will leverage AI search and recommendation tools to increase the brand’s visibility within AI systems and to recommend the brand to users with relevant needs, thereby strengthening brand presence in demand scenarios and embedding brand awareness into users mindsets. From the perspective of consumer needs, we will use AI to generate additional brand interaction opportunities. We will analyze the brand’s core themes, key phrases and the visibility of buyer AI search queries, and then optimize the brand’s content presence within AI environments to increase AI mentions of our brand and to fill content gaps and address deficiencies.

We will establish a customer experience management system to collect platform, industry and consumer data, converting them into actionable product optimization directives and service improvement strategies to enhance e-commerce services and product optimization. Leveraging the omnichannel data of the CEM, we will provide real-time alerts on negative feedback and enable prompt intervention. We will synchronize high-frequency pain-point data with the design team to drive product design optimization. Additionally, we will leverage CEM’s quality inspection capabilities to conduct a thorough analysis of customer service dialogues, refining exemplary cases into standard “golden scripts” to improve overall service quality.

III. Overseas Business

For the year ended 31 December 2025, our offline overseas business recorded a total shipment of RMB4,293,000, representing a year-on-year increase of 16.8%. The sales of cross-border e-commerce platform amounted to approximately RMB1,087,800, with a year-on-year increase of 8.8%. The self-operated stores and online platforms in Hong Kong achieved a total sales of HK\$4,841,000, representing a year-on-year increase of 13.43%.

Market Expansion

1. At the end of October 2025, a new-generation image store called “Handcrafted Artistry”(手心藝序) designed by renowned Hong Kong designer Tommy Li’s team successfully opened at Festival Walk in Kowloon Tong, Hong Kong. The mall’s positioning, the store location and the new store image represented a significant effort by the Carpenter Tan brand to reshape and elevate its identity in the Hong Kong market. On the day of the opening ceremony, we invited dozens of local Hong Kong media outlets to participate and report on the event, ensuring effective localized promotion.
2. In mid-November 2025, we successfully opened our first self-operated store in the Singapore market at VIVO CITY shopping mall. Starting from scratch, we registered the company, set up bank accounts, recruited staff, selected the store location, engaged in business negotiations and prepared for renovations. The successful launch within just a few months was a testament to our long-term efforts and accumulated experience, demonstrating the Company’s capability for rapid expansion in overseas markets.
3. In 2025, the former franchise store in Canada closed due to rising rent. In August, we opened a new Morandi image store at CF Markville Mall in Toronto, Canada.
4. In October 2025, we opened our second partnership store in Mid Valley, Kuala Lumpur, Malaysia in collaboration with our former joint venture partner.

Cross-border E-commerce Business

1. In 2025, we undertook significant adjustments and upgrades to our U.S. official website, rebuilding it to optimize the shopping experience and enhance our brand image. We also activated the new domain www.tanmujiang.com to maintain consistency in brand exposure. The new website showed notable improvements in visual appeal, content depth and user experience, laying a solid foundation for subsequent omnichannel promotions and helping to reach target users with a more complete and professional brand image.
2. The development goals for overseas warehouse sites established at the beginning of the year have been temporarily postponed due to adjustments in U.S. tariff policies.

Overseas Exhibitions

In March 2025, we participated in the ASD Market Week in Las Vegas, USA, followed by the 100th Tokyo International Gift Show in Japan in September and the Kuala Lumpur Forum in Malaysia in December. We effectively attracted local foot traffic through activities such as handcrafted wooden comb DIY workshops, interactive painting experiences and souvenir gifts, thereby enhancing our brand influence. We also invited creative designers to deeply participate in overseas exhibitions, contributing to our accumulated insights for future product development.

Outlook for Overseas Market in 2026

1. We will strengthen the operational management capabilities of our self-operated team, using the Festival Walk store as a benchmark to expand new stores in Hong Kong, and strive to achieve overall profitability target in the Hong Kong market by 2026.
2. We will enhance employee training at our self-operated store in Singapore to achieve single-store profitability as soon as possible, and consolidate existing resources to expand into a second self-operated store.
3. U.S. Amazon and DTC business will cooperate with the new generation of operating companies to deeply participate and learn, laying a solid foundation for establishing an in-house team in the future.
4. In response to changes in the international landscape, we will implement a strategy to reduce costs for overseas exhibitions without compromising effectiveness.
5. We will focus on refined operations across various markets, including but not limited to the development of localized products and packaging, promotional content for holiday seasons, social media management, offline advertising, and communication through KOL and new media.

IV. Innovative Research and Development

During the Year Under Review, the creative R&D team focused product development efforts on structural innovation and restructuring, innovative applications of intangible cultural heritage craftsmanship, material integration and product system expansion, co-branding collaborations, packaging system upgrades and targeted development for overseas markets. We continuously increased R&D investment in new structures, new craftsmanship, new materials, new designs and new markets. By embedding emotional connections and cultural significance within our products, we closely aligned with diverse consumer needs. Through systematic innovation, we consistently enhanced product competitiveness and brand influence.

As of 31 December 2025, we completed the design and development of 17 projects for new products and launched a total of 89 new products. Out of 20 trial-marketed and evaluated products, 15 have been converted to regular products, while the status of the remaining products is pending.

1. *New Structure*

Tooth hair-care comb project: we restructured the existing ring-shaped tooth comb and hair-care comb. Building upon the strengths of the above two comb products, we matched ball tooth and torch tooth to cater to the needs of different consumer groups. Both new products, “Shuxin” and “Shunyi”, ranked among the top 50 in outbound sales for 2025.

The wooden bead embedded in the hair care comb handle features an innovative design that includes a freely rotating “Fu” character wooden bead in the standard comb handle. This allows users to easily move the bead before and after combing, enhancing the product’s visual appeal and adding an element of fun.

2. *New Craftsmanship*

In 2025, we launched over ten new intangible cultural heritage products featuring traditional lacquer craftsmanship, cloisonné craftsmanship, and bone and wood inlay craftsmanship. The “Hua Cai Liu Nian (華彩流年)” cloisonné comb drew inspiration from traditional glaze painting art, reimagining its luminous splendor through contemporary design. The “Qi Yun Dong Fang (漆韻東方)” lacquer comb adhered to ancient techniques, undergoing dozens of processes to encapsulate millennia of lacquer artistry within its form, embodying Eastern elegance. The bone and wood inlay new products utilized optimized composite wood comb shapes, enhanced with cow bone inlays, resembling the dappled forest shadows on mountains and gentle boats floating on emerald waves. This design evoked a landscape painting aesthetic of “distant peaks and sparse woods” while subtly conveying the poetic imagery of “a single leaf boat”. Our creative R&D team continuously expanded the boundaries of intangible cultural heritage craftsmanship, honoring heritage with artisanal dedication and fostering innovation to rejuvenate the intangible cultural heritage craftsmanship.

3. *New Materials*

We innovatively combined materials of South Red Agate and Hotan Jade with sandalwood and small-leaf rosewood to create a series of high-end new Chinese-style accessories, launching four new products. By consistently maintaining our innovative vitality, we continually updated and expanded the accessories based on market demand to encourage repeat purchases. This approach addressed the shortcomings of traditional bracelets such as limited material variety and overly dark colors, so as to make products looked exquisite and beautiful.

4. *Joint Product Development*

We successfully launched 13 new products of the “Family Affection Series” and “Time Series” in collaboration with Hong Kong illustrators Thomas Siu and Li Chi Tak, completing the transformation of product and packaging design. This series employed their distinctive simplistic lines and vibrant colors to depict scenes that represented the essence of “home” in the designers’ mind, reshaping deeply held emotions. The portrayal of family, love and friendship aligned perfectly with the emotional connections emphasized by the Carpenter Tan brand. The stories depicted by these combs were, in essence, our own stories.

5. *Overseas Market-oriented Product Development*

Considering the cultural customs and natural scenery characteristics of the Southeast Asia region and in response to the demand for supplementing beard comb in the North American market, we developed products tailored for the Southeast Asian market and beard comb products tailored for the North American market respectively. This development aimed at meeting the needs of consumers in overseas market and facilitating the expansion of our brand’s overseas business.

6. *Design Upgrade of New Packaging System*

In early 2025, we collaborated with Tommy Li to focus on packaging as the primary theme, extending to various packaging models to complete the implementation, prototyping and cost estimation of the full packaging system. Two illustrated collaboration series have already adopted this new packaging system. In 2025, we also completed the design exploration for the full packaging solution based on the Song Dynasty aesthetic concept “combs as mountain ranges, hair as flowing rivers” proposed by the Rococo design consultants, and subsequently executed the full implementation of their proposed packaging solution.

7. *Development Prospects and Projected Outcomes for Key New Products*

In 2025, the creative R&D team focused on new product initiatives that possessed broad development prospects and profound brand value. The new structural products ingeniously reorganized the core strengths of existing mature comb designs while incorporating diverse tooth configurations. This integration achieved a comprehensive combing functionality and precise coverage of diverse user needs, positioning these products to consolidate and expand their leading status in the practical comb market, thus creating a clear matrix advantage for the product line.

The new craftsmanship project deeply integrated intangible cultural heritage with modern design aesthetics, not only creating a unique high-value product line but also significantly strengthening the brand's cultural depth and craftsmanship moat. This became a core asset for the brand's differentiated competitive advantage.

The application of new materials successfully expanded the high-end accessories market by integrating diverse materials such as jade and precious metals. Its refined new Chinese style is expected to attract a broader consumer base, breaking traditional category boundaries and driving sustainable growth momentum for the brand. Overall, these key new products will simultaneously drive the brand's development across three dimensions, including functional integration, cultural heritage and material innovation, propelling the brand towards a higher value segment and deeper cultural level.

8. *Innovative Research and Development Outlook*

The creative R&D team will systematically advance product innovation and brand upgrading, focusing on the core strategies of “premium development, systematic construction and autonomous leadership”. On the product side, the team will focus on deeply exploring traditional craftsmanship and cultural empowerment while strictly controlling the quality and quantity of new products, aiming to create hit products that combine market competitiveness with cultural value. Concurrently, the team will optimize the product structure and material application system, enhancing independent R&D capabilities for functionality and style, driving products toward a series-based and differentiated developments. On the brand and visual level, the team will comprehensively adopt and deepen the application of new brand super symbol, establishing a scenario-based visual system that covers all channels. The team will also complete the modular and series-based upgrade of the packaging system, strengthening strategic cooperation and efficient conversion of IP resources, thereby comprehensively enhancing brand recognition and market influence.

At the same time, the creative R&D team will establish a regular learning and communication mechanism, deepen front-to-back collaboration and encourage designers to engage closely with frontline suppliers. This approach will comprehensively enhance the team's professional competence and practical skills. In terms of creative protection, the team will further strengthen the comprehensive management of intellectual property, strictly implementing pre-patent reviews and compliance audits to build a solid defense for innovation. This will ensure the originality and security of design outcomes, providing robust support for the Company's long-term sustainable development.

V. Production Technology

During the Year Under Review, adhering to the principle of “making full use of our human resources, and training employees to be diligent and capable”, the production organization team continued to promote cost reduction and efficiency enhancement. Through various measures such as promoting multi-skilled roles, fostering factory collaboration, facilitating personnel and product adjustments, upgrading equipment to enable multi-category processing on a single machine, continuously optimizing processing workflows and improving employees' production environments, we effectively ensured the fulfillment of market orders. While steadily promoting safety stock replenishment, we were also able to meet the guaranteed fulfillment of contingency bulk orders and new product orders in a timely manner. Throughout the year, 5.8857 million pieces of products were delivered, with 6.13 million pieces shipped in total.

We continued to promote the improvement of the image, humanities and environment of Wanzhou factory through the completion of barrier-free staff dormitory renovation, R&D of barrier-free equipment, and the construction, replacement and installation of barrier-free facilities (such as dormitory corridors and passenger elevators in factories). We also completed the canteen image renovation, the design of the factory image enhancement plan, etc.

The innovation and improvement of process and equipment technology mainly included:

We completed the quality improvement, renovation and expansion project of B2 coating line, which systematically improved and resolved the spraying and coating quality issues and repeated rework problems during product processing caused by working environment factors in the original spray booth. Environmental emissions consistently met standards with significant improvement, and employees' working environments were noticeably enhanced.

By switching to water-based paint, the Company gradually resolved issues of coating delamination and peeling caused by insufficient adhesion of lacquer-coating in certain products, which has also improved environmental levels and further safeguarded employees' occupational health.

The Company fully operated the northern area of the new factory and completed the relocation of the processing production line of the material factory, which also led to the completion of the optimization, integration and adjustment of some production processes.

The project of automatic profile milling technology for comb blanks achieved one-time clamping of the comb blank, with equipment production efficiency reaching 300 pieces/hour, which has significantly reduced the intensity and difficulty of operations for employees. The equipment is now entering mass production.

The automated polishing technology project for inserted combs completed the improvement and optimization of the prototype equipment, fully achieving the goal of reducing the difficulty and intensity of operations for employees. The project has now entered the pilot production verification and acceptance phase.

The wood conditioning technology project completed the parameter testing of process technology for wood boards exceeding 22 mm in thickness, and conducted the market verification of the conditioning effect of Guibourtia tooth blocks again, achieving the target effect of improving the weathering stability of jointed wood structure products.

The patina process technology project for wood combs completed the patina process trials for notched and jointed wood products made from three premium wood types – black rosewood, baphia wood and red sandalwood, achieving the surface patina effect. The project is currently conducting patina process trials on individual components of the baphia wood ring combs.

The natural plant dyeing processing technology project for wooden combs completed pigment extraction from nearly 30 kinds of natural herbaceous plants and comb dyeing trials. The project has developed five light-toned plant dyed products. After approximately one year of comparative color fading verification under natural conditions, the new technology has successfully achieved the target effect of significantly slowing down the rate of color fading.

VI. After-Sales Repair

In 2025, we repaired a total of 283,722 products, representing a year-on-year increase of 15.4%% compared to that of 2024.

Since the establishment of repair stations, after-sales repair team has been learning from mistakes and summarizing experience. Through continuous improvement and refinement of service quality, the team has reduced the amount of customer complaints and improved our reputation. The main measures are as follows:

1. We address issues at the source. Repair stations inspect repair items upon receipt. If the repair requirements do not match the actual product conditions, we shall notify the customers in advance. If the issue is beyond the scope of repair, stations shall negotiate with the customer or the specialty store. Problems should be communicated in advance and customer opinions should be sought frequently to meet customer needs within the scope of feasible repair.
2. We strengthen the skill development of employees to maximize repair standards while ensuring that tasks are completed. Combs should not only be repaired to a usable condition, but also be handled with minimal damages or wear to the product pattern, thereby reducing customer complaints about the appearance after repairs.
3. We intensify post-repair inspection efforts. The repair team leader conducts a full inspection of the repaired products, with each product undergoing a separate comprehensive inspection. The supervisor conducts a random re-inspection of the products before they are returned to the store and the quality inspection administrator of the logistics center conducts a sampling inspection on the repaired products every week. Any defective products discovered during the random inspection shall be immediately reworked and rectified. Photos and descriptions of the reworked products should be shared with the internal work group for all employees of the repair stations to learn from, aiming to prevent similar situations from occurring again.
4. In 2025, we updated, adjusted and supplemented the list of “Return, Exchange and Repair Service for Specialty Stores”, which clearly outlined the specific repair marks that exist during repairs. Through prior public notice, customers’ complaints about dissatisfaction with the repair results have been reduced.

5. We conduct random inspections of authorized repair stations and provide technical support and other services at the same time. Authorized repair stations that receive valid complaints for 2 consecutive months will have their authorization revoked.

There is currently a certain gap between our repair services and customers' expectations of a perfect repair experience. We strive to infuse greater care and attentiveness into our services so that every repair reflects the dedication and professionalism of Carpenter Tan, further elevating our after-sales repair work and enhancing the Company's brand image.

VII. Brand Building

During the Year Under Review, the industry standard for "Comb and Brush" (《梳篦》), revised under the Company's leadership, was officially released, replacing the previous version issued in 2013. This update marks a significant step forward for China's comb and brush industry in terms of product specifications, quality control, and process innovation.

Organized by the China Brand Building Promotion Federation and the China Appraisal Society, and undertaken by units including the Xinhua News Agency Brand Work Office and China Brand magazine, the "2025 China Brand Value Evaluation Information" was officially released. Chongqing Carpenter Tan Handicrafts Co., Ltd was honored to be included on the list, ranking 38th in the Independent Innovation category. This recognition not only affirms Carpenter Tan's years of dedicated efforts and relentless progress but also powerfully demonstrates its brand value and market influence.

At the "2025 China Gifts Industry Development Forum" successfully held in Hefei, Anhui, six products from Carpenter Tan were selected for the "2025-2026 China Gifts Industry Promotion Plan Recommended Product Catalog".

At the "2025 China Tourism Commodity Competition" organized by the China Tourism Association and undertaken by its Tourism Commodity and Equipment Branch, Carpenter Tan's product, the "Customized Gift Box: Impressions of Chongqing" ("定制禮盒重慶印象"), was awarded the Silver Prize.

At the 11th "Purple Gold Award" Cultural Creative Design Competition, Carpenter Tan's "Rhythm of Combs and Landscape" (《梳韻山水》) series of wooden combs received the Excellence Award in the Cultural and Creative Products Comprehensive Competition for their unique cultural connotations and artistic design.

The Intangible Cultural Heritage Comb Industrial Design Center of Chongqing Carpenter Tan Handicrafts Company Limited was rated as a Chongqing Municipal-Level Outstanding Industrial Design Center. Carpenter Tan also stood out among numerous outstanding brands and was successfully shortlisted for the “Chongqing Gifts (Yubanli)” Chongqing TOP 10 list of Fine Crafts, underscoring the brand’s benchmark status in Chongqing’s local manufacturing and cultural creativity sectors.

During the Year Under Review, the Carpenter Tan “Garden of Combs” pop-up event reopened with a more youthful and artistic image, featuring four themed sections that comprehensively presented the Carpenter Tan brand essence: the raw wood material display area showcased a selection of Carpenter Tan’s raw wood materials accompanied by explanations of the crafting techniques, allowing visitors to intuitively appreciate the natural gifts and artisan wisdom behind “the birth of a wooden comb”; the classic works exhibition area displayed Carpenter Tan’s most beloved comb masterpieces from over the years, including products from the Carpenter Tan Design Competition, co-branded products, carved image products, and ceremonial wedding combs, highlighting the brand’s innovative interpretation of traditional culture; the comb-making experience area enabled visitors to participate hands-on in the comb-making process starting from a small comb blank, allowing them to experience the delicacy and focus of the artisan spirit and create a personalized emotional keepsake; and the combing experience area featured professional technicians providing combing experiences, conveying the healthy lifestyle concept of “a comb as a gift, soothing both body and mind”, with many participants remarking on how “combing can be so relaxing”.

The event featured emotional message cards and matching packaging centered on the themes of “family love, friendship, romance, and self-love”, allowing customers to select a theme and imbue their wooden comb with emotional significance. Over 60% of on-site participants chose the “self-love” card, reflecting contemporary consumers’ emphasis on self-care. Ms. Gu, who took part in the comb-making experience, remarked: “Making a comb for myself is a reminder to treat myself well every day”.

From the warm, bustling charm of Changsha, to the springtime romance of Kunming; from the Lingnan allure of Guangzhou, to the poetic plane trees of Nanjing; from the osmanthus showers of Hangzhou’s Manjuelong, to the first snow on Shenyang’s Zhongjie Street – with just a single wooden comb, the “Garden of Combs” weaved together the tender memories of cities.

In October 2025, the “Beauty of Zhepei: 10-Year Achievement Exhibition of the Carpenter Tan Design Competition” debuted at the Hangzhou Cultural and Creative Expo under the theme “Through Design: Tracing Tradition, Towards the Future”. The exhibition showcased representative works from the competition’s initial exploration in 2015 to the AI wave of 2025, allowing visitors to directly experience the evolution of design styles, tools, aesthetics, technologies, as well as the innovative concepts behind them over the decade.

What the changing times have brought is far more than a diverse array of design works; it reads like a condensed history of wooden comb design evolution: From early representational symbolism, to the mid-period balance between modern aesthetics and functional utility, and then to the recent deep integration of design with traditional culture – the conceptual designs accumulated over this decade have, through the process of 3D prototyping or physical sampling, transformed from “ideas on paper” into “tangible embodiments of craftsmanship”. Each exhibit reflects the design trends and innovative directions of its respective era, while also mirroring the public’s escalating demands for everyday objects – from “utility” to “aesthetics”, and onward to “spiritual resonance”.

The exhibition also specially hosted the “Craft Without Borders, Design in Symbiosis: The Beauty of Zhepei Exchange Salon”. Multiple guests shared their unique insights on design, craftsmanship, and cultural heritage, drawing from their own practices and reflections. Tommy Li, a renowned brand designer from Hong Kong, proposed that “subtraction thinking” is key to brand breakthroughs. Using Carpenter Tan’s brand upgrade – simplifying its Logo, downplaying textual identifiers, and focusing on core craftsmanship – as an example, he illustrated that how stripping away redundant elements clarifies a brand’s DNA. Wei Jia, Chairman of LKK Innovation Design Group, noted that after 200 years of the industrial era, products today require not only functional value but also emotional value – a pursuit inseparable from design and art. In his view, beauty is a life aspiration for everyone, and the outstanding works from the 10-Year Carpenter Tan Design Competition Exhibition precisely embody the pursuit of enhancing life’s beauty.

Design is not only an art form, but also an attitude and a way of life. We hope that more designers, design enthusiasts, and members of the community will follow, appreciate, and participate in the Carpenter Tan Design Competition – moving forward together, mutually empowering one another, and making friends through a single comb.

As an important part of Carpenter Tan’s brand culture development, a total of 408 brand stories and 47 outstanding stories were collected throughout the year via the “Shu Xiang Lun Tan” mini program. Below are two of these outstanding stories:

Passing More Than Just a Wrapping Paper

On an ordinary winter day, I looked at the mountain of gift-wrapping orders piled before me, my palms slightly sweating. There were far too many exquisite wrapping orders – well beyond what we could handle. It was clear we wouldn't be able to finish them that day. Just then, Tang Yimeng said, "Every order is a promise we make to our loved ones. Why not bring them to our workstations and invite the customer service team to wrap together? They'll be happy to help."

"I... I've never wrapped such a formal gift before. What if I mess it up?" confessed Xiao Chen, a customer service staff member, her voice tinged with unease. Tang Yimeng smiled and pulled over a chair: "You're being very honest. Come on, don't worry, I'll teach you. You see, our wrapping has never been just about packaging – it's about delivering the first 'touch'. When we treat our customers like family, they will feel our sincerity." Then Tang Yimeng patiently taught Xiao Chen how to fold the sharpest edges without damaging the paper. As she demonstrated, she said, "See, gently guide it with your fingers like this. Don't press too hard. Paper has a life too. It can feel your gentleness." Chen Xi also showed how to tie the ribbon into a beautiful bow: "My mother taught me this. She said every knot is a blessing – the more attentively you tie it, the longer the blessing lasts." She then held colleague Xiao Song's hands and guided her through the process, letting her slowly feel the ribbon flow between her fingertips. The others watched and learned attentively. Operations and customer service staff joined in, juggling their tasks while finding time to complete the wrapping. Techniques were passed from one person to the next; wrapping paper was handed from hand to hand. After an afternoon of working together as a team of over a dozen people, we finally wrapped all the gifts for the day. We believe that when customers receive the products, they will also feel this genuine emotion.

In the warm family of Carpenter Tan, we don't just package goods – we wrap heartfelt intention and emotion; we don't merely deliver merchandise – we convey warmth and service. Here, the most beautiful sight is not the dazzling transaction figures dancing across the back-office data screens, but rather the sight of one person guiding another, one pair of hands teaching another, showing how ordinary work can be transformed into a touch of care; how a simple knot can be tied into a blessing that can be passed on to our dear family members. A daily routine – ordinary yet warm, simple yet profound – through every act of teaching by word and example, craftsmanship and kindness spread like wood grain, flowing like spring water. (E-commerce Division: Wan Chen)

Honesty

In late July, eight deaf-mute employees from Workshop A1 of the Wanzhou Factory went to Fushide Fat Hot Pot for a group meal. After finishing their meal, Qin Yong went to pay the bill. During this time, they chatted with the restaurant owner for about half an hour before Qin Yong settled the payment and joined everyone at Wanda Plaza.

Since they always split the bill evenly, when Qin Yong was collecting money from his colleagues, he realized that the RMB670 payment hadn't gone through. He immediately rushed back to the hot pot restaurant, found the owner, and explained that they hadn't successfully paid after dining. At first, the owner was skeptical, but after checking, he confirmed that the payment had indeed failed. Seeing the deaf-mute employees wearing Carpenter Tan work uniforms, the owner was deeply moved. That evening, after closing, he posted a special thank-you video on his video channel, explicitly stating that all Carpenter Tan employees dining at his restaurant would receive a 12% discount going forward. (Wanzhou Factory: Fu Qiaoying)

VIII. Human Resources and Comprehensive Governance

Adhering to the governance philosophy of “Being honest and kind, encouraging innovation, allowing trial and error, embracing tolerance but not indulgence and not permitting repeated basic mistakes”, the Company promptly identifies, points out, and punishes inappropriate thoughts and behaviors. Whether they are internal violations of job evaluation rules, production safety requirements and codes of conduct, or problems such as the lack of service philosophy in specialty stores, inadequate services and unauthorized online sales with discounts, the Company has addressed these matters through formal talks, admonishing and public announcements. In 2025, the Company internally investigated and issued public criticisms across 6 cases involving a total of 13 individuals in 5 departments for issues including inadequate “6S” implementation, plagiarism in job evaluations and improper handling of public opinions, while issuing public commendations to 4 departments.

For the behaviors of specialty stores in Guangzhou and Yiwu that lacked empathy, failed to provide warm customer service, violated the service philosophy of “customers are our family”, and harmed customers and the brand, the Company imposed penalties such as deduction of credit deposits and store closures. The Company imposed categorized disciplinary actions and made public announcements in respect of five franchisees in Chengdu, Shanghai, Nanchang, Wuhan and Loudi for violations such as unauthorized online sales and price discounts. Penalties included deductions of credit deposits, store closures upon contract expiry and fines. The Company will continue to refine the management contracts for its franchise system and intensify penalty efforts. For cases with malicious nature where a single franchise store provides poor service, breaches contract terms, or commits serious violations of regulations, the Company will establish a categorized disciplinary protocol for handling such cases, including investigation and punishment of single stores, rectification within a specified time limit, closure of single stores, and withdrawal from the franchise system, which ensures that the franchise system complies with regulations and operates in a healthy manner and prevents the Company from unexpected risks. At the same time, the Company will also improve the primary accountability mechanism for regional managers and franchise owners, ensuring full compliance with the Company’s service standards all the way to the last mile at stores.

The Company has always upheld the core values of “honesty, hard work and happiness”, and adhered to the ethical standards of “kindness, humility and craftsmanship”. To deeply implement the “Twelve Principles of Work”, through collecting themed short stories on “honesty, principles, responsibility, customers as our family” and other topics, the Company brought to light both our successes and shortcomings in work and daily life, as well as the conflicts and resonances between personal beliefs and the Company culture. Throughout the year, we collected a total of 408 short stories, of which 47 were selected as outstanding. These stories ranged from “Passing More Than Just a Wrapping Paper”, where e-commerce colleagues worried about customers’ dissatisfaction, to “Honesty”, which is about a deaf-mute employee who, upon discovering the failure of a group-meal payment, went back to complete it as well as “We Take Customer Repairs Seriously”, which illustrates our commitment to quality assurance in after-sales repairs. By presenting these short stories of brand culture, we aim to reveal a broader picture – reflecting various aspects of employees and the Company. This initiative promptly evokes resonance, draws attention to and corrects deviations, and promotes positive energy, striving to guide both employees and the Company towards an upward and virtuous direction. Building a clean and upright corporate culture is always an ongoing journey for us.

We promoted employee engagement with the Company, encouraging them to offer suggestions for the Company's development. As key measures to propel the Company towards higher and better achievements, we continued to advance initiatives that motivate employees at all levels to submit rational improvement suggestions and foster autonomous changes and innovations. In 2025, we received a total of 1,061 rational improvement suggestions, of which 328 were adopted, achieving an adoption rate of 30.91%. A total of 19 Change and Innovation Awards, 4 Change and Innovation Star Awards, 5 President's Awards, and 1 Technical Progress Star Award were presented. These suggestions included optimization adjustments to the sizes and specifications of small-size packaging bags and two types of car accessory tote bags proposed by specialty stores, with these simple and practical changes eliminating inventory backlog and reducing overall costs. Additionally, employees from the Wanzhou factory proposed replacing screw-fixed cutting molds with bushing-adjustable positioning, lowering boiler steam pressure to prevent excessive heat from affecting material drying quality, restoring hang-tag notices about product weak points, etc., which effectively improved production efficiency and processing quality. These all are excellent suggestions demonstrating how a small idea can bring about significant improvements. The independent development of electronic contracts and an intelligent finance and tax collaboration platform, and the revision and release of industry standards effectively advanced the Company's management optimization, efficiency enhancement, risk prevention, brand elevation, and commitment to training employees to be diligent and capable. By changing the log sawing method and implementing precision processing, the material utilization rate increased by over 15%, achieving cost reduction and resource conservation, which is truly remarkable.

We continued to intensify efforts to regulate the market and protect rights, ensuring the sustainable and healthy development of the retail market and franchise system. Throughout the year, the Company collected 60 cases of violations and illegal acts, with evidence gathered and preserved for 60 cases. In 2025, 39 cases filed before 2025 proceeded to claim resolution, with an awarded compensation of RMB594,600. As the Company intensifies its internal and external market rectification efforts, while ensuring compliant, honest and lawful operation of the offline franchise system, the Company will continue to escalate crackdowns on illegal online sales, sale of counterfeit, shoddy products as well as trademark-infringing white-label products, rigorously enforcing the principle of "swatting both tigers and flies" in order to further safeguard the market operating environment and brand reputation.

The Company has remained committed to promoting and safeguarding the employment of the disabled, constantly improved and enhanced the conditions of venues and facilities for the rehabilitation of the disabled, and further improved the barrier-free production and living facilities in a more people-oriented and humane manner, so that more people with disabilities could come to the Company, fully demonstrating the Company's humane care and commitment to social responsibility. During the Year Under Review, the Company completed the construction of barrier-free facilities throughout the new factory, and basically completed the improvement of barrier-free passages in the dormitory of the old factory and the enhancement of the special operation equipment for employees in wheelchairs. The Company also completed the retrofit of the factory elevators for passenger use and the design plan for human-centered improvement in the factory. Throughout the year, compared with the end of 2024, there were 30 new employees with disabilities and 13 retired persons with disabilities, resulting in a net increase of 17 persons with disabilities in employment. Currently, the number of disabled employees is 375 (including 12 employees rehired after retirement), and more than 70 employees with disabilities retired from the Company now enjoy secure and pension-supported retirements.

While advancing in process technology R&D and product development, the Company has also achieved substantial intellectual property results. The Company currently holds 134 effective patents, including 18 invention patents, 48 utility model patents and 68 design patents. The Company has simultaneously strengthened design copyright registration and protection, with 55 copyrights in total, 44 of which were newly added in 2025. The Intangible Cultural Heritage Comb Industrial Design Center of the Company was designated as a Chongqing Municipal-Level Outstanding Industrial Design Center by the Chongqing Economic and Information Commission. The Company won the first place in "Chongqing Gifts (Yubanli)" of Chongqing Fine Crafts, evaluated by the Chongqing Municipal Commission of Commerce. The Company was listed on the 2025 Brand Value List of Independent Innovation rated by the China Council for Brand Development. In October 2025, the Company received the "China Good Gift" brand honor from the China Council for the Promotion of International Trade.

In respect of trademark management, the Company held total of 768 valid trademarks. Among them, Carpenter Tan (including Chong Tan (重譚) and Xiang Tan (香譚)) owned 384 registered trademarks in China, as well as 131 registered trademarks in Hong Kong, Macau, Taiwan and overseas. Mujianggu (木匠谷) owned 233 registered trademarks in China and 20 registered trademarks in Hong Kong, Macau, Taiwan and overseas. In 2025, 4 new trademarks were registered and 68 trademarks were renewed.

After ten years of right protection for the office building of the Company's Jurong Management Center, the final result was a great disappointment to the Company. The Company will continue to defend its rights, fight to the end and strive to mitigate losses through means such as appeals, petitions, media outreach and seeking government support. Yet more crucially, we must engage in profound reflection and thorough self-examination. Only by strengthening foundational management, strictly adhering to internal control systems, fulfilling our functions and responsibilities, and solidifying the Company's foundations, can we effectively prevent both foreseeable and unforeseeable operational risks.

FINANCIAL REVIEW

1. Revenue

The Group recorded a revenue of approximately RMB558,223,000 for the year ended 31 December 2025, representing an increase of approximately RMB52,787,000 or 10.4% as compared to that of approximately RMB505,436,000 for the year ended 31 December 2024. 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 2024. The revenue of offline business amounted to approximately RMB323,983,000, representing an increase of approximately RMB33,822,000 or 11.7% against last year of approximately RMB290,161,000. The revenue of online business amounted to approximately RMB228,738,000, representing an increase of approximately RMB19,102,000 or 9.1% against last year of approximately RMB209,636,000. The revenue of directly-operated outlets amounted to approximately RMB4,790,000, representing an increase of approximately RMB330,000 or 7.4% against last year of approximately RMB4,460,000. As at 31 December 2025, the Group had 1,307 franchised stores and 4 directly-operated outlets, respectively, while as at 31 December 2024, the Group had 1,250 franchised stores and 4 directly-operated outlets, respectively. The franchise fee income was approximately RMB712,000, which represents a decrease of approximately RMB467,000 or 39.6% when compared to that of approximately RMB1,179,000 of last year.

	For the year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Revenue				
– Combs	39,390	7.1	38,221	7.6
– Mirrors	451	0.1	505	0.1
– Box sets	513,013	91.9	462,552	91.5
– Other accessories*	4,657	0.8	2,979	0.6
Franchise fee income	712	0.1	1,179	0.2
Total	<u>558,223</u>	<u>100.0</u>	<u>505,436</u>	<u>100.0</u>

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

2. Cost of sales

The cost of sales of the Group was approximately RMB212,921,000 for the year ended 31 December 2025, representing an increase of approximately RMB12,687,000 or 6.3% as compared to that of approximately RMB200,234,000 for the year ended 31 December 2024. 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 2025, the gross profit of the Group was approximately RMB345,302,000, representing an increase of approximately RMB40,100,000 or 13.1% as compared to that of approximately RMB305,202,000 for the year ended 31 December 2024. The gross profit margin increased from 60.4% in 2024 to 61.9% in 2025. 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

Other income and other net gain was approximately RMB45,045,000 for the year ended 31 December 2025, representing an increase of approximately RMB2,589,000 or 6.1% as compared to the gain of approximately RMB42,456,000 for the year ended 31 December 2024. Other income and other net gain was mainly comprised of PRC VAT refunds of approximately RMB30,898,000, rental income of approximately RMB2,899,000, interest income of approximately RMB7,725,000, and change in fair value of financial assets at fair value through profit or loss of approximately RMB669,000, respectively (2024: PRC VAT refunds of approximately RMB28,904,000, rental income of approximately RMB4,743,000, interest income of approximately RMB11,757,000, and change in fair value of financial assets at fair value through profit or loss of approximately RMB816,000 respectively).

5. Selling and distribution expenses

The selling and distribution expenses of the Group amounted to approximately RMB96,945,000 for the year ended 31 December 2025, representing an increase of approximately RMB11,321,000 or 13.2% as compared to that of approximately RMB85,624,000 for the year ended 31 December 2024. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB30,714,000, delivery charges of approximately RMB11,372,000, depreciation of right-of-use assets of approximately RMB2,647,000, salaries and allowances of approximately RMB18,508,000 and travelling expenses of approximately RMB2,844,000, respectively (2024: advertising and promotion expenses of approximately RMB28,231,000, delivery charges of approximately RMB10,764,000, 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).

6. Administrative expenses

The administrative expenses of the Group were approximately RMB45,432,000 for the year ended 31 December 2025, representing an increase of approximately RMB3,581,000 or 8.6% as compared to that of approximately RMB41,851,000 for the year ended 31 December 2024. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB27,001,000, legal and professional fee of approximately RMB1,288,000, design and sample expenses of approximately RMB1,875,000, consultancy fee of approximately RMB334,000 and audit and review fee of approximately RMB956,000, respectively (2024: 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 RMB969,000, respectively).

7. Other operating expenses

Other operating expenses of the Group were approximately RMB30,820,000 for the year ended 31 December 2025, representing an increase of approximately RMB24,182,000 or 364.3% as compared to that of approximately RMB6,638,000 for the year ended 31 December 2024. The increase for the Year Under Review was mainly due to the loss on derecognition of property, plant and equipment.

8. Finance costs

The finance costs of the Group were approximately RMB664,000 for the year ended 31 December 2025, representing an increase of approximately RMB53,000 or 8.7% as compared to that of approximately RMB611,000 for the year ended 31 December 2024. The finance costs were interest on lease liabilities.

9. Income tax

For the year ended 31 December 2025, the income tax expenses of the Group amounted to approximately RMB45,459,000, representing an increase of approximately RMB4,004,000 or 9.7% when compared to that of approximately RMB41,455,000 for the year ended 31 December 2024. The increase was mainly due to the fact that the provision for impairment of property, plant and equipment in the other operating expenses was not tax deductible. 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 21.0% as compared to 19.5% for the year ended 31 December 2024.

10. Profit for the year

As a result of the foregoing, the profit for the year ended 31 December 2025 was approximately RMB171,027,000, representing a decrease of approximately RMB452,000 or 0.3% as compared to that of approximately RMB171,479,000 for the year ended 31 December 2024. The decrease was mainly due to the increase in other operating expenses 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 2025 was approximately RMB171,027,000, representing a decrease of approximately RMB339,000 or 0.2% as compared to that of approximately RMB171,366,000 for the year ended 31 December 2024.

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 2025, the book value of property, plant and equipment of the Group amounted to approximately RMB120,650,000, representing a decrease of approximately RMB11,705,000 or 8.8% as compared with the previous year of approximately RMB132,355,000. The decrease was mainly attributable to the loss on derecognition of a property in Jurong, Jiangsu for the year ended 31 December 2025.

2. Inventories

The Group's inventories as at 31 December 2025 increased by approximately RMB16,058,000 or 5.5% from approximately RMB292,498,000 as at 31 December 2024 to approximately RMB308,556,000 as at 31 December 2025, primarily due to the increase in finished goods. Finished goods increased by approximately RMB7,346,000 or 19.6% from approximately RMB37,480,000 in last year to approximately RMB44,826,000 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 2025, the Group's trade receivables amounted to approximately RMB7,733,000 which increased by approximately RMB580,000 or 8.1% as compared to that of approximately RMB7,153,000 as at 31 December 2024. 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 RMB29,881,000 or 264.9% from approximately RMB11,280,000 as at 31 December 2024 to approximately RMB41,161,000 as at 31 December 2025. The increase in other receivables, deposits and prepayments was mainly due to an increase in trade and other deposits when compared to that of last year.

5. Trade payables

As at 31 December 2025, the Group's trade payables amounted to approximately RMB12,099,000 which increased by approximately RMB2,592,000 or 27.3% as compared to that of approximately RMB9,507,000 as at 31 December 2024. 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 increased by approximately RMB11,841,000 or 24.8% from approximately RMB47,798,000 as at 31 December 2024 to approximately RMB59,639,000 as at 31 December 2025. The increase in other payables and accruals was primarily due to an increase in salary payable, other payables and accruals during the Year Under Review.

CAPITAL STRUCTURE

1. Indebtedness

As at 31 December 2025, the Group did not have any interest-bearing bank borrowings (31 December 2024: RMB nil).

2. Gearing ratio

As at 31 December 2025 and 2024, 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 2025, the Group did not have any pledged assets to the bank (31 December 2024: 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 RMB18,828,000 and approximately RMB33,081,000 for the year ended 31 December 2025 and the year ended 31 December 2024, 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 2025, 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 2025, the Group had cash and bank balances of approximately RMB79,739,000 (31 December 2024: approximately RMB41,714,000), which was mainly generated from operations of the Group.

CAPITAL COMMITMENT

As at 31 December 2025, the Group had capital commitment amounting to approximately RMB21,396,000 (31 December 2024: approximately RMB20,718,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2025, the Group had not made any material acquisition and disposal.

FUTURE OUTLOOK

KEY FOCUS AREAS FOR 2026

1. Strictly implement the 2026-2028 Development Outline and effectively carry out all key tasks related to the breakdown and assignment of 2026 strategic targets from the Company level to departments.
2. Protect the property rights for the office building of the Company's Management Center – continue to defend our rights, fight to the end and strive to mitigate losses through means such as appeals, petitions, media outreach and seeking government support.
3. While establishing and operating the Beijing flagship store, actively explore and continuously adjust plans to open flagship stores in Shanghai, Guangzhou, or Shenzhen.

4. Expand into prime locations in commercial districts and shopping malls and continuously implement policy support for converting and upgrading side counters, display cabinets and island displays into independent stores; offer policy support to encourage the opening of large and high-quality stores exceeding 50 square meters in ultra-first-tier and new-first-tier cities; deeply advance customer relationship maintenance of combing experience and after-sales repair services; sustain brand-building, accumulation and promotion activities such as “Garden of Combs”, design competitions, woodcraft exhibitions and intangible cultural heritage preservation initiatives.
5. Resolutely safeguard market order and rectify violations. Adhere to a long-term brand-centric strategy – never conducting price-based marketing, never engaging in price wars, never offering discounts, never compromising quality, and never taking the initiative to participate in any disguised price-based marketing activities while ensuring prompt withdrawal, removal, or penalties if encountered; establish a fair market expansion mechanism, break down territorialism, never protect the laggards, achieve optimal balance, healthy competition and harmonious development; maintain simple, clean, transparent, close, warm and principled cooperative relationships, adhere to professional ethics agreements, purify the market environment, establish a healthy franchise system and achieve sustainable development. The Company maintains a firm stance on rectification – whether it involves external infringement or violations within the franchise system, the Company will show no leniency, rigorously enforcing the principle of “swatting both tigers and flies”.
6. Accelerate the implementation of various improvement suggestions, changes and innovations, and technological advancements. Enhance both the quantity and quality of rational suggestions and encourage all innovation efforts, while delving this work with greater depth, thoroughness and effectiveness. Strictly follow the new three-year outline for process technology development and improvement to advance process technology development and enhancement work. Continuously implement standardized management of dust-free work environments for product spraying processes and eliminate outdated traditional operational habits to fundamentally solve quality and efficiency problems caused by paint particles and dust that lead to repeated rework.
7. Build a low-carbon, environmental-friendly and energy-efficient green factory. Implement environmental protection measures and meet Class B emission standards to ensure the production of orders is not subject to strict shutdown restrictions under environmental regulations, thereby securing order supply.
8. Continuously improve and enhance the employment and the barrier-free production and living facilities for the disabled. Launch a pilot initiative to improve the brand image and humanistic care in the existing plants at the Wanzhou factory; plan and construct the Carpenter Tan Museum to provide foundational support conditions for the government-led industrial tourism.

9. Carpenter Tan Holdings Limited has successfully re-domiciled from Cayman Islands, UK to Hong Kong, China, and is striving to obtain a Hong Kong corporate resident status in 2026.

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programs to our employees, including, among others, introductory training, safety training and technical training, to enhance their skills and knowledge. As at 31 December 2025, the Group had a total of 1,029 employees (2024: 989 employees), and total staff cost for the Year Under Review amounted to approximately RMB119,856,000 (2024: approximately RMB107,047,000).

The salaries of our employees depend mainly on their position, nature of work and results of their annual performance evaluation. For employees of our PRC subsidiary, we made contributions to social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident funds for our employees in accordance with applicable PRC laws and regulations. We have established a labour union that aims to protect our employees' legal rights, assist us in attaining our economic objectives and encourage employees to participate in management decisions.

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 HK38.31 cents per share for the year ended 31 December 2025 to the Shareholders whose names appear on the register of members of the Company on Monday, 8 June 2026, amounting to approximately HK\$95,282,000 (equivalent to approximately RMB85,657,000) in total, subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Friday, 22 May 2026. 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 Tuesday, 30 June 2026.

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, 19 May 2026 to Friday, 22 May 2026 (both days inclusive) during which period no transfer of Shares will be registered. The record date for determining the entitlement of the shareholders to attend and vote at the meeting is 22 May 2026. 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, 18 May 2026.

To qualify for the proposed final dividend

The register of members of the Company will be closed from Wednesday, 3 June 2026 to Monday, 8 June 2026 (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 Tuesday, 2 June 2026.

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 RMB24,332,000 as at 31 December 2025. 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 2025, 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.

On 29 December 2025, the Group received the civil ruling issued by the Jiangsu Higher People's Court (the "**Jiangsu Higher Court**") dated 29 December 2025 (the "**Final Ruling**"). The Jiangsu Higher Court dismissed the Group's application for a retrial. The Final Ruling represents the exhaustion of the ordinary judicial appeal process in the PRC.

Notwithstanding the above, the Group maintains its strong position that the Final Ruling is unjust. The Group intends to pursue all available channels to challenge the outcome. As advised by the PRC lawyers of the Company, Jiangsu Huidian Law Firm (江蘇匯典律師事務所) and Beijing Dacheng (Nanjing) Law Offices, LLP (北京大成(南京)律師事務所), potential avenues may include, but are not limited to:

1. filing an appeal with the procuratorate; or
2. submitting a petition to the Supreme People's Court of the PRC.

The Board is actively assessing, with its legal advisors, the feasibility and merits of lawful means to overturn what it considers to be an unjust result. There is, however, no assurance that any such action will be accepted or, if accepted, will be successful. Please refer to the announcement of the Company dated 9 January 2026 for further details.

Save as disclosed above, as at 31 December 2025, 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 2025 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 2025, 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, Dr. Wong Kong Tin 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 of the Company 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 2024, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2025 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 2026 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 2025, and the 2025 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 announcement complies with the prevailing accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

There are 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 2025 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 2025 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 2026

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, Dr. Wong Kong Tin and Mr. Chau Kam Wing, Donald.

** For identification purpose only*