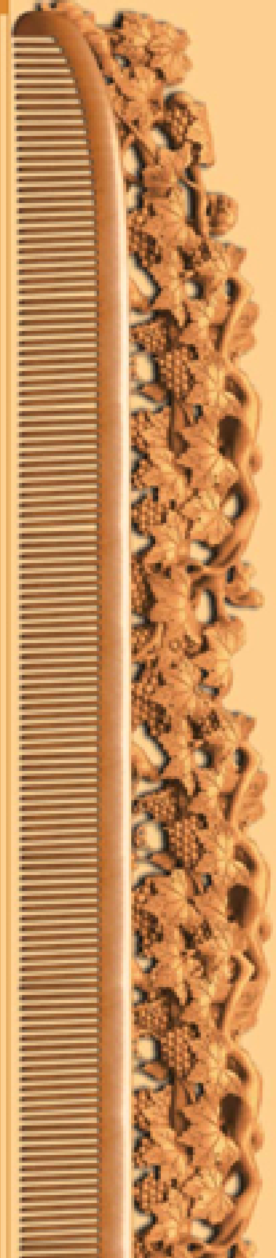
Carpenter Tan Holdings Limited
譚木匠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 837)



*For identification purpose only

PLACING AND PUBLIC OFFER

Sponsor

FIRST SHANGHAI CAPITAL LIMITED

Bookrunner and Lead Manager

FIRST SHANGHAI SECURITIES LIMITED

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Carpenter Tan Holdings Limited

譚木匠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares:	**62,500,000 New Shares (subject to the Over-allotment Option)**
Number of Placing Shares:	**56,250,000 New Shares (subject to the Over-allotment Option and reallocation)**
Number of Public Offer Shares:	**6,250,000 New Shares (subject to reallocation)**
Offer Price:	**Not more than HK$2.93 per Share and expected to be not less than HK$2.15 per Share (payable in full on application and subject to refund), plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%**
Nominal value:	**HK$0.01 each**
Stock code:	**837**

Sponsor

第一上海 FIRST SHANGHAI GROUP

First Shanghai Capital Limited

Bookrunner and Lead Manager

第一上海 FIRST SHANGHAI GROUP

First Shanghai Securities Limited

The Offer Price is expected to be fixed by agreement between Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) at or before 5:00 p.m. (Hong Kong time) on Friday, 18 December 2009 or such later time as may be agreed between the parties. If the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by that date or such later date as agreed by the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed. The Offer Price will not be more than HK$2.93 per Share and is expected to be not less than HK$2.15 per Share. The Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.ctans.com as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed between the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) on or before 5:00 p.m., Friday, 18 December 2009, or such later time as may be agreed by the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) but in any event no later than 12:00 noon, Tuesday, 22 December 2009 (Hong Kong time), the Share Offer will not become unconditional and will lapse. Investors applying for the Offer Shares must pay the maximum Offer Price of HK$2.93 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%. If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn (except in other circumstances described in the section headed "How to apply for the Public Offer Shares" of this prospectus).

Prospective investors of the Share Offer should note that the Share Offer will not proceed if the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreements if any of the events set out in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus occur prior to 8:00 a.m. (Hong Kong time) on the date on which dealings in shares commence on the Stock Exchange. It is important that you refer to the section headed "Underwriting" in this prospectus for further details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" of this prospectus.

** For identification purpose only*

15 December 2009

If there is any change in the following expected timetable of the Share Offer, the Company will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times, and on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.ctans.com.

	2009 *(Note 5)*
Application lists of the Public Offer open *(Note 1)*	11:45 a.m. on Friday, 18 December
Latest time for lodging **WHITE** and **YELLOW** application forms for the Public Offer	12:00 noon on Friday, 18 December
Application lists of the Public Offer close *(Note 1)*	12:00 noon on Friday, 18 December
Determination of the Offer Price *(Note 2)*	at or before 5:00 p.m. on Friday, 18 December
Announcement of the final Offer Price, the level of indication of interest in the Placing, the results of applications and the basis of allocation of the Public Offer Shares and the number of Shares, if any, reallocated between the Placing and the Public Offer under the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.ctans.com *(Note 3)* on or before	Monday, 28 December
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through various channels (see paragraph headed "Publication of Results" in the section headed "How to apply for the Public Offer Shares") from	Monday, 28 December
Despatch of share certificates to wholly or partially successful applications on or before *(Note 4)*	Monday, 28 December
Despatch of refund cheques to unsuccessful applications on or before *(Note 4)*	Monday, 28 December
Dealings in Shares on the Main Board of the Stock Exchange to commence on	Tuesday, 29 December

Notes:

1. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 18 December 2009, the application lists will not open or close on that day. Please refer to the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

2. If for any reason, the Offer Price is not determined at or before 5:00 p.m. on Friday, 18 December 2009, the expected timetable may be postponed, but in any event, the time for determination of the Offer Price will not be later than 12:00 noon on Tuesday, 22 December 2009. If, for any reason, the Offer Price is not agreed between the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not proceed and will lapse immediately.

3. The website of the Company at www.ctans.com, and all of the information contained on the website, do not form part of this prospectus.

4. Applicants who have applied on **WHITE** application forms for 1,000,000 Public Offer Shares or more and have indicated on their application forms that they wish to collect their share certificate(s) and/or refund cheques (if any) may collect them in person from the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited, between 9:00 a.m. and 1:00 p.m. on Monday, 28 December 2009 or the date notified by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as at the date of despatch of share certificates and refund cheques, which is expected to be on Monday, 28 December 2009. For details, please refer to the paragraph headed "Collection/Posting of share certificates/refund cheques and deposit of share certificates into CCASS" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

   Applicants who have applied on **YELLOW** application forms for 1,000,000 Public Offer Shares or more may elect to collect their refund cheques (if any) in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts (as appropriate). The procedures for the collection of refund cheques for **YELLOW** application form applicants are the same as those for **WHITE** application form applicants.

   Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant application forms. For further information, please refer to the subsection headed "Collection/Posting of share certificates/refund cheques and deposit of share certificates into CCASS" under the section headed "How to apply for Public Offer Shares" in this prospectus.

5. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

For details of the structure of the Share Offer, including the conditions thereto, please see the section headed "Structure of the Share Offer" of this prospectus.

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with its terms. No dealings should take place in the Offer Shares prior to the commencement of dealings in the Shares on the Stock Exchange. Investors who trade the Offer Shares on the basis of publicly available allocation details prior to share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the related application forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.

CONTENTS

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW OF BUSINESS

The Group is principally engaged in (i) the design, manufacture and distribution of small size wooden accessories which are mainly made of natural wood and designed with traditional Chinese cultural features and with high artistic qualities; (ii) the operation of a franchise network primarily in the PRC; (iii) the operation of retailing shops for direct sale of its products in Hong Kong; and (iv) manufacture and sale of high-end home accessories and Chinese style furniture. The Group's products are mainly classified into four categories, namely (i) wooden or horn combs such as coloured drawing combs, grass-and-tree dyed wooden combs and carved combs; (ii) pocket-size wooden mirrors such as coloured drawing mirrors and carved mirrors; (iii) other wooden accessories and adornments such as bead bracelets (香珠手鏈), pendants (鏈墜), barrettes (髮夾), hair bobs (髮簪) and massage tools; and (iv) box sets which combine its different products featured in themes for gift purpose. The Group's products are mainly sold under the brandname of "**Carpenter Tan**" (譚木匠).

The Group was ranked 66th, 92nd, 130th and 173rd of the *Top Highest Growth Potential Enterprises* in the PRC by *Forbes*, China edition in 2006 to 2009 respectively, as well as awarded the *2005 Best Growing Competence Award* and *China Outstanding Retail Franchiser Top 10 Brand 2006-2007* by the *China Chain Store and Franchise Association*. In addition, the Group has been recognised as one of the *Critical Creative Enterprises in Chongqing* by the Chongqing Creative Assets Development Office in March 2007.

The Group has established an extensive distribution network in the PRC through its franchise programme under which the Group's franchisees purchase the products from it and in turn sell to the retail customers through the franchise shops operated by them. As at the Latest Practicable Date, the Group had 853 franchise shops in the PRC, two franchise shops each in Singapore and Malaysia and one franchise shop in the United States. The franchisees have to pay non-refundable one-off franchise fees to the Group when they open franchise shops. Most of the Group's franchisees are individuals in the PRC, and the Group has no control over its franchisees with regard to their wrongdoings and misuse of the Group's brandname. Pursuant to the franchise agreements entered into between the Group and the franchisees, the franchisees shall be solely liable for their own wrongdoings (including reselling the Group's product to parties other than the end customers) and/or misuse of its brandnames, and the Group shall be entitled to claim compensation for any loss it suffers from such wrongdoings/misuse by the franchisees. In addition, as the franchise shops are owned and controlled by the franchisees under the franchise agreements, it is voluntary for the franchisees to submit regular reports to the Group in relation to the sales and inventories maintained by them and the Group has no control over its franchisees in this regard. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sale of the Group's products to its franchisees accounted for approximately 94.2%, 91.3%, 87.9% and 88.3% of the Group's turnover respectively. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sales to other direct customers accounted for approximately 4.2%, 7.4%, 11.3% and 10.6% of the Group's turnover respectively. Sales to direct customers mainly refer to (i) ad hoc purchases from corporate entities or local government authorities, which bulk purchase the Group's products for their clients/staff or for their corporate functions and/or sponsor purpose; and (ii) sales to wholesalers/distributors. The franchisee fees accounted for approximately 1.6%, 1.3%, 0.8% and 1.1% respectively of the Group's turnover during the Track Record Period. The Group's turnover grew from approximately RMB95.4 million for the year ended 31 December 2006 to approximately RMB123.2 million for the year ended 31 December 2007 and then decreased to approximately RMB108.7 million for the year ended 31 December 2008, while its net profit was RMB36.8 million, RMB41.5 million, RMB25.9 million and RMB21.3 million during the three years ended 31 December 2008 and the six months ended 30 June 2009; and the number of shops has increased from 524 as at 31 December 2006 to 720 as at 31 December 2008. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the gross profit margin of the Group was approximately 59.8%, 60.0%, 56.2% and 58.9% respectively; while the net profit margin of the Group was approximately 38.6%, 33.7%, 23.8% and 32.7% respectively. The Group's performance, including turnover, net profit, gross profit margin and net profit margin in the year ended 31 December 2008 were adversely affected by (i) the serious earthquake occurred in May 2008 in Sichuan Province, the PRC where the Group's franchisees have considerable business operations, in particular, the delivery of products to the Group's franchisees in Sichuan Province was delayed by approximately one week while six of the Group's franchisees suspended their operations due to the earthquake (three of them resumed normal operation in May, July and October 2008 respectively, two of them resumed normal operation in June 2008, while one of them had not resumed operation as at the Latest Practicable Date); and (ii) the global economic downturn as a result of the global financial tsunami, both of which had affected the overall purchasing desire of its potential customers. For the six months ended 30 June 2009, the Group's turnover and profitability had basically recovered to its normal level and comparable to that in 2007. There is no assurance that the demand for the Group's products will remain strong; and that the turnover, number of shops, the gross profit margin and hence the growth of the Group will not decrease in the future. To the best of the Directors' knowledge and belief, as at the Latest Practicable Date, the Group is not and will not be subject to any potential claims from employees/suppliers/customers etc. as a result of loss of lives or injury, breach of contracts arising from the earthquake occurred in May 2008 in Sichuan Province of the PRC, and the Group has not experienced any potential withdrawal of any banking facilities, early payment of outstanding loans required by banks, requested by banks to increase the amount of pledge for secured borrowings, cancellation of orders, bankruptcy or default on the part of any customers and/or suppliers.

The Group intends to set up modern shops which, unlike the existing franchise shops, have an outlook characterised by contemporary decoration and mixed with traditional Chinese cultural elements and the size of the modern shops will be larger than existing franchise shops. The modern shops are dedicated to selling a series of high-end combs, mirrors, box sets and small accessories which are expected to be sold at a price higher than the products sold in existing franchise shops. The details of modern shops are further set out in the paragraph headed "Continue to expand the sales network and launch of modern shop" under the section headed "Future plans and prospects" in this

Prospectus. The Directors currently intend that these modern shops will be operated by the franchisees. The Directors expect that a total of approximately 60 modern shops will be opened and operated by the Group's franchisees in the PRC by the end of 2010. On the overseas market front, the Directors expect that a total of approximately 25 new international shops will be opened and operated by the Group by the end of 2010. Given that the products target at different customers who are from a higher income group, there is no assurance that the Group will be able to replicate its success in its franchise business in relation to its plan of setting up 60 modern shops and 25 international shops by 2010.

The following table shows a breakdown of the Group's turnover by category for each of the three years ended 31 December 2008 and the six months ended 30 June 2009:

Turnover by category

	Year ended 31 December						Six months ended 30 June	
	2006		**2007**		**2008**		**2009**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Distribution and sale of small size accessories								
Combs	38,003	39.8	47,036	38.2	44,292	40.8	25,308	38.8
Mirrors	3,174	3.3	4,230	3.4	2,568	2.4	1,137	1.8
Other accessories *(Note)*	6,071	6.4	11,909	9.7	6,404	5.9	3,665	5.6
Box sets	46,592	48.9	58,381	47.4	54,544	50.1	34,369	52.7
	93,840	98.4	121,556	98.7	107,808	99.2	64,479	98.9
Franchise fee income	1,558	1.6	1,613	1.3	848	0.8	738	1.1
	95,398	100.0	123,169	100.0	108,656	100.0	65,217	100.0

Note: Other accessories comprise small home accessories and furniture.

In January 2007, the Group opened its first lifestyle handicraft store which is a self-operated flagship store that displays and sells all of its products including combs, mirrors, box sets, high-end home accessories as well as traditional Chinese style furniture which it purchased from third parties engaged by the Group for resale.

During the Track Record Period, the Group manufactured its products by its own production facilities located in the Wan Zhou Factory. The Wan Zhou Factory has an aggregate gross floor area of approximately 25,395.37 sq.m., which mainly includes three factory buildings for the major production of wooden combs and mirrors and processing of other accessories manufactured by the Group's contractors and a building used as office and showrooms. In order to enhance the Group's production capability and cope with its future strategic development requirement, it has acquired a production site with approximately 118 acres which is located opposite to its existing production site.

The Group relies on its strong brand awareness, extensive franchise network and coverage in the PRC, as well as design, development and research capabilities to capture market share in the small size wooden accessories industry. New designs and products are developed at the Group's design and development centres in Chongqing, the PRC.

The Group strives to incorporate traditional Chinese culture with modern designs and advanced technology so that the idea of "living with arts" can be realised. By leveraging on the Group's expertise in design, manufacture and distribution of small size wooden accessories, it aims at enhancing the quality and cultural value of small size wooden accessories and creating attractive outlook for the market. The Group has successfully launched over 2,000 designs to market since the establishment of the Group in 1997 and its achievements in design and development of wooden handicrafts are evidenced by the awards obtained by the Group and the array of patents registered by it.

CORPORATE CULTURE

Corporate culture describes the predominating staff attitudes and behaviour, beliefs and values in a corporation. The Directors realise that proper corporate culture would help to foster team work, enhance staff morale, strengthen the Group's brand image and have a positive effect on its long-term economic performance. Since the Group's establishment in 1997, it has placed great emphasis on building up its corporate culture and the Group aims to become the brand leader in the wooden accessories industry while maintaining its principles in operation.

The Group devotes itself to developing attractive ideas on the traditional wooden accessories and adding values to wooden accessories by incorporating Chinese craftsmanship and its corporate culture into its products. The Group operates its business under the following guiding principles: (i) to reinforce its corporate values of "Honesty, Work and Happiness"; (ii) to contribute to the society; and (iii) to advocate Chinese traditional handicraft culture.

Corporate values

The Group's corporate values are "Honesty, Work and Happiness".

Honesty: The Group emphasises honesty and integrity. The Group treats its suppliers, franchisees and employees as partners and emphasises on credibility. The Group always educates its staff and franchisees about the importance of honesty to customers. The Directors believe that honesty is one of the best ways to gain trustworthiness from the Group's customers and build up customers' loyalty towards it.

Work: The Directors believe every people, including disabled, should work hard and have opportunity to be employed. More than half of the employees in Ziqiang Muye, its principal manufacturing arm, are with various disabilities. The Group encourages its employees to progress and pursue excellence through sharing and on-the-job training. The Directors are confident that the Group's efforts will benefit its employees, the Group itself and the community as a whole.

Happiness: Through upholding the values of honesty and work, the Group aims to provide reliable products and quality services which fulfil its customers' needs as well as job satisfaction of its franchisees, its employees and the Group.

Social contribution

Besides maximising the wealth of the Group's shareholders, the Directors consider contribution to the community as one of its principal goals. The Group employs a number of people with disabilities with an aim to assist people with disabilities to enter the labour market by providing them with real-work training and working opportunities, and more importantly, helping them to move from welfare reliance to self-reliance. The Group enthusiastically educates its employees and encourages them to progress and pursue excellence, as evidenced by the Group's brand reputation and the numerous awards obtained. The Group aims to prove to the public that people with disabilities could produce products that are not less attractive than products produced by the able-bodies.

Advocate Chinese traditional handicraft culture

The Group commits to advocate Chinese traditional handicraft culture while the Group operates its business. The Directors consider that one of the factors of the Group's success is its ability to advocate Chinese traditional handicraft culture through its products and its culture is also one of its guiding principles while it operates. By incorporating traditional Chinese culture with creative designs for the small size wooden accessories, the Group adds values to its products and creates a competitive edge for it. The Group dedicates to work on wood materials and to make products combining traditional artistic features such as exquisite carving and natural simplicity with contemporary designs.

To highlight the Group's corporate and traditional Chinese cultures, the Group requires all its franchise shops to follow its standard design blueprint. The window display of all the Group's franchise shops is simplistically designed and mainly decorated by wooden materials, which advocates traditional Chinese culture and the Company's hallmark of "Excellent craftsmanship on wood" (我善治本) enhances public awareness towards its brand.

PRINCIPAL STRENGTHS OF THE GROUP

1. **Well established market position**

The Directors believe that "Carpenter Tan" has gained an excellent reputation by virtue of the Group's franchise programme and brand building process in the small size wooden accessories industry. The Group obtained the *2005 Best Growing Competence Award* (最具成長力獎) granted by the China Chain Store and Franchise Association (中國連鎖經營協會), an Independent Third Party. In 2004, "Carpenter Tan" was awarded *Achieved Standard of China Famous Brand* (中國公認名牌產品標準) by the Social Survey Institute of China (中國社會調查所), an Independent Third Party. The Group was ranked 66th, 92nd, 130th and 173rd of the *Top Highest Growth Potential Enterprises* in the PRC by *Forbes*, China edition in 2006 to 2009 respectively. Further, the Group was awarded *China Outstanding Retail Franchiser Top 10 Brand 2007-2008* (2007-2008年度中國零售業十大優秀特許加盟品牌) by China Chain Store and Franchise Association (中國連鎖經營協會), an Independent Third Party.

In June 2006, the Group's brand "Carpenter Tan" was granted *China Famous Trademark* (中國馳名商標) by Trademark Bureau of China State Administration of Industry and Commerce (國家工商行政管理局商標局). As far as the Directors are aware, according to Rule 14 of the Trademark Law of the PRC (中華人民共和國商標法), the following factors should be taken into account when recognising a famous trademark: (i) the extent of public awareness of the trademark; (ii) the duration of the use of the trademark; (iii) the duration, extent and geographical scope of any publicity work for the trademark; (iv) record that the trademark has been protected as a famous one; and (v) other reasons for the trademark being famous. The Directors believe that the honour reflects the brand recognition, consumer satisfaction and loyalty, which in turn encourages the Group's confidence of expanding business worldwide and strengthens its vision of becoming a well-known Chinese brand in the global market.

2. **Extensive sales network and prominent store locations**

The Group has developed an extensive distributorship by operating the franchise programme in the PRC. The Group has a prominent network of franchise outlets operated by its franchisees. The Group sets up its first franchise shop in Chengdu, Sichuan, the PRC in 1998. As at the Latest Practicable Date, the Group has 853 franchise shops in the PRC with wide geographical spread covering 31 provinces and autonomous regions and more than 300 cities. In addition, the Group has two franchise shops each in Singapore and Malaysia and one franchise shop in the United States. The easy accessibility of the Group's products in many convenient shopping areas and business districts serves to build brand loyalty and increases penetration among PRC consumers.

The Directors believes that one of the key factors for the success of the Group's franchise programme is its store location strategy. The Group makes in-depth assessment on the location of the proposed franchise shops including, among others, level of local commercial and economic activities, population and education, consumer habit and purchasing power, competition, and investment affordability prior to the grant of the franchise rights. At present, most of the Group's franchise shops are located in convenient shopping areas and business districts of the respective cities.

3. **Professional management team**

Mr. Tan, the Group's chairman and chief executive officer, has over 15 years of experience in the small size wooden accessories industry. Mr. Tan's experience and intimate knowledge of the wooden accessories industry in the PRC are critical competitive advantages for the Group's success.

The Directors believe that the Group has a strong and stable management team with extensive experience, and it is the well-established franchise operation that leads the Group to outperform its competitors. To assure a consistent quality of services and images in the chain of franchise shops, the Group distributes to every franchisee an operation manual which contains policies and procedures that are important for operating a franchise shop. Such policies and procedures help the franchisees to train their staff and outline duties for them. The Group also offers a free, 24 hours services hotline to handle customers and franchisees' inquiries. Through training and educating the franchisees, they are encouraged to dedicate their professional efforts to maintain the Group's leading position in the small size wooden accessories industry in the PRC. The Group's management is also committed to the quality of its products which can be demonstrated by the ISO9001:2000 obtained by Carpenter Tan in March 2004. Achievement of the Group's management is evidenced by the awards obtained by Mr. Tan including *Country Self-motivated Model* (全國自強模範) issued by Ministry of Personnel (人事部) of the PRC and China Disabled Persons' Federation (中國殘疾人聯合會) in 2003 and *2005 China Outstanding Franchise Executive* (2005 中國特許企業優秀管理者) issued by China Chain Store and Franchise Association (中國連鎖經營協會).

4. **Strong design and development capability**

The Directors believe that the Group has a competitive edge in its capability in designing and developing a wide variety of small size accessories, mainly made of wooden material with Chinese traditional features. The Group's products have won many awards throughout the years for their simplicity, nature style and refinement.

Besides the Group's 15 design and development team members, it encourages its other staff to participate in design and development of new products through various incentive programmes. The Group also hosts various forums and campaigns to identify attractive designs from outsiders. In addition, for future product enhancement, the Group engages external designers from Europe which are Independent Third Parties to provide artistic and innovative designs on a contract basis. As at the Latest Practicable Date, the Group has successfully launched over 2,000 products to the market.

To enhance the Group's product attractiveness, it designs particular themes for its box sets which contain manual stating the themes, characteristics, maintenance and storage methods of the products.

To further strengthen the Group's research and development capability, it has established a technology centre in the Wan Zhou Factory. One of the Group's research topic is the study on stabilising wood size against drastic temperature change and discolouration that are common problems of wooden materials. In 2005, the Group's technology centre was granted the status of "Municipal Technology Centre" designated by Chongqing Municipal Government. The Group's technology centre is planning to apply for the State Technology Centre status to be issued by the central government though it is not legally required under current PRC rules and regulations to make such application. With the grant of the State Technology Centre status, the Group will be entitled to enjoy certain taxation exemptions in relation to the import of the certain type of technology-related and education-related instruments. With the State Technology Centre status, the centre would also be entitled to funding from PRC government for further development of the centre. The Directors believe that the Group's achievements in design and innovation of wooden handicrafts products are evidenced by its array of patents approved by the state trademark registration authority. As at the Latest Practicable Date, the Group had registered an aggregate of 66 patents and has filed applications for registration of additional 9 patents.

5. **Successful marketing strategy**

The Directors believe that the Group's marketing strategy is one of the factors of its success as well.

The Group's marketing strategy emphasises the use of various channels to build up the image of its brandname. The Group has irregularly published its own brochures and booklets which are distributed at franchise shops to their customers. As a kind of promotional materials, these brochures and booklets provide information on the Group's news, products and essence of a healthy lifestyle. The Directors believe that public awareness toward the Group should be enhanced through the distribution of these brochures and booklets, and the customers can gain more understanding on the Group's culture, product features and the benefits of using its products. The Group shares the feeling and stories of its employees and franchisees, as well as advocates Chinese traditional handicraft and provides information relating to the source and development of certain small size wooden accessories. In addition, promotional events are held during festive seasons such as Christmas, Mid-Autumn festival, Chinese New Year, Valentine's Day and Mothers' Day to draw the attention of the end customers. The Group's design team monitors the creative design and production of graphical matters for promoting its brandnames. The Group has also launched advertising campaigns on national television to capture a wider audience.

The Directors believe that an appealing window display is an important factor for the Group's promotion of its brandnames. Accordingly, the Group requires all the franchise shops to have unified window display and window dressing.

6. **Established corporate culture and values**

The mission of the Group is to become a reputable enterprise with long-lasting history. The Directors believe that corporate culture is the Group's core value. "Honesty, Work and Happiness" reflects the Group's belief that its management team, employees and franchisees, are all eager to become honest persons, work hard and enjoy happiness in their lives. The Group's corporate culture and values are demonstrated through its management philosophy of responsibility and open-mindedness. The Group's corporate culture and values are also communicated externally through a series of publications such as a book named "Excellent craftsmanship on wood — Carpenter Tan's 88 operating secrets" (我善治木 — 譚木匠的88個經營秘訣) as well as its booklets and brochures.

The Directors believe that the Group has attained its success through its core culture and value with a passion in traditional handicrafts improvements and modernisations, the Group's family-like attitudes to franchisees and customers, and its continuous efforts on research and development in the design of small size wooden accessories.

TRADING RECORD

The table below summarises the combined audited results of the Group for each of the three financial years ended 31 December 2008 and the six months ended 30 June 2009, which are prepared on the basis of preparation as set out in the section headed "Basis of preparation" of the accountants' report in Appendix I to this prospectus. This summary should be read in conjunction with the accountants' report.

		Year ended 31 December			Six months ended 30 June	
	Notes	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Turnover	1	95,398	123,169	108,656	53,082	65,217
Cost of sales		(38,370)	(49,277)	(47,629)	(22,130)	(26,808)
Gross profit		57,028	73,892	61,027	30,952	38,409
Other revenue and net income		8,689	11,547	11,990	4,374	11,087
Administrative expenses		(15,673)	(18,587)	(17,684)	(8,991)	(9,849)
Selling and distribution expenses		(8,807)	(15,084)	(16,626)	(8,190)	(9,264)
Other operating expenses		(1,184)	(1,989)	(4,191)	(2,126)	(2,423)
Finance costs		(688)	(1,447)	(2,331)	(945)	(1,315)
Profit before taxation		39,365	48,332	32,185	15,074	26,645
Income tax		(2,528)	(6,866)	(6,311)	(3,456)	(5,318)
Profit for the year		36,837	41,466	25,874	11,618	21,327
Attributable to						
Equity holders of the Company		36,976	41,515	25,874	11,618	21,327
Minority interests		(139)	(49)	—	—	—
		36,837	41,466	25,874	11,618	21,327
Dividends	2	16,000	30,000	—	—	15,000

Notes:

1. Turnover represents the net invoiced value of goods sold to customers less value added tax and sale tax, returns and allowances, and franchise fee income.

2. Dividends paid for the year ended 31 December 2006 represented dividends paid by CTBVI to their then shareholders prior to the Reorganisation. The Company paid dividends to its then shareholders in 2007 and 2009.

FUTURE PLANS AND PROSPECTS

The Directors aim to build the Group's brand "Carpenter Tan" as a century brand, that is long lasting with good reputation and well known, and the Group as a long-lasting enterprise in wooden accessories industry and in home accessories industry. To attain the Group's vision, it will leverage on its expertise and competitive strengths to develop the following plans with a view to achieving sustainable growth in operations and revenues:

1. Continue to expand the sales network and launch of modern shops

Leverage on the established reputation of the Group's brandname "Carpenter Tan", the Directors intend to consolidate its position in the PRC and expand its market presence to overseas markets by expanding its franchise network under the name of "Carpenter Tan" in overseas markets. As at the Latest Practicable Date, the Group had 853 franchise shops in the PRC, two franchise shops each in Singapore and Malaysia and one franchise shop in the United States and the Group had established four overseas self-operated retail shops under the name of "Carpenter Tan" in Hong Kong.

Having leveraged on the growth of the Group's sales and the reputation of its brandname "Carpenter Tan" in the PRC, the Directors intend to launch modern shops which, unlike the existing franchise shops, have an outlook characterised by contemporary decoration mixed with traditional Chinese cultural elements and the size of the modern shops will be larger than existing franchise shops. The modern shops are dedicated to selling a series of high-end combs, mirrors, box sets and small accessories which are of modern and stylish designs and mainly made of natural wood. These newly designed products will be sold under the brandname of "Carpenter Tan" and are expected to sell at a price higher than the products sold in existing franchise shops considering the premium design of the products to be sold at modern shops and such modern shops target at customers of higher income groups who have a higher purchasing power.

The Directors currently intend that these modern shops will be operated by its franchisees. Up to the Latest Practicable Date, the Group has not opened any modern shops. The Directors intend to open these shops in metropolitan cities in the PRC, such as Chongqing, Beijing and Shanghai. The existing franchisees who are interested to operate modern shops are required to open new shops rather than redecorating/renovating their existing shops. The Directors expect that a total of approximately 60 modern shops will be opened and operated by its franchisees in the PRC by the end of 2010. On the overseas market front, the Directors expect that a total of approximately 25 new international shops will be opened and operated by the Group by the end of 2010.

The Group has put years of effort in establishing and maintaining its brand "Carpenter Tan" in the PRC. The Directors consider reputation of the brand to be critical to the success of the Group, and it is important to strengthen its brand image by increasing marketing efforts with the purpose to maintain its market position in the PRC. To this end, the Group is planning to further strengthen the brand image of "Carpenter Tan" and promote its modern shops to enhance public awareness towards the Group in the PRC.

2. **Establishment of high-end home accessories shops and building of new brandname "Tan's" in the PRC**

With the improvement of living standard and economic environment in the PRC, the Directors believe that more people would like to pursue a higher quality of life which leads to an increasing demand of quality lifestyle products such as high-end and stylish home accessories such as fruit plates, flower vases, photo frames and candle stands with attractive and appealing designs.

In order to expand and penetrate into the high-end home accessories market in the PRC, the Group commenced to establish high-end home accessories shops under the name of "Tan's". These shops will have gross floor area ranging from approximately 50 sq.m. to 100 sq.m. and are dedicated to selling and marketing the high-end home accessories and decorative articles under the brandname of "Tan's". As at the Latest Practicable Date, the Group has opened four Tan's shop in Chongqing, the PRC. In addition, the Group has engaged a number of European designers to design a series of high-end home accessories. The high-end home accessories would be primarily made up of wood mixed with selected secondary materials such as crystal, stainless steel, porcelain and leather. The designs and style of the new products will be contemporary and modern.

The Group has engaged an European design house to design the outlook and interior decoration of such new high-end home accessories shops and these shops would be characterised by a contemporary theme. The Directors plan that these high-end home accessories shops would be opened in high-end shopping malls in metropolitan cities such as Shanghai and Beijing. These high-end home accessories target at customers of high-income who pursue high living standard and demand products of quality and style. In order to capture the business opportunities derived from the coming 2010 Shanghai World Expo, the Directors are planning to establish about 30 "Tan's" shops by the end of 2011 in metropolitan cities in the PRC such as Shanghai and Beijing. Considering the relatively high capital investment required in the operation of high-end home accessories shops which the franchisees may not be able to commit, and with the purpose to know the market feedback towards the Group's wooden home accessories products, the Directors currently intend that "Tan's" shops will be operated by the Group.

The Group has engaged professional designers to design the logo and trademark of "Tan's" and the Group is registering the trademark of "Tan's" in various regions including Hong Kong and the United States. With the expansion of overseas sales network, the Directors intend to build up the brandname of "Tan's" as one of the internationally renowned wooden home accessories brand.

3. **Establishment of lifestyle handicraft stores**

In order to enhance the Group's sales channel and to further promote its brandname, the Group plans to invest and establish lifestyle handicraft stores in large metropolitan cities in the PRC. As at the Latest Practicable Date, two lifestyle handicraft stores were opened in Chongqing in January and April 2007, each occupies a gross floor area of over 600 sq.m.. The Directors plan to establish the lifestyle handicraft stores in different regions of the PRC as flagship stores and showrooms. Each lifestyle handicraft store will be around 800 sq.m. and will be divided into several showrooms including the Group's history gallery, handicraftsman workshops, cultural and commercial centres, art performance stages, and leisure areas. These mega stores will display and sell most of the Group's products under the brandnames of "Carpenter Tan" and "Tan's", including combs, mirrors, box sets and high-end home accessories as well as traditional Chinese style furniture which the Group purchases from third parties engaged by it for resale. The Directors consider that franchise programme will remain as the Group's principal sales channel, but the Group will operate the flagship stores on its own. The Directors plan to establish approximately 3 additional lifestyle handicraft stores by the end of year 2010. In addition, to further strengthen the management of the flagship stores operated by the Group, the Directors plan to employ additional retail experts to manage these flagship stores operated by the Group.

Comparing with the high-end home accessories shops under the name of "Tan's" as disclosed in sub-paragraph headed "Establishment of high-end home accessories shops and building of new brandname "Tan's" in the PRC" above in this section, "Tan's" shops are primarily for the sale of the Group's high-end home accessories under the brandname of "Tan's" with gross floor area ranging from about 50 sq.m. to 100 sq.m., while lifestyle handicraft stores refer to the mega stores operated by the Group, in which all of the Group's products are sold and displayed and those mega stores will generally occupy a larger area (over 600 sq.m.).

4. **Further enhancement in design and product development capability and enhancement of operation efficiency**

The Directors believe that the Group's design and product development capability is one of its principal strengths. In order to further strengthen the Group's innovation capability, it plans to increase its investment in design and product development and also co-operates with domestic and overseas well-known design houses and development companies for improving and innovating its products and packaging. In addition, the Group also plans to acquire new production equipment and apply new manufacturing techniques to the production of wooden handicrafts and high-end home accessories, which are different from the existing ones that have been used for existing products in particular combs and mirrors. The Directors expect that such new equipment and techniques would improve the Group's product quality and outlook.

In order to facilitate the operation and improve the management efficiency of the large number of franchise shops, the Group developed its own point-of-sales (POS) system which allows it to access the sales and inventories of the franchisees in an orderly and organised manner. For better planning of the Group's resources, the Group planned to integrate the point-of-sales system with its enterprise resources planning (ERP) system to be installed. After the successful installation of the enterprise resources planning system, it is expected that the Group can plan its production, sales, delivery, logistic, and raw material purchase in a more effective manner through an organised database in relation to franchisees' sales and inventories as well as its inventory, sales, purchase and production records.

5. **Construction of production base for home accessories**

To expand and penetrate into the high-end accessories market, the Group established CQMY with the business scope of manufacturing, processing and sale of household products or accessories which are mainly made up of wood. At the stage of trial production, CQMY currently carried out its production in property located in the Wan Zhou Factory with limited production capacity. In addition, in conjunction with the Group's plans of expansion and to cope with the construction of new production base, it will purchase and install new and advanced equipment and machinery in order to expand and upgrade the production facilities for home accessories.

6. **Enhancement of sales network and sales support services**

The Directors plan to expand the Group's sales and marketing network in the PRC to better capture market opportunities. The Group currently plans to set up a sales team with additional five to eight sales staff to pursue corporate customers for placing bulk orders, as well as an online procurement and sales platform for the sale of its products.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds from the issue of the New Shares will strengthen the Group's capital base and will provide fundings to better execute the Group's business strategy and to implement its future plans as set out in this section. In terms of shop opening plan, the Directors expect that a total of approximately 60 modern shops will be opened and operated by the Group's franchisees in the PRC by the end of 2010; while the Group plans to open and self-operate 25 modern shops in the overseas market and 3 lifestyle stores in the PRC by the end of 2010 and 30 "Tan's" shops in the PRC by the end of 2011.

Assuming the Offer Price to be HK$2.54 (being the mid-point of the indicative Offer Price range stated in this prospectus), the net proceeds of the Share Offer, after deducting the related expenses payable by the Group, are estimated to be approximately HK$138.0 million (without taking into account the proceeds that may be derived from the exercise of, whether in full or in part, the Over-allotment Option). The Directors presently intend to apply such net proceeds of the Share Offer as follows:

1. as to approximately HK$15.0 million will be used for setting up new international shops in the overseas market. The Directors expect the average initial set up cost of each international shop in the overseas market to be around HK$600,000, and subject to the prevailing market conditions, the Group targets to set up approximately 25 new international shops in the overseas market by the end of 2010;

2. as to approximately HK$24.0 million will be used for setting up high-end home accessories shops in the PRC under the brandname of "Tan's" in order to develop the high-end accessories market in the PRC. The Directors expect the initial set up cost of each Tan's shop to be around HK$800,000 and, subject to the prevailing market conditions, the Group targets to set up approximately 30 new high-end home accessories shops under the name of "Tan's" by the end of 2011;

3. as to approximately HK$6.0 million will be used for setting up lifestyle handicraft stores. The Directors expect the initial set up cost of each lifestyle handicraft store to be around HK$2.0 million, and subject to the prevailing market conditions, the Group targets to set up 3 new lifestyle handicraft stores by the end of 2010;

4. as to approximately HK$30.0 million will be used for further enhancement of the Group's design and product development and enhancement of operation efficiency;

5. as to approximately HK$35.0 million for construction of production base, purchase of new and advanced equipment and machinery for manufacturing of high-end home accessories;

6. as to approximately HK$15.0 million for enhancing sales network and sales support services through Internet and group sales to corporate customers; and

7. as to the balance of approximately HK$13.0 million for general working capital of the Group.

Should the Offer Price be fixed at HK$2.15 or HK$2.93, being respectively the lowest and highest point of the indicative Offer Price range as stated in this prospectus, the net proceeds of the Share Offer, after deduction of all expenses paid and payable by the Company, are estimated to be approximately HK$114.6 million and HK$162.1 million respectively (without taking into account the proceeds that may be derived from the exercise of, whether in full or in part, the Over-allotment Option). The Directors currently intend to apply the aforesaid net proceeds in the same manner and in the same proportions as shown above. In the event that the Over-allotment Option is exercised in full or in part, the Directors intend to apply the additional net proceeds raised upon exercise of the Over-allotment Option in the same manner and in the same proportion as shown above.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, the Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions or used to purchase money-market instruments.

SHARE OFFER STATISTICS

	Based on an Offer Price of HK$2.15 per Share	**Based on an Offer Price of HK$2.93 per Share**
Market capitalisation of the Shares *(Note 1)*	HK$537.5 million	HK$732.5 million
Historical price/earnings multiple *(Note 2)*	18.9 times	25.7 times
Unaudited pro forma adjusted net tangible asset value per Share *(Note 3)*	HK$0.991	HK$1.181

Notes:

1. The calculation of the market capitalisation is based on 250,000,000 Shares expected to be in issue following the completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option.

2. The calculation of historical price/earnings multiples is based on the earnings attributable to equity holders of the Company for the financial year ended 31 December 2008 of approximately HK$28,499,000, the respective Offer Price of HK$2.15 and HK$2.93 per share and assuming that the Company has been listed since 1 January 2008 and a total of 250,000,000 Shares were issued and outstanding during the entire year.

3. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to in the subsection headed "Unaudited pro forma adjusted net tangible assets" under the section headed "Financial information" of this prospectus and on the basis of 250,000,000 Shares in issue and to be issued as mentioned in this prospectus, but takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme or which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon repurchased by the Company pursuant to the general mandates for the allotment or otherwise and issue or repurchase of Shares referred to in the section headed "Further information about the Company" in Appendix V to this prospectus.

RISK FACTORS

The Directors consider that the business and operations of the Group are subject to a number of risk factors which can be categorised into (i) risks relating to application of the net proceeds; (ii) risks relating to the business and operations of the Group; (iii) risks relating to the industry; (iv) risks relating to the PRC; and (v) risks relating to the Share Offer, which are summarised as follows:

Risks relating to application of the net proceeds

— Establishment of lifestyle handicraft stores, high-end home accessories shops and modern shops

— Expansion of the Group's product mix into high-end home accessories and construction of new manufacturing facilities

— Limited experience in establishing sales network in the overseas market

Risks relating to the business and operations of the Group

— Dependence on key management personnel

— Return of products by the franchisees

— Tax relief to social welfare enterprises

— Dividends received from PRC subsidiaries of the Company or its global income, dividends payable by the Company to its foreign Shareholders and gain on sale of the Shares may be subject to taxes under newly enacted PRC tax laws

— Limitation for dividend distribution

— Profit and growth sustainability

— Limited recurrent income basis

- The global financial markets have experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy and, as a result, may adversely affect our business operations
- Fluctuation in the cost of raw materials
- Fluctuation in the utilisation rate of the Group's production capacity
- Dependence on franchise shops
- The Group has no control over its franchisees on the information regarding their sales and inventories which therefore may not be accurate and their performance is difficult to be controlled
- The Group's increase in sales might be represented by accumulation of inventory at the level of franchise shops rather than growth in underlying sales
- Possible breach of the franchisees' contractual obligations to adhere to the Group's pricing policy for its products
- The Group has no control over its franchisees with regard to their wrongdoings and misuse of its brandname
- Licencee's wrongdoings and misuse of the Group's brandname
- Reliance on independent subcontractors and contractors
- Absence of building ownership certificates for properties in the Wan Zhou Factory and Bazu, Bianjia Village, Wanzhou District, Chongqing, the PRC
- Possible repayment of the difference between the lowest standard price and the purchase price of property numbered 3 in Appendix III to this prospectus and the relevant social welfare overall planning fee to the relevant department of the PRC Government
- Non-registered leases
- Unclear title of one of the leased properties currently occupied by the Group
- Single production plant
- Seasonality
- Dividend policy
- Restriction to receive dividends from the PRC operating subsidiaries
- Potential product liabilities

— Competition

— Currency conversion and exchange rate risk

— Impact of the earthquake occurred in May 2008 in Sichuan Province, the PRC on the Group's operations

Risks relating to the industry

— Infringement of intellectual property rights

— Uncertain economic outlook

Risks relating to the PRC

— Political and social considerations

— Economic and legal considerations

Risks relating to the Share Offer

— Liquidity and possible price volatility of the Shares

— Shareholders' interests in the Company may be diluted in the future

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary of technical terms":

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Carpenter Tan"	Beijing Carpenter Tan Handicrafts Company Limited (北京譚木匠工藝品有限公司), a company established under the laws of the PRC on 12 November 2008 with limited liability and a wholly-owned subsidiary of Lifestyle Handicrafts Company
"Board"	the board of Directors
"business day"	a day (excluding Saturday) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	an issue of 182,500,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to in the paragraph headed "Written resolutions of the shareholders of the Company" in the section headed "Further information about the Company" in Appendix V to this prospectus
"Carpenter Tan"	Chongqing Carpenter Tan Handicrafts Company Limited (重慶譚木匠工藝品有限公司), an indirect wholly-owned subsidiary of the Company established under the laws of the PRC on 6 March 1997
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"Chengdu Carpenter Sales"	Chengdu Carpenter Tan Handicrafts Sales Company Limited (成都譚木匠工藝品銷售有限公司), a company established under the laws of the PRC on 14 April 2008 with limited liability and a wholly-owned subsidiary of Carpenter Tan
"Chennan Handicrafts"	Chongqing Carpenter Tan Chennan Lifestyle Handicrafts Company Limited (重慶譚木匠沉楠手工館有限公司), a company established under the laws of the PRC on 25 August 2007 with limited liability and a wholly-owned subsidiary of Lifestyle Handicrafts Company
"Chongqing Carpenter Sales"	Chongqing Carpenter Tan Handicrafts Sales Company Limited (重慶譚木匠工藝品銷售有限公司), a company established under the laws of the PRC on 7 April 2008 with limited liability and a wholly-owned subsidiary of Carpenter Tan
"Companies Law"	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
"Company"	Carpenter Tan Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 20 June 2006 under the Companies Law
"CQMY"	Chongqing Meiyu Accessories Company Limited (重慶美裕飾品有限公司), a company established under the laws of the PRC on 25 April 2006 and a wholly-owned subsidiary of Carpenter Tan
"CT Development"	Carpenter Tan Development Company Limited (譚木匠發展有限公司), a company incorporated in Hong Kong on 18 March 2008 and a wholly-owned subsidiary of CTHK
"CTBVI"	Carpenter Tan (BVI) Holdings Group Co., Ltd, a company incorporated in the BVI on 2 July 2004 with limited liability and a wholly-owned subsidiary of the Company
"CTHK"	Hong Kong Carpenter Tan Co., Limited (香港譚木匠有限公司), a company incorporated in Hong Kong on 10 September 2004 and an indirect wholly-owned subsidiary of the Company

"CTLS"	Shanghai Carpenter Tan S-point Life Style Company Limited (上海譚木匠指南生活用品有限公司), a company established under the laws of the PRC on 30 November 2004 and deregistered in November 2005, a subsidiary of the Company owned as to 70% by Carpenter Tan and 30% by Shanghai S-point Industrial Design Company Limited (上海指南工業設計有限公司) which is a domestic joint venture company and an Independent Third Party
"Director(s)"	the directors of the Company
"Fame Good"	Fame Good Investments Limited, a company incorporated in the BVI on 12 August 2005 with limited liability, a shareholder of the Company which holds approximately 7.12% of the Shares immediately after completion of the Share Offer and Capitalisation Issue
"Fashun"	Chongqing Fashun Wooden Products Company Limited (重慶發順木製品有限公司), a company owned as to 51% by Mr. Tan, 44% by Mrs. Tan and 5% by Ms. Tan Yao, a sister of Mr. Tan, and de-registered in December 2005
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the Company's subsidiaries at that time
"First Shanghai Capital" or "Sponsor"	First Shanghai Capital Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the compliance adviser of the Company and the Sponsor of the Share Offer
"First Shanghai Securities" or "Bookrunner" or "Lead Manager"	First Shanghai Securities Limited, a corporation licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities, advising on corporate finance and asset management), being the bookrunner and the lead manager of the Share Offer
"Hao Yu Handicrafts"	Chongqing Hao Yu Handicrafts Company Limited (重慶好榆工藝品有限公司), a company established under the laws of the PRC on 6 August 2008 with limited liability and a wholly-owned subsidiary of Lifestyle Handicrafts Company
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party" or "Independent Third Parties"	person(s) or company(ies) who/which is/are independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates as defined under the Listing Rules
"Latest Practicable Date"	10 December 2009, being the latest practicable date for ascertaining certain information contained herein prior to the printing of this prospectus
"Lead Charm"	Lead Charm Investments Limited, a company incorporated in the BVI on 8 August 2005 with limited liability, a controlling shareholder of the Company which holds approximately 67.88% of the Shares immediately after completion of the Share Offer and Capitalisation Issue
"Lifestyle Handicrafts Company"	Chongqing Carpenter Tan Lifestyle Handicrafts Store Company Limited (重慶譚木匠手工館有限公司), a company established under the laws of the PRC on 10 January 2007 and a wholly-owned subsidiary of Carpenter Tan
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	29 December 2009, the date on which the Shares first commence trading on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Little Carpenter"	Chongqing Little Carpenter Handicrafts Company Limited (重慶小木匠工藝品有限公司), a company established under the laws of the PRC on 6 August 2003 and an indirect wholly-owned subsidiary of the Company
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Su"	Mr. Su Jian Ping, an employee of the Group, currently holding 2.98% of the shareholding interest in Fame Good
"Mr. Tan"	Mr. Tan Chuan Hua, an executive Director and the Chairman of the Group
"Mrs. Tan"	Ms. Fan Cheng Qin, the spouse of Mr. Tan and one of the senior management of the Group

"Munan Handicrafts"	Chongqing Carpenter Tan Munan Lifestyle Handicrafts Company Limited (重慶譚木匠木楠手工館有限公司), a company established under the laws of the PRC on 25 August 2007 with limited liability and a wholly-owned subsidiary of Lifestyle Handicrafts Company
"New Shares"	a total of 62,500,000 new Shares initially to be issued at the Offer Price pursuant to the Share Offer, which expression shall, where the content permits, includes any part of such new Shares
"Offer Price"	the offer price per Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which Shares are offered under the Share Offer, to be determined as described under the section headed "Structure of the Share Offer" in this prospectus
"Offer Shares"	the Placing Shares and the Public Offer Shares
"Over-allotment Option"	the option granted by the Company to the Lead Manager (for itself and on behalf of the Placing Underwriters), exercisable at any time within 30 days of the date of this prospectus, to require the Company to allot and issue up to an aggregate of 9,375,000 additional new Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, in such numbers and to such person or persons as the Lead Manager in its sole and absolute discretion shall require, at the Offer Price
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of the Company at the Offer Price with institutional and professional investors, details of which are described in the section headed "Structure of the Share Offer" of this prospectus
"Placing Shares"	the 56,250,000 New Shares initially being offered by the Company for subscription at the Offer Price under the Placing, subject to reallocation and the exercise of the Over-allotment Option as described in the section headed "Structure of the Share Offer" of this prospectus
"Placing Underwriting Agreement"	the conditional placing underwriting agreement relating to the Placing to be entered into by, among others, the Company and the Placing Underwriters, details of which are set out in the section headed "Underwriting" of this prospectus

"Placing Underwriters"	First Shanghai Securities and the other underwriters in respect of the Placing as referred to in the Placing Underwriting Agreement
"PRC"	the People's Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Price Determination Agreement"	the pricing agreement to be entered into between the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters), at or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around 5:00 p.m. on Friday, 18 December 2009 but in any event not later than on 12:00 noon on Tuesday, 22 December 2009 (Hong Kong time), on which the Offer Price is fixed for the purposes of the Share Offer
"Princeton"	Princeton Partners Limited, a company incorporated in BVI on 21 January 2003 and wholly and beneficially owned by Mr. Ma Gary Ming Fai, an Independent Third Party
"Public Offer"	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the application forms, details of which are described in the section headed "Structure of the Share Offer" in this prospectus and in the application forms relating thereto
"Public Offer Shares"	the 6,250,000 New Shares initially being offered by the Company for subscription at the Offer Price under the Public Offer, subject to re-allocation as described in the section headed "Structure of the Share Offer" in this prospectus
"Public Offer Underwriters"	First Shanghai Securities and the other underwriters in respect of the Public Offer as referred to in the Public Offer Underwriting Agreement
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 14 December 2009 relating to the Public Offer and entered into by, among others, the Company and the Public Offer Underwriters, details of which are set out in the section headed "Underwriting" in this prospectus
"Reorganisation"	the reorganisation of the Group prior to the issue of this prospectus, details of which are set out in the paragraph headed "Group reorganisation" in Appendix V to this prospectus

"Sanxia"	Chongqing City Wanzhou Qu Sanxia Handicraft Company (重慶市萬州區三峽工藝品公司), a collective enterprise (集體所有制企業) originally established in the name of Wanxian District Sanxia Handicraft Factory (萬縣地區三峽工藝廠) under the laws of the PRC on 28 August 1992
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Offer"	the Placing and the Public Offer
"Share Option Scheme"	the share option scheme conditionally adopted by the Company by a written resolution of the Shareholders on 17 November 2009, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Stock Borrowing Agreement"	the stock borrowing agreement dated 14 December 2009 entered into between Lead Charm and the Lead Manager, pursuant to which the Lead Manager may borrow up to 9,375,000 Shares from Lead Charm to cover any over-allocation under the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Track Record Period"	the period comprising the three financial years ended 31 December 2008 and the six months ended 30 June 2009
"Underwriters"	the Placing Underwriters and the Public Offer Underwriters
"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement. Further details are set out in the section headed "Underwriting" in this prospectus
"US" or "United States"	the United States of America
"Wan Zhou Factory"	the industrial complex situated in Longbao Shuanghekou (Light Industrial Park), Wanzhou District, Chongqing, the PRC

"Xiangnan Handicrafts"	Chongqing Carpenter Tan Xiangnan Lifestyle Handicrafts Company Limited (重慶譚木匠香楠手工館有限公司), a company established under the laws of the PRC on 25 August 2007 with limited liability and a wholly-owned subsidiary of Lifestyle Handicrafts Company
"Ziqiang Muye"	Chongqing City Wan Zhou Qu Ziqiang Muye Company Limited (重慶市萬州區自強木業有限公司), a company established under the laws of the PRC on 26 February 2004 and an indirect wholly-owned subsidiary of the Company
"Euro Dollar(s)"	Euro dollar(s), the lawful currency used in certain countries in the European Union
"HK$" or "HK Dollar(s)" and "cent(s)"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$" or "US Dollar(s)"	US dollar(s), the lawful currency of the United States
"sq.ft." and "sq.m."	square feet and square metres, respectively
"%"	per cent.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

For the purpose of this prospectus, unless otherwise specified, conversion of US$ and RMB into Hong Kong dollars are based on the approximate exchange rates of US$1.00 to HK$7.8 and HK$1.00 to RMB0.9079, respectively, for illustrative purpose only. No representation is made that any amount in HK$, US$ or RMB could have been or could be converted at the above rates or any other rates or at all.

This glossary of technical terms contains explanations of certain terms used in this prospectus. The terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"GDP"	gross domestic products
"ISO"	acronym of a series of quality management and quality assurance standards published by the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	quality systems model for quality assurance in design, development, production, installation and servicing

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company.

This prospectus contains certain forward-looking statements relating to the Group's plans, objectives, expectations and intentions, which involve risks and uncertainties. The Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus.

RISKS RELATING TO APPLICATION OF THE NET PROCEEDS

Establishment of lifestyle handicraft stores, high-end home accessories shops and modern shops

As at the Latest Practicable Date, the Group had established two lifestyle handicraft stores and four high-end home accessories shops (i.e. Tan's shops) in Chongqing of the PRC; while no modern shops have yet been established. The Group currently plans to additionally establish on its own three lifestyle handicraft stores in the PRC and 25 modern shops in other overseas countries by the end of 2010, and 30 high-end home accessories shops in the PRC by the end of 2011; while further 60 modern shops will be operated by its franchisees in the PRC, by the end of 2010.

The Group currently plans to apply the net proceeds from the Share Offer of approximately HK$6.0 million, HK$24.0 million and HK$15.0 million for setting up such number of lifestyle handicraft stores, high-end home accessories shops and modern shops respectively in the PRC or other overseas countries.

The Directors consider that the success of such expansion plan depends on a number of factors, including, among others, the ability of the Group to manage the retail network of such various types of self-operated stores and/or shops, the ability of its frontline staff to familiarise themselves with its products, the obtaining of suitable locations for such stores and/or shops, the control of rental expenditures for such stores and/or shops and the competitive landscape of similar wooden accessories in the market. The Directors also consider that the experience of the senior management of the Group in operating its existing franchise network is also applicable to operating a retail network; and the Group plans to employ some retail experts to manage the lifestyle handicraft stores, high-end home accessories shops and modern shops. Given that the product target at different customers who are from a higher income group, there is no assurance that the Group will be able to replicate its success in the existing franchise business in relation to its plan of setting up a number of lifestyle handicraft stores, high-end home accessories shops and modern shops in the PRC and other overseas countries by end of 2010 and 2011. If such expansion plan turns out to be unsuccessful and unprofitable, the Group's operating and financial results may be adversely affected.

Expansion of the Group's product mix into high-end home accessories and construction of new manufacturing facilities

The Group plans to expand and penetrate into the market of high-end home accessories and prepares to build its own manufacturing facilities for producing such accessories in Chongqing, the PRC. While the Group's expansion activities will require input of additional management, financial and human resources, there is no assurance that the Group will be able to gain a foothold in the high-end accessories market and the deployment of human and financial resources (including the cost in building the new manufacturing facilities) in pursuit of such expansion plans may have a material and adverse impact on the Group.

In addition, there is no assurance that the new manufacturing facilities will commence production as scheduled. In the event that the Group's manufacturing facilities cannot cope with the demand for its products, its gross profit and operating income may be limited.

Limited experience in establishing sales network in the overseas market

The Directors intend to expand the Group's business to nearby international cities, regions and countries such as Hong Kong, Macau, Taiwan, Japan, Korea and Southeast Asia. In addition, the Group plans to explore the North America and the Europe market by opening more stores in these regions from 2010. The details of this plan are further set out in the paragraph headed "Continue to expand the sales network and launch of modern shops" under the section headed "Future plans and prospects" in this prospectus.

Given that, as at the Latest Practicable Date, the Group has only two franchise shops each in Singapore and Malaysia, one franchise shop in the United States and four self-operated retail shops in Hong Kong, its overseas sales experience is relatively limited when comparing to its PRC domestic sales experience. As the Group's overseas expansion requires input of additional management, financial and human resources, there is no assurance that the Group will be able to replicate the success of establishing and operating the sales network in the PRC domestic market by expanding overseas. If such expansion plans turn out to be unsuccessful, the Group's financial result will be adversely affected.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

Dependence on key management personnel

The success of the Group in expanding its existing operations and maintaining growth in its profitability is largely attributable to the continuous efforts, expertise and experience of its executive Directors, Mr. Tan and Mr. Geng Chang Sheng. Each of the executive Directors has entered into a service agreement with the Group for an initial term of three years commencing from the Listing Date. As a result, the future success of the Group will largely depend on the effort of the executive Directors. If any of the executive Directors ceases to be involved in the Group's management in the future and the Group fails to find or employ other suitable personnel to replace him or them, the Group's operations, profitability and prospects may be adversely affected.

Return of products by the franchisees

The Group has established an extensive distribution network in the PRC through its franchise programme under which its franchisees are required to enter into a standard delivery agreement before ordering products from the Group. According to the provisions of the delivery agreement, the franchisees have certain contractual rights including rights (i) to request for an exchange or refund of products if the products delivered do not match the specification on the relevant purchase order forms; and (ii) to request for an exchange or refund for the slow moving products (aged over six months but less than one year) and 3% of the wholesale price of the relevant orders will be charged as service fee and the franchisees should bear the transportation fee incurred. The amount of the products exchanged or refunded by a particular franchisee for the year should not exceed 3% of its total purchase from the Group for the respective year. In addition, the delivery agreement allows the franchisees who have terminated the operation of their franchise shops to obtain a refund of all products in good condition which were purchased within one year and 6% of the retail price of the returned products will be charged as service fee.

For the three years ended 31 December 2008 and the six months ended 30 June 2009, sales return of the Group amounted to approximately RMB3.6 million, RMB3.6 million, RMB4.5 million and RMB3.0 million, representing approximately 3.9%, 2.9%, 4.1% and 4.6% of the Group's total turnover respectively, of which sales return relating to termination of franchise agreement accounted for approximately RMB77,000, RMB452,000, RMB188,630 and RMB120,340 respectively. There is no assurance that the requests for the exchange or refund of products and the closing down of franchise shops will not increase in the future. As a result, the amount of sales return will rise to a higher level, which may have adverse impact on the Group's profitability.

Tax relief to social welfare enterprises

Ziqiang Muye obtained a social welfare enterprise permit on 29 April 2004 and therefore it was entitled to refund the entire corporate income tax for the years of 2004 and 2005. Under the notice for a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by the State Administration of Taxation, Ministry of Finance of the PRC (財政部稅務總局關於調整完善現行福利企業稅收優惠政策試點工作的通知), the notice of the implementation of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by China Disabled Persons' Federation, the State Administration Taxation, Ministry of Finance of the PRC, Ministry of Civil Affairs of the PRC (國家稅務總局財政部民政部中國殘疾人聯合會關於調整完善現行福利企業稅收優惠政策試點實施辦法的通知), the notice of a pilot project on further adjusting practicable preferential tax policy to welfare enterprise launched by the State Administration Taxation, Ministry of Finance of the PRC (財務部國家稅務總局關於進一步做好調整現行福利企業稅收優惠政策試點工作的通知) and the implementation of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by Chongqing Municipal Office, the State Administration of Taxation (重慶市國家稅務局關於調整完善現行福利企業稅收優惠政策試點具體實施辦法) (collectively, the "2006 Policy"), the mode of preferential tax policy has been adjusted which takes effects from 1 October 2006. The adjusted mode of allowance in relation to corporate income tax adopts reduction by increased cost (成本加計扣除), where the allowance is equal to two times of the actual salaries paid to employees with disabilities. According to the notice on the enhancement of preferential tax policy for the employment of disabled persons by the Ministry of Finance of the PRC, State Administration of Taxation (財政部、國家稅務總局關於促進殘疾人就業稅收優惠政策的通知) and the notice on the enhancement, administration, and regulation on the preferential tax policy for the employment of disabled persons by the State Administration Taxation, Ministry of Finance of the PRC, Ministry of Civil Affairs of the PRC, China Disabled Persons' Federation (國家稅務總局、民政部、中國殘疾人聯合會關於促進殘疾人就業稅收優惠政策徵管辦法的通知) (collectively, the "2007 Policy"), the mode of preferential tax policy has been further adjusted with effect from 1 July 2007. The new mode of allowance in relation to corporate income tax adopts reduction by increased cost (成本加計扣除), where the allowance is equal to two times of the actual salaries paid to employees with disabilities. The 2007 Policy, as the formal nationwide preferential tax policy, is generally the same as the 2006 Policy, which is a pilot policy implemented in certain areas (including Chongqing) of PRC. The major differences between the two policies are: (i) there is a new condition for the enterprises applying for the qualification of social welfare enterprises under 2007 Policy, which is that the enterprise shall have the basic facilities for the disabled employees; and (ii) the specific annual cap amount for calculating the monthly refundable VAT under 2007 Policy is different from the 2006 Policy. On 13 November 2006, Ziqiang Muye has successfully applied for tax relief under the aforementioned new preferential tax policy. Pursuant to the notice of implementation of the State Administration of Taxation on relevant tax policies on western development (國家稅務局關於落實西部大開發有關稅收政策具體實施意見的通知), a company located in western part of the PRC and principally engaged in national encouraged business activities which generates a turnover accounting for over 70% of the total turnover is entitled to enjoy a reduced rate at 15% if it has obtained an approval from the local tax bureau. On 2 November 2006, Ziqiang Muye obtained a certificate of approval in relation to reduction/ exemption of taxation (減、免稅批准證書) issued by Chongqing Wanzhou Office, the State Administration of Taxation (重慶市萬州區國家稅務局), pursuant to which Ziqiang Muye is entitled to enjoy a reduced rate at 15% from 2006 to 2010. The major difference between the corporate income tax policies before and after October 2006 is that Ziqing Muye has to pay corporate income tax after the deduction under the policy adopted since 2006 at the rate of 15% comparing with the refund of entire corporate income tax under the old policy adopted prior to October 2006. The Group's profitability will be affected by the increasing corporate income tax expenses under the new mode of corporate income tax policy.

According to article 57 of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) which was effective on 1 January 2008, those companies that were established before the effective date of the PRC Enterprise Income Tax Law have already been entitled to preferential tax treatments under the existing tax rules and administrative regulations could continue to enjoy the preferential tax treatment after the implementation of the PRC Enterprise Income Tax Law until the end of the tax concession period originally granted. As disclosed above, Ziqiang Muye is entitled to enjoy a reduced corporate income tax rate at 15% from 2006 to 2010 pursuant to a certificate of approval in relation to reduction/ exemption of taxation issued by Chongqing Wanzhou Office, the State Administration of Taxation on 2 November 2006. As such, Ziqiang Muye could continue to enjoy the preferential tax rate of 15% in respect of corporate income tax up to year 2010. Since Little Carpenter, CQMY and Lifestyle Handicraft Company do not enjoy any preferential tax treatment before the effective date of the PRC Enterprise Income Tax Law of 1 January 2008, they are subject to a corporate income tax rate of 25%.

Ziqiang Muye was entitled to refund the entire VAT since July 2004 up to 30 September 2006. Prior to 1 October 2006, Ziqiang Muye was entitled to refund the entire VAT in relation to products it manufactured and was subject to a VAT rate of 17% in relation to non self-manufactured products. Under the 2006 Policy, the mode of preferential tax policy has been adjusted with effect from 1 October 2006. The adjusted mode in relation to VAT adopts a monthly refund policy, which is equivalent to the actual number of employees with disabilities multiplied by a specific annual cap amount (as determined by the tax authorities of the pilot provinces or cities, based on two times of the local average wages of all the on-the-job staff of last year as released by the statistics authorities of the same level with a maximum limit of RMB35,000 per year per disabled person). According to the 2007 Policy, the mode of preferential tax policy has been further adjusted with effect from 1 July 2007. The new mode in relation to VAT adopts a monthly refund policy, which is equivalent to the actual number of employees with disabilities multiplied by a specific annual cap amount (as provided by the tax authorities of county level or above, based on six times of the local provincial government's authorised minimum wages with a maximum limit of RMB35,000 per year per disabled person). The major difference between the new and old VAT refund policy is that the Group may not be able to enjoy full refund of VAT given that the refund amount is calculated by a formula. Should the refundable VAT be less than the VAT paid by the Group, the Group will face higher expenses on VAT which in turn may affect its profitability. For the year ended 31 December 2006, Ziqiang Muye has to pay corporate income tax and VAT of approximately RMB10.8 million and RMB7.8 million respectively. Since the implementation of the new preferential VAT tax policy in October 2006, the Group has been enjoying the monthly tax refund in relation to the VAT paid. There is no guarantee that the Group or any member of the Group will be able to meet the relevant criteria for enjoying the tax benefits. In addition, there is no assurance that the Group will continue to enjoy the tax benefits under the new preferential tax policy and that any change in relevant policy may affect the amount of tax allowance or continuity of tax benefits currently enjoyed by the Group in which case the Group's financial position may be adversely affected.

Dividends received from PRC subsidiaries of the Company or its global income, dividends payable by the Company to its foreign Shareholders and gain on sale of the Shares may be subject to taxes under newly enacted PRC tax laws

According to the PRC Enterprise Income Tax Law (the "New Tax Law") and the Regulations to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) (the "Regulations") which became effective on 1 January 2008, if the Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to the Company by its PRC incorporated subsidiaries, unless the Company is entitled to reduction or elimination of such tax, including by tax treaties.

Since the Company is holding its PRC subsidiaries through a Hong Kong company, namely CTHK, according to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) entered into between the PRC and Hong Kong, if a Hong Kong company directly holds 25% or above equity interest of a PRC enterprise, the PRC enterprise shall make a provision for income tax payable at not more than 5% in case of that PRC enterprise pays a dividend to its Hong Kong shareholder(s).

In addition, according to the New Tax Law and the Regulations, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Substantially all members of the management of the Group are located in the PRC. The Company may therefore be deemed to be a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on its worldwide income (including dividend income received from its subsidiaries) which excluded the dividends received directly from another PRC tax resident. Similarly, if the Company is considered as a PRC "resident enterprise", the dividends paid by the Company with respect to the Shares to the non-PRC Shareholders, or the gain the non-PRC Shareholders may realise from the transfer of the Shares, may be treated as income derived from sources within the PRC and be subject to PRC income tax.

Given the short history of the New Tax Law and the Regulations, it remains unclear as to the implementation of the New Tax Law and the Regulations by the tax authority of the PRC. If the Company is required under the New Tax Law to withhold PRC income tax on dividends payable to its non-PRC Shareholders or investors that are "non-resident enterprises", or if the Shareholders are required to pay PRC income tax on the transfer of their Shares, the value of the Shareholders' investment in their Shares may be materially and adversely affected.

Limitation for dividend distribution

Pursuant to the regulations in the PRC, Ziqiang Muye, which is registered as a social welfare enterprise in the PRC, is required to transfer 50% and 20% of the refund of tax concessions to the enterprise development fund and staff welfare fund respectively. The funds can only be used for the enterprise development and the staff welfare and are not available for distribution to Shareholders. The Group transferred approximately RMB7.9 million, RMB6.4 million, RMB5.5 million and RMB3.4 million of its net profit to these funds for the three years ended 31 December 2008 and the six months ended 30 June 2009. There is no assurance that the relevant government departments will not raise the refund of tax concession transfer ratio in the future. If the relevant government departments raise the refund of tax concession transfer ratio in the future, the ratio of the Group's dividend payable will be lowered and consequently the amount of dividends payable in the future will be affected.

Profit and growth sustainability

The Group's turnover grew from approximately RMB95.4 million for the year ended 31 December 2006 to approximately RMB108.7 million for the year ended 31 December 2008, while its net profit had been fluctuating from RMB36.8 million, RMB41.5 million, RMB25.9 million and RMB21.3 million during the three years ended 31 December 2008 and the six months ended 30 June 2009; and the number of shops has increased from 524 as at 31 December 2006 to 720 as at 31 December 2008. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the gross profit margin of the Group was approximately 59.8%, 60.0%, 56.2% and 58.9% respectively; while the net profit margin of the Group was declining to approximately 38.6%, 33.7%, 23.8% and 32.7% respectively. For the six months ended 30 June 2009, the Group's turnover and profitability had basically recovered to its normal level and comparable to that in 2007. There is no assurance that the demand for the Group's products will remain strong; and the turnover, number of shops, the gross profit margin and hence the growth of the Group will not decrease in the future. If the turnover, number of shops and the gross profit margin of the Group fall, and it is unable to commercialise any new products which command a higher sales volume and gross profit margin, the Group's profitability and financial position may be adversely affected.

Limited recurrent income basis

Most of the Group's turnover is attributable to sales to its franchisees. Since orders from franchisees are not guaranteed, there is an insufficient recurrent income basis. The Group only receives (1) an one-off franchise fee, ranging from RMB5,000 to RMB20,000, payable by a franchisee upon joining the franchise programme of the Group but not any annual fee; and (2) an one-off minimum initial purchase order of the Group's products by each franchisee ranging from RMB35,000 to RMB40,000 upon joining the franchise programme of the Group (but there is no minimum annual purchase requirement thereafter). Given that the franchisee fees only accounted for approximately 1.6%, 1.3%, 0.8% and 1.1% of the Group's turnover for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 whereas sales to the Group's franchisees accounted for approximately 94.2%, 91.3%, 87.9% and 88.3% of the Group's turnover respectively and sales to other direct customers accounted for approximately 4.2%, 7.4%, 11.3% and 10.6% thereof respectively, the Group mainly derives income from sales of its products. Although the Directors believe that not charging an annual fee does not have a material adverse effect to the Group's sources of income, it is possible that a significant drop in the number of new franchisees may adversely affect the Group's sustainable growth.

The global financial markets have experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy and, as a result, may adversely affect our business operations

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth both in the U.S. and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will exist and which markets and businesses of our Company may be affected, these developments could continue to present risks for an extended period of time for our Company, including a potential slowdown in our sales to customers, potential increase in interest expenses on our bank borrowings, or potential reduction of the amount of banking facilities currently available to us. If this economic downturn continues, our business, financial condition and results of operations may be adversely affected.

Fluctuation in the cost of raw materials

The Group's major raw material is wood which accounted for approximately 26.5%, 30.2%, 24.2% and 11.2% of its purchase of direct materials (including subcontracting charges) for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively. The prices of the wood are determined from time to time according to prevailing market conditions, which are therefore subject to fluctuations according to its supply and demand. The average prices of domestic boxwood purchased by the Group were approximately RMB1.125 per piece, RMB1.225 per piece, RMB1.350 per piece and RMB1.350 per piece for the three years ended 31 December 2008 and the six months ended 30 June 2009. The average prices of imported ebony purchased by the Group were approximately RMB17,300 per ton, RMB23,700 per ton, RMB18,000 per ton and RMB20,000 per ton for the three years ended 31 December 2008 and the six months ended 30 June 2009. The average prices of imported ironwood purchased by the Group were approximately RMB3,100 per cubic metre, RMB2,800 per cubic metre, RMB2,400 per cubic metre and RMB3,000 per cubic metre for the three years ended 31 December 2008 and the six months ended 30 June 2009. Imported wood accounted for approximately 91.7%, 89.7%, 93.6% and nil of the Group's total usage of wood for the three years ended 31 December 2008 and the six months ended 30 June 2009. The average price of domestic wood purchased by the Group was on an upward trend during the three years ended 31 December 2008, while the average price of imported wood purchased by the Group had fluctuated during the three years ended 31 December 2008 and the six months ended 30 June 2009, which increased in 2007 but decreased in 2008 due to the weaker demand for wood after the global financial tsunami. The prices of domestic wood increased in 2008 despite weaker demand for wood after the global financial tsunami because the remaining sites for logging in the PRC were in more remote area which increased transportation cost. There is no assurance that the prices of wood will not fluctuate materially in the future. In the event that the prices of the wood significantly increase, the business and the profitability of the Group could be adversely affected.

Fluctuation in the utilisation rate of the Group's production capacity

The utilisation rate of the Group's production capacity was approximately 49.8%, 50.3%, 35.8% and 39.8% for the three years ended 31 December 2008 and the six months ended 30 June 2009. The decrease in the utilisation rate of the Group's production capacity in 2008 was mainly attributable to the overall decline in sales volume of the Group because of (i) the serious earthquake occurred in May 2008 in Sichuan Province, the PRC where the Group's franchisees have considerable business operation; and (ii) the global economic downturn as a result of the global financial tsunami. As the production activities of the Group is demand driven and hence the utilisation rate of the Group's production capacity will change along with the sales volume of the Group, there is no assurance that the utilisation rate of the Group's production capacity will not fluctuate materially in the future.

Dependence on franchise shops

The Group's business relies heavily on the franchise shops for the purchase of its products. As at the Latest Practicable Date, the Group has entered into 858 franchise agreements with franchisees in the PRC, Singapore, Malaysia and the United States for terms of one year. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sale of the Group's products to its franchisees accounted for approximately 94.2%, 91.3%, 87.9% and 88.3% of its turnover respectively. There is no assurance that majority of the franchisees will continue to renew the franchise agreements with the Group. If a significant portion of the franchisees do not renew the franchise agreements with the Group upon expiration, its profitability and its operations would be adversely affected.

The Group has no control over its franchisees on the information regarding their sales and inventories which therefore may not be accurate and their performance is difficult to be controlled

As the franchise shops are owned and controlled by the franchisees under the franchise agreements, it is voluntary for the franchisees to submit regular reports to the Group in relation to the sales and inventories maintained by them and the Group has no control over its franchisees in this regard. The information regarding the sales and inventories of franchisees reflects the performance of each individual franchisee only and not the Group's account. Given that the information about the franchisees' sales and inventory amounts are based on the representations made by the individual franchisees and such information has not been audited, there is no guarantee that such information is accurate despite the Group's effort to ascertain accuracy of such information. In the event that any part of such information turns out to be inaccurate, it may affect the Group's strategic assessment of its business development.

Since customers' response and the level of inventories of franchisees reflect the market demand for the Group's products, the Group cannot guarantee that it is able to obtain the most up-to-date information regarding demands for its products due to the difficulty in conducting constant day-to-day monitoring over the franchisees' inventories records and customers' feedback. In the event that the Group does not obtain the most up-to-date information regarding demands for its products from the franchisees, it may adversely affect the design of the Group's new products and hence the strategic assessment of the Group's business development.

For similar reasons, it is difficult for the Group to constantly monitor and control the performance of the franchisees. In the event that any franchisee deviates from the Group's culture values and policies, the Group's reputation and image may be adversely affected.

The Group's increase in sales might be represented by accumulation of inventory at the level of franchise shops rather than growth in underlying sales

The Group's revenue from sales of goods is recognised when the products are delivered to its franchisees. Once the franchisees have accepted the goods delivered to them, the related risks and rewards of ownership and collectability of the related receivables is reasonably assured. As the franchise shops are owned and controlled by the Group's franchisees under the franchise agreements, it is voluntary for the franchisees to submit regular reports to the Group in relation to the sales and inventories maintained by them. It is difficult for the Group to constantly monitor the franchisees' sales and inventories records. The Group cannot guarantee that the information regarding the Group's increase in sales during the Track Record Period is not represented by accumulation of inventory at the level of franchise shops rather than growth in underlying sales. In the event that the Group's increase in sales during the Track Record Period is represented by accumulation of inventory at the level of franchise shops rather than growth in underlying sales, the profitability of the Group might have been distorted and/or be adversely affected.

Possible breach of the franchisees' contractual obligations to adhere to the Group's pricing policy for its products

According to the relevant terms and conditions of the franchise agreements, the selling prices of all the Group's products sold by its franchisees to their end customers are consistently fixed throughout all the areas or regions of the PRC which cannot be altered by its franchisees at their own discretion. The franchisees are contractually required to adhere to the Group's pricing policy for its products. Under the franchise agreements, the franchisees cannot aggressively discount the sale price of the Group's products.

However, since the Group has no control on the franchisees or the franchise shops, it cannot guarantee that the franchisees will not breach their contractual obligations to adhere to the Group's pricing policy for its products. In the event that the franchisees breach their said contractual obligations, including but not limited to aggressively discount the sales price of the Group's products, substantial damage of the Company's brand value may be inflicted and the profitability of the Group may be adversely affected.

Although the Group can terminate the franchise agreement and commence legal proceedings against any franchisee for breach of its said contractual obligation, it cannot guarantee that the judgement will be in favour of the Group or the franchisee will be able to pay damages to the Group. If the franchisee is unable to indemnify the Group for its losses and expenses, the Group's operating performance and/or financial position may be adversely affected.

The Group has no control over its franchisees with regard to their wrongdoings and misuse of its brandname

Most of the Group's franchisees are individuals in the PRC, and the Group has no control over its franchisees with regard to their wrongdoings and misuse of the Group's brandname. Pursuant to the franchise agreements entered into between the Group and the franchisees, the franchisees shall be solely liable for their own wrongdoings (including reselling the Group's product to parties other than the end customers) and/or misuse of its brandnames, and the Group shall be entitled to claim compensation for any loss it suffers from such wrongdoings/ misuse by the franchisees. The Directors consider that in the event that the Group's brandnames are misused by the franchisees, the business reputation and image of the Group may be adversely affected. Since most of the franchisees are individuals, the defaulting franchisees may not have the requisite financial ability to compensate for all direct and indirect losses of the Group suffered. Furthermore, there are risks that a third party may bring a lawsuit against the Group for certain wrongdoings made by the franchisees. Under such circumstances, the Group will be obliged to defend the litigation and provide evidence showing that it has no connection with such wrongdoings by the franchisees, which will inevitably cause additional costs and expenses of the Group which may affect its business and financial position.

Licencee's wrongdoings and misuse of the Group's brandname

To enhance public awareness towards the Group's brandname "Carpenter Tan" and as a trial in furniture market, on 10 October 2005, the Group entered into a trademark licence agreement (as supplemented by a supplemental trademark licence agreement dated 28 October 2005) with Mr. Su, an employee of the Group and holding approximately 2.98% interests in Fame Good, in which the Group granted Mr. Su the right to use the Group's trademark "Carpenter Tan" exclusively for the outlook and furniture of his furniture shop in Chongqing, the PRC. The Group shall monitor the purchase process and quality of those products using the Group's brandname and Mr. Su shall bear all the risks, including litigation and product liability of all products sold in his furniture shop. Though Mr. Su's furniture shop has been closed in June 2007 due to disassemblement of the relevant area, in the event that the Group's trademark was previously misused by Mr. Su before his close of business, the business reputation and image of the Group may be adversely affected.

Furthermore, there are risks that a third party may bring a lawsuit against the Group for certain wrongdoings made by the furniture shop before its close of business in June 2007. Under such circumstances, the Group will be obligated to defend the litigation and provide evidence showing that it has no connection with such wrongdoings by the furniture shop, which will inevitably cause additional costs and expenses of the Group which may affect its business and financial position.

Reliance on independent subcontractors and contractors

The Group subcontracts part of its production process to subcontractors for processing of semi-finished products and subcontracts the manufacture of certain products to various contractors, all of whom are Independent Third Parties. For each of the Track Record Period, the subcontracting charges paid to the Group's subcontractors accounted for approximately 7.2%, 6.0%, 3.7% and 2.9% of its cost of sales (including subcontracting charges) respectively. For each of the Track Record Period, purchase of semi-finished products from contractors accounted for approximately 36.6%, 41.4%, 31.9% and 26.7% of its cost of sales (including subcontracting charges) respectively. There can be no assurance that its business and operations will not be adversely affected if there is any disruption in production or delivery by these subcontractors or contractors and there can be no assurance that the quality of the products produced by its subcontractors or contractors can be maintained up to its required standards. Any failure in quality of the goods manufactured by the Group's subcontractors or contractors and sold under its brand may have an adverse effect on its business, reputation and financial condition.

Absence of building ownership certificates for properties in the Wan Zhou Factory and Bazu, Bianjia Village, Wanzhou District, Chongqing, the PRC

The Group holds the building ownership certificates for all of its owned properties except the property with gross floor area of 340 sq.m. ("Property A") situated in Bazu, Bianjia Village, Wanzhou District, Chongqing, the PRC (property numbered 2 in Appendix III to this prospectus). Such plot of land is pending for development by the Group and the buildings in Property A will be removed when development or construction commences. The Directors expect that the construction or development of the land will be commenced by the end of 2010.

Given Property A will be removed when the development or construction of the land commences, the PRC legal advisers to the Company consider that the Group is not in breach of the relevant laws and regulations in the PRC in relation to its use of Property A before obtaining the relevant building ownership certificate.

However, there is no assurance that the Group can obtain the relevant permit or building ownership certificate for Property A and failure to obtain the relevant permit or building ownership certificate if required might adversely affect the future plan of the Group.

Possible repayment of the difference between the lowest standard price and the purchase price of property numbered 3 in Appendix III to this prospectus and the relevant social welfare overall planning fee to the relevant department of the PRC Government

According to the Notice of the State Council regarding the issue of strengthening the control of land (《國務院關於加強土地調控有關問題的通知》(國發(2006)31號)) issued by the State Council of the PRC dated 31st August 2006, the sale price of industrial land must not be lower than the officially published lowest standard price. According to the regulations of the approval of the local government of the Wanzhou District (《邊家村五社出讓土地批覆》), the lowest standard price per square metre for a parcel of land situated in Wanzhou District Industrial Park, Shuanghekou, Wanzhou District, Chongqing, the PRC (property numbered 3 of Appendix III of this Prospectus) is RMB 144 (which means RMB 96,000 per mu). Therefore, the management committee of the Wanzhou District Industrial Park (萬州工業園區管委會) which bore the difference of RMB 31,000 per mu between the lowest standard price of RMB 96,000 per mu and the Group's purchase price of RMB 65,000 per mu and the social welfare overall planning fee (社會保障統籌費) of around RMB 800,000 to assist the Group to purchase the said land at a price lower than the lowest standard price commits an illegal behaviour of selling the stated-owned land below the lowest standard price.

As advised by the PRC legal advisers to the Company, the Group has no legal liability with respect to this transaction and the property concerned would never be subject to forfeiture to the relevant government authority for the reason of selling such stated-owned land below the lowest standard price by the management committee of the Wanzhou District Industrial Park, but the Group cannot guarantee that the Group will not be requested by any relevant department of the PRC Government to pay back the difference and the social welfare overall planning fee. The maximum amount of shortfall in the purchase price which the Group may be required to pay would not be more than RMB4,500,000.

By a deed of indemnity entered on 14 December 2009 by Mr. Tan, Mrs. Tan, Lead Charm, Fame Good, Ms. Tan Yao and Mr. Tan Cao as indemnifiers, whereby the indemnifiers agree to indemnify the Group, among other things, against any expenses which may be incurred or suffered by the Group if any relevant department of the PRC Government requested the Group to pay back the difference and the social welfare overall planning fee. Property numbered 3 of Appendix III of this prospectus has been given an indemnity against any expenses which may be incurred or suffered by the Group if any relevant department of the PRC Government requested the Group to pay back the difference and the social welfare overall planning fee.

Non-registered leases

As disclosed in Appendix III to this prospectus, leases for properties numbered 9 to 16 have not been duly registered with the relevant government authorities. The aggregate gross floor area for the non-registered properties accounted for approximately 8,041.28 sq.m., representing approximately 20.6% of the total gross floor area of properties held/occupied by the Group.

As advised by the PRC legal advisers to the Company, based on the Implementation of City's Property Leasing Management (城市房屋租賃管理辦法) and the verbal consultation from the real estate officers of the Ministry of Construction of the PRC, if the lessors do not register the leases properly or apply for leased property certificate (房屋租賃証), the lessors shall re-comply with the regulation and register the leases within the required timeframe and the lessors are subject to penalty of fine. According to the Implementation of City's Property Leasing Management (城市房屋租賃管理辦法) which has become effective on 1 June 1995, non-registration of the lease arrangements would not affect the legality of the relevant lease agreements. As such, the PRC legal advisers to the Company are of the opinion that the lease arrangements, which have not been duly registered, would remain enforceable against third parties. In addition, the non-registration of the lease arrangements for abovementioned properties rented by the Group would not affect the legality of the relevant lease agreements, and would not incur any unfavourable legal impact against the Group.

Based on the Directors' understanding, the individual or non-professional lessors are usually unwilling to assist the lessees to implement leasing registration procedures in the PRC in order to avoid complication of the said procedures. To the best of the Directors' knowledge and belief, in accordance with the PRC laws and regulations, the fine/penalty for the failure of the leasing registration will only be imposed on the lessors, but not on the Group as a lessee. In particular, based on the legal opinion provided by the Company's legal advisers on the PRC laws and regulations, each of the lessors of the non-registered properties (except property numbered 9 in Appendix III to this prospectus) has properly obtained the relevant building ownership certificates, whereby the lessors have the legal rights and capacities to lease the properties to lessees (i.e. the Group). The non-registration of the lease agreements would not affect the legality of the relevant lease agreements, and would not incur any unfavourable legal impact against the Group. The Group are urging its lessors to cooperate with the Group to complete the required leasing registrations, since lessee alone cannot effect such registrations under the applicable PRC regulations. However, if the required leasing registrations are not effected, the relevant government authorities have the right to request both the Group's lessors and the Group to complete such registrations. As far as the Directors understand, the relevant government authority in the PRC has not compulsorily enforced such registration so far. In an unlikely event that the Group's non-registered leases are compelled to be registered by the relevant government authority in the PRC, the Directors believe that it would take one month to complete the proper registration for all of the Group's non-registered leases provided that the relevant lessors fully co-operate to do so. If there is any dispute as to the ownership rights or the validity of the leases of these properties, the Group may have to move out from these properties.

The Directors are of the view that the non-registered properties are not crucial to the current operations of the Group. The non-registered properties merely accommodate spaces for office, logistic centres and lifestyle stores, and therefore are not crucial to business operations of the Group. The Directors consider that they do not foresee and would not encounter any difficulties for relocation of the Group's lifestyle stores to new areas in the vicinity of the existing ones, where necessary; while the estimated rental costs attributable thereto shall be in line with the market rate. In an unlikely event that the Group is compelled to move from the existing areas occupied by its lifestyle stores, the Directors would seek alternative suitable locations mainly through property advertisements, property agents and/or introduction by its staff and/or their friends. Relocation is not considered complicated as the Group does not have any production equipment thereat. The Directors estimate that the timing for re-location of each of such office, logistic centres and lifestyle stores would not be more than one week, since the Group will be able to move its existing personnel, equipment, furniture and fixtures to another property with minimal disruption of business. As such, the Directors do not foresee there will be material disruption to the Group's business operation, and therefore they are of the view that the potential costs for relocating any of its office, logistic centres and lifestyle stores would not be significant to the financial position of the Group.

Unclear title of one of the leased properties currently occupied by the Group

As advised by the PRC legal advisers to the Company, the lessor of Property numbered 9 in Appendix III to this prospectus ("Property 9") has not provided any title document to prove that it is the legal owner of Property 9 and therefore the title of Property 9 is unclear. If the proper legal owner of Property 9 is not Shunfeng Agricultural Resources Co., Ltd., the relevant lease agreement will be in full force and effect after the ratification or consent by the proper legal owner of Property 9. However, the proper legal owner may repudiate the existing lease agreement already entered between the Group and Shunfeng Agricultural Resources Co., Ltd., while the Group may be compelled to quit from the Property 9. If the proper legal owner of Property 9 is Shunfeng Agricultural Resources Co., Ltd., the relevant lease agreement is legal and in full force and effect. However, if Property 9 has not obtained a valid building ownership certificate under relevant PRC laws and regulations because of the reasons that the statutory building construction procedures have not been followed or complied with, or the land of Property 9 is not allowed to be used for non-agriculture construction purpose, such building may be forfeited or demolished by any relevant departments of the PRC government. Property 9 is currently occupied by the Group for storage of raw materials, which can be moved to other locations in Chongqing, such as the Wan Zhou Factory, within a reasonable short period of time with insignificant cost. It is the Group's current plan not to extend the existing lease already entered between the Group and Shunfeng Agricultural Resources Co., Ltd. and move to an alternative location when it will expire on 14 December 2010 should the unclear title not be clarified by that time.

The Group cannot guarantee that the lease of Property 9 will not be terminated if Shunfeng Agricultural Resources Co., Ltd. is not the legal owner of Property 9 under relevant PRC laws and regulations. The Group also cannot guarantee that the building erected on Property 9 will not be forfeited or demolished by any relevant departments of the PRC government if the said building has not obtained a valid building ownership certificate under relevant PRC laws and regulations because of the reasons including but not limited to the statutory building construction procedures have not been followed or complied with, or the land of Property 9 is not allowed to be used for non-agricultural construction purpose.

Moreover, the Group cannot guarantee that it will not be legally liable for any rents and/or other relevant payments to any person or legal entity (other than the said Shunfeng Agricultural Resources Co., Ltd.) which can prove its title or legal ownership of Property 9. Although the Group can take legal proceedings against Shunfeng Agricultural Resources Co., Ltd. to recover any losses and expenses suffered by the Group if Shunfeng Agricultural Resources Co., Ltd. is not the legal owner of Property 9, the Group cannot guarantee that the judgement will be in favour of the Group or Shunfeng Agricultural Resources Co., Ltd. will be able to pay damages to the Group. If the lease is terminated and/or Shunfeng Agricultural Resources Co., Ltd. is unable to indemnify the Group for its losses and expenses due to the unclear title of Property 9, the Group's financial position and business operation may be adversely affected.

Single production plant

The Group conducts all of its manufacturing activities in its only production plant in the Wan Zhou Factory located in Chongqing, the PRC. There was no interruption in or prolonged suspension of any substantial part of the Group's production facilities during the Track Record Period. Should there be any interruption in, or prolonged suspension of any substantial part of the production facilities, or any damage to or destruction of the production facilities arising from unexpected or catastrophic events, the Group's production and hence its operation and financial position will be adversely affected.

Seasonality

The Group's business is, to a certain extent, subject to seasonal fluctuations in sales. As advised by the Directors, higher sales are generally recorded prior to festivals/holidays as a result of the increased purchase of products from the franchisees to prepare for their peak seasons of retail sales during festivals/holidays in May (Labour Day), October (National Day), December (Christmas and New Year) and January/February (Lunar New Year). Although the festivals and holidays do not fluctuate significantly, there is no guarantee that the consumption habit of the Group's customers will not change significantly in the near future. If the consumption habit of the Group's customers changes significantly in the near future, its business performance and profit will be adversely affected.

Dividend policy

The Group declared a dividend of RMB16.0 million, RMB30.0 million, nil and RMB15 million for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively. The Directors confirm that the dividend payments were financed by the internal resources of the Group. The declaration and payment of dividends were made after careful consideration of the Group's retained profits, cash requirement and availability. There is no assurance that dividends of similar amounts or at similar rates will be made in the future and the past dividend payments referred to above should not be used as a reference for the Company's dividend policy, nor a basis to forecast the amount of dividends payable in the future.

Restriction to receive dividends from the PRC operating subsidiaries

The Company is incorporated in the Cayman Islands with its principal business activity engaged in investment holding. While the Group's operations are mainly conducted through its PRC subsidiaries, namely, Carpenter Tan, Little Carpenter and Ziqiang Muye, the ability of these subsidiaries to distribute dividend and other payments to the Company may be restricted by factors that may include changes in applicable foreign exchange and other relevant laws and regulations. In addition, the profit available for distribution for these PRC subsidiaries is determined in accordance with the PRC law and the generally accepted accounting principles in the PRC. The aforesaid recognition may be different from the recognition method as set out in the Hong Kong Financial Reporting Standards. As a result, the Company may not have sufficient distributions from its PRC subsidiaries to enable the required profit distributions to the Company or any distributions to the Shareholders in the future, which has been calculated based on the financial statements prepared under Hong Kong Financial Reporting Standards.

Potential product liabilities

To the best of the knowledge of the Directors, it is not common for the PRC manufacturers in small accessories industry to maintain insurance policies relating to third party liabilities or product liabilities. In addition, the Company was advised by its legal advisers as to PRC law that it is not a mandatory requirement for the Group to maintain third party liability and product liability insurance under the PRC laws. As at the Latest Practicable Date, as far as the Directors are aware and after making all reasonable enquiries, no legal claim was made against the Group arising from product defects. The Directors believe that, however, if the products manufactured by the Group contain defects which adversely affect its franchisees or end customers, the Group may incur additional costs in curing such defects or defending any legal proceedings or claims brought against the Group by its franchisees or end customers and may result in negative publicity. Although no legal claim had been made by any of its franchisees or end customers relating to the Group's products during the Track Record Period, there is no assurance that there will not be any product liabilities claims against the Group in the future. If any franchisees or end customers of the Group make any claim against the Group due to the defects of the Group's products, its profitability and business may be adversely affected.

Competition

The Directors consider that the competition in the PRC retail market in recent years has become increasingly intense. With the gradual liberalisation of the retail sector to foreign ownership, the Directors expect that competition will further intensify.

The Group's performance to a large extent depends on the sales to the franchisees. During the Track Record Period, sale of the Group's products to its franchisees accounted for approximately 94.2%, 91.3%, 87.9% and 88.3% of the Group's turnover respectively. As the franchisees are operating retail business involving the selling of small size accessories supplied by the Group and the franchisees' customers mainly purchase the Group's products for gift purpose, the Directors consider that other retail stores which offer any range of merchandise for gift purpose would affect the sales of the franchisees which in turn affects the Group's performance. There is no assurance that the Group will maintain its strong competitiveness in the future. To the extent that competitors become more successful with respect to key competitive factors such as brandname recognition, pricing, product range, product quality, distribution capabilities and services, the Group's business and profitability may be adversely affected.

Currency conversion and exchange rate risk

The Group receives a large portion of sales in RMB. For the three years ended 31 December 2008 and the six months ended 30 June 2009, over 96% of the Group's sales were settled in RMB, while the remaining sales were settled in US Dollar. Renminbi is currently not a freely convertible currency. In order for the Group to use revenue generated in RMB to make dividend payments to shareholders outside the PRC, some of the revenues of the Group will need to be converted into Hong Kong dollars. The principal regulation governing foreign currency exchange in the PRC is the "PRC Regulations on Foreign Exchange" (中華人民共和國外滙管理條例) (first promulgated in 1996 and amended in 1997 and 2008), and the "Regulations on the Sales and Purchase of and Payment in Foreign Exchange" (結滙、售滙及付滙管理規定) promulgated in 1996 as amended. Under the relevant PRC laws and regulations on foreign exchange, the Group may, in respect of transactions relating to current account items, such as the payment of dividends, effect payment through designated foreign exchange banks by presenting valid documents and commercial bills in accordance with the regulations issued by the State Council of the PRC on the sale and purchase of foreign exchange and making payments in foreign exchange. Foreign exchange transactions under capital account, including repatriation of capital, repayment of loans and securities investment, remain to be subject to foreign exchange controls and the approval of the State Administration of Foreign Exchange of the PRC (中國國家外滙管理局). These restrictions or imposition of more stringent restrictions on the convertibility of RMB, especially with respect to foreign exchange transactions, by the PRC regulatory authorities in future may therefore affect the Group's operation and its future plan to expand to overseas markets.

The value of the RMB against US Dollar, Euro Dollar and other foreign currencies is subject to changes in the PRC government's policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of RMB into foreign currencies, including Hong Kong, US and Euro Dollars, has been based on rates set by the People's Bank of China, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rates for the conversion of RMB to US or Euro Dollars were generally stable. On 20 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. There is no assurance that RMB will not be subject to devaluation or depreciation due to administrative or legislative intervention by the PRC government. Since the Group is required to convert RMB into Hong Kong Dollars for the payment of dividends to shareholders, any devaluation of RMB may have an adverse impact on the value of dividends payments settled in Hong Kong Dollars. Apart from that, since part of the sales of the Group were settled in Euro Dollars and US Dollars while its production costs are dominated in RMB, any substantial appreciation of RMB may have an adverse impact on the export performance or the profit margin of the Group.

Impact of the earthquake occurred in May 2008 in Sichuan Province, the PRC on the Group's operations

Although the Group's assets, operations and business had not been materially affected by the earthquake occurred in May 2008 in Sichuan Province, the PRC because its production site and headquarter are located in areas far away from the centre of the earthquake, the Group's turnover was inevitably affected to the extent of a decrease of approximately RMB14.5 million, or approximately 11.8%, from approximately RMB123.2 millions in 2007 because its franchisees have considerable business operations in the Sichuan Province of the PRC. To the best of the Directors' knowledge and belief, as at the Latest Practicable Date, the Group is not and will not be subject to any potential claims from employees/suppliers/customers etc. as a result of loss of lives or injury, breach of contracts arising from the earthquake occurred in May 2008 in Sichuan Province of the PRC.

Since the economy of the Sichuan Province of the PRC which had been adversely affected by the earthquake in 2008 is still under recovery, the Group cannot guarantee that its future turnover will not decrease if the recovery of the economy of the Sichuan Province of the PRC is worse and/or slower than that expected. In the event that the recovery of the economy of the Sichuan Province is worse and/or slower than that expected, the profitability of the Group may be adversely affected.

Moreover, since earthquake is a natural disaster or force majeure event which is out of control of the Group, the Group cannot guarantee that it will not be materially affected by any earthquake and/or other natural disasters which might occur in the future. If the Group is materially affected by any natural disaster or force majeure event unfortunately, the business operation and the profitability of the Group may be adversely affected.

RISKS RELATING TO THE INDUSTRY

Infringement of intellectual property rights

The Directors consider that the Group's trademarks, patents and similar intellectual property rights are critical to its success, and therefore have obtained or applied for registration of trademarks and patents on various products and designs as set out in the sub-paragraph headed "Intellectual property rights" under the paragraph headed "Further information about the business" in Appendix V to this prospectus.

Although the Group has endeavoured to protect its interest in the intellectual property rights and register its trademarks and patents in the PRC and overseas, there may be occasions where the Group has to initiate litigation and other legal actions to enforce its intellectual property rights effectively.

This can result in the Group incurring substantial legal costs and diversion of its resources. There had been one major incident of infringement of the Group's trademark during the Track Record Period against which it initiated the appropriate legal proceedings. Following the relevant hearing and appeal concerning the case, a final judgement in favour of the Group was handed down in 2006. There is no assurance that the trademarks, patents and similar intellectual property rights of the Group will not be infringed again in the future. In addition, litigation may be necessary in the future to enforce the Group's intellectual property rights or determine the validity and scope of the proprietary rights of others, all of which could result in substantial costs and diversion of the Group's resources and its management's time, as a result, significantly harming its business.

Uncertain economic outlook

The Group's business is, to a large extent, subject to the general economic condition of the PRC. While the PRC has been experiencing a consistent GDP growth and is expected to continue the growth trend, there is no assurance that the general economic conditions of the PRC will continue to improve.

It is generally expected among the economists and analysts that, in the short term, the growth of the PRC economy may be slowing down and the global political conditions may become unstable. If the PRC political and economic conditions deteriorate in the near future, the Group's business performance, future plans and operations will be adversely affected.

RISKS RELATING TO THE PRC

Political and social considerations

Since 1978, the PRC government has been undergoing a series of reforms, with emphasis on its political systems. Such reforms have resulted in significant economic growth and social progress and many of the reforms are expected to be refined and improved. Other political and social factors may also lead to further readjustment and refinement of the reform measures. There is no assurance that such reform measures introduced by the PRC government will have a favourable effect on the operations of the Group. The Group's performance may be adversely affected by changes in the PRC political and social conditions resulting from changes in the policies adopted by the PRC government.

Economic and legal considerations

The economy of the PRC has been transformed from a planned economy to a market economy with socialist characteristics. It is uncertain that the PRC government's pursuit for economic reforms will not be slowed down.

Since the PRC's adoption of the open-door policy in 1978, the trend of the PRC's legislation has, on the whole, significantly enhanced the protection afforded to foreign investors in the PRC. However, as the PRC legal system matures, there is no assurance that changes in its legislation or the related interpretation will not have an adverse effect on the business and prospects of the Group.

RISKS RELATING TO THE SHARE OFFER

Liquidity and possible price volatility of the Shares

Prior to the Share Offer, there has been no public market for the Shares. The Offer Price may not be indicative of the price at which the Shares will trade following the completion of the Share Offer. In addition, there is no assurance that an active trading market for the Shares, if it does develop, that it will be sustained following the completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price. Prices for the Shares may also fluctuate significantly.

The trading price of the Shares subsequent to the Share Offer may also be subject to significant volatility in response to, amongst other factors, the following:

- investor perceptions of the Group and the its future plans and prospects;
- variations in the operating results of the Group;
- changes in pricing policies by the Group or its competitors;
- changes in the Group's key and senior management; and
- general economic conditions and other factors.

Shareholders' interests in the Company may be diluted in the future

The Group may need to raise additional funds in the future to finance expansion of, or new developments relating to, its existing operations or new acquisitions. If such additional funds are raised or such acquisitions are made through the issuance of new equity or equity-linked securities of the Company, other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders may be reduced, Shareholders may experience dilution and/or such securities may have rights, preferences and privileges senior to those of the Shares.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

(a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this prospectus misleading; and

(c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer by the Company of 6,250,000 New Shares under the Public Offer (subject to re-allocation) and 56,250,000 New Shares under the Placing (subject to the Over-allotment Option and re-allocation), in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure of the Share Offer" in this prospectus. This prospectus and the application forms relating thereto set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by the Sponsor and managed by the Lead Manager and is expected to be fully underwritten by the Underwriters as referred to in the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" in this prospectus.

DETERMINING OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date. For full information relating to fixing of the Offer Price, please refer to the section headed "Structure of the Share Offer" in this prospectus.

SPONSOR'S INDEPENDENCE

First Shanghai Capital satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Lead Manager, the Underwriters, and any of their respective directors or any other person involved in the Share Offer.

OVER-ALLOTMENT OPTION

Under the Placing Underwriting Agreement, the Company has granted to the Lead Manager the right but not the obligation to exercise the Over-allotment Option within 30 days of the date of this prospectus. Under the Over-allotment Option, the Lead Manager will have the right to require the Company to issue up to 9,375,000 additional new Shares, representing 15% of the number of Shares initially available under the Share Offer, on the same terms as those applicable to the Placing and the Public Offer, as the case may be, to cover over-allocations in the Placing, if any. These Shares will be issued at the Offer Price. In connection with the Share Offer, the Lead Manager may, at its option, also cover any over-allocations by, among other means, stock borrowing and/or the purchase of Shares in the secondary market. Any such secondary market purchases will be made at price not higher than the final Offer Price and in compliance with all applicable laws, rules and regulations. The maximum number of the Shares that may be over-allocated in the Placing shall not exceed the number of Shares that may be allotted and issued under the Over-allotment Option.

Further details with respect to stablisation and the Over-allotment Option are set out in the section headed "Structure of the Share Offer" in this prospectus.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, on the Main Board the Shares in issue, Shares to be issued under the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

No part of the Company's share or loan capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek the listing of or permission to deal in its Shares and loan capital on any other stock exchange.

STAMP DUTY

All Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) will be registered on the Company's branch register of members maintained in Hong Kong. Only Shares registered in the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in Shares registered in the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Offer Shares, you should consult an expert.

None of the Company, the Directors, the Sponsor, the Lead Manager, the Underwriters, their respective directors, officers, agents or representatives and every other person involved in the Share Offer accept responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding, disposing of or dealing in the Offer Shares.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and in the relevant application forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure of the Share Offer" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interests and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 29 December 2009.

The Shares will be traded in board lots of 2,000 Shares each.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, the Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors of the Company must be ordinarily resident in Hong Kong. As the business and operation of the Group are primarily located, managed and conducted in the PRC through its major operating subsidiaries, Carpenter Tan, Ziqiang Muye and Little Carpenter, the senior management members of the Group are therefore based in the PRC. As at the Latest Practicable Date, Mr. Chan Hon Wan, the company secretary and qualified accountant of the Company, is ordinarily resident in Hong Kong and none of the executive Directors are Hong Kong residents or based in Hong Kong. The Directors believe that it would be practically difficult and commercially infeasible for the Company to appoint two Hong Kong residents as executive Directors or to relocate the Company's executive Directors who are resident in the PRC to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, the Company will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and the Company:

(a) The Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange and ensure that the Company complies with the Listing Rules at all times. The two authorised representatives are Mr. Chan Hon Wan, the company secretary and qualified accountant of the Company who is ordinarily resident in Hong Kong, and Mr. Geng Chang Sheng, an executive Director. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and email to promptly address inquiries for the Stock Exchange. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange. Mr. Chan Hon Wan and Mr. Geng Chang Sheng will also be authorised to accept service of legal process and notices in Hong Kong on behalf of the Company.

(b) Each of the authorised representatives has means to contact all members of the board of Directors (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communications between the Stock Exchange or the authorised representatives and the Directors, the Company will implement a policy that (i) each executive Director, non-executive Director and independent non-executive Director will have to provide their respective mobile and office phone numbers, residential phone numbers and fax numbers and email addresses, if applicable, to the authorised representatives; (ii) in the event that a Director expects to travel and be out of office, he or she will have to provide the phone number of the place of his or her accommodation to the authorised representatives; and (iii) all the executive Directors, non-executive

Directors, independent non-executive Directors and authorised representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses, if applicable to the Stock Exchange.

(c) In compliance with Rule 3A.19 of the Listing Rules, the Company has appointed First Shanghai Capital as the compliance adviser of the Company for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of its initial listing. The compliance adviser will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong. The compliance adviser will, in addition to the authorised representatives and alternative authorised representative, act as an additional channel of communication with the Stock Exchange.

(d) In addition, for those Directors (including executive Directors, non-executive Directors and independent non-executive Directors) who are not ordinarily resident in Hong Kong should possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Tan Chuan Hua	17-2-6 Jiazhou Garden Yubei District Chongqing, the PRC	Chinese
Mr. Geng Chang Sheng	5-4-2 No. 60 Linjiang Road Yuzhong District Chongqing, the PRC	Chinese
Non-executive Directors		
Mr. Tan Cao	B5-7-2 No. 99 Honghuang Road Yubei District Chongqing, the PRC	Chinese
Mr. Liu Chang	No. 243 Group 19 Nanguan Street Kuandian Town Manzu Autonomous County Kuandian Liaoning Province the PRC	Chinese
Independent non-executive Directors		
Madam Du Xin Li	No. 202 Unit 4 24/F Western District Baiwangjiayuan Malianwa, Haidian District Beijing, the PRC	Chinese
Mr. Yu Ming Yang	Room 2002 Block 16 Xinhua Shijiyuan 726 Xinhua Road Changning District Shanghai, the PRC	Chinese
Mr. Chau Kam Wing, Donald	Flat C, 11th Floor Block 5 Park Island No. 8 Park Lai Road Ma Wan New Territories Hong Kong	Chinese

PARTIES INVOLVED

Sponsor	First Shanghai Capital Limited 19th Floor Wing On House 71 Des Voeux Road Central Hong Kong
Placing Underwriters	First Shanghai Securities Limited 19th Floor Wing On House 71 Des Voeux Road Central Hong Kong
	Cinda International Capital Limited 45/F COSCO Tower 183 Queen's Road Central Hong Kong
	Oriental Patron Securities Limited Suite 2701-3 & 2705-8 27/F Two Exchange Square 8 Connaught Place Central Hong Kong
Public Offer Underwriters	First Shanghai Securities Limited 19th Floor Wing On House 71 Des Voeux Road Central Hong Kong
	Cinda International Capital Limited 45/F COSCO Tower 183 Queen's Road Central Hong Kong
	Oriental Patron Securities Limited Suite 2701-3 & 2705-8 27/F Two Exchange Square 8 Connaught Place Central Hong Kong

Legal advisers on Hong Kong law	*To the Company:* Hastings & Co. 5th Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong *To the Underwriters:* Angela Ho & Associates 1106, Tower 1 Lippo Centre 89 Queensway Hong Kong
Legal advisers to the Company on Cayman Islands law	Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Company on PRC law	Global Law Office 15th Floor, Tower 1 China Central Place No. 81 Jianguo Road Chaoyang District Beijing The PRC
Auditors and reporting accountants	CCIF CPA Limited *Certified Public Accountants* 20th Floor, Sunning Plaza 10 Hysan Avenue Causeway Bay Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 10th Floor, Jardine House 1 Connaught Place Central Hong Kong

Receiving banker	Standard Chartered Bank (Hong Kong) Limited 15th Floor Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter	43rd Floor Future International Building Guanyinqiao Jiangbei District Chongqing The PRC
Principal place of business in Hong Kong	5th Floor, Block C Seaview Estate 2-8 Watson Road North Point Hong Kong
Company secretary	Mr. Chan Hon Wan *CPA*
Authorised representatives	Mr. Geng Chang Sheng 5th Floor, Block C Seaview Estate 2-8 Watson Road North Point Hong Kong Mr. Chan Hon Wan Flat F, 26/F, Block 1 Tung Chung Crescent Tung Chung New Territories Hong Kong
Members of the audit committee	Mr. Chau Kam Wing, Donald (Chairman) Madam Du Xin Li Mr. Yu Ming Yang
Members of the remuneration committee	Mr. Chau Kam Wing, Donald (Chairman) Madam Du Xin Li Mr. Yu Ming Yang
Compliance adviser	First Shanghai Capital Limited 19th Floor Wing On House 71 Des Voeux Road Central Hong Kong

Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	China Construction Bank No. 14 Datong Street Yuzhong District Chongqing, the PRC
	Agricultural Bank of China Chongqing Branch Wanzhou Fen Hang Ying Ye Bu 222 Taibai Road Wanzhou Chongqing, the PRC
	Bank of China Chongqing Wanzhou branch 121 Baiyan Road Wanzhou District Chongqing, the PRC
	Wanzhou Commercial Bank Baiyan Road branch, Guoben Road sub-branch 102 Guoben Road Wanzhou District Chongqing, the PRC

Certain information provided in this section is derived from various official government sources. The Company and the Sponsor have exercised reasonable care in reproducing such information from the sources referred to in this prospectus. Such information, however, has not been prepared or independently verified by the Company, the Sponsor, the Lead Manager, the Underwriters or their respective directors or advisers. The Company, the Sponsor, the Lead Manager, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer make no representation as to the accuracy or completeness of this information, which may not be consistent with information compiled from other sources, and accordingly such information contained in this section may not be accurate and should not be unduly relied upon.

INTRODUCTION

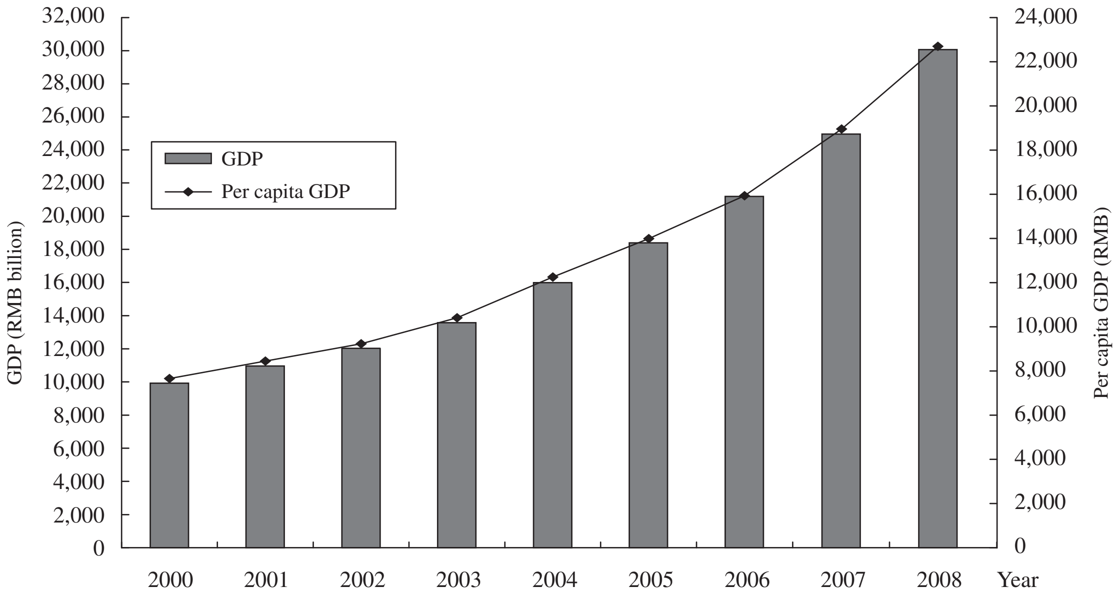
The Group is principally engaged in (i) the design, manufacture and distribution of small size wooden accessories which are mainly made of natural wood and designed with traditional Chinese cultural features and with high artistic qualities; and (ii) the operation of a franchise network. As far as the Directors are aware, there are no official or industry statistics available in the PRC, the principal market of the Group, in respect of the manufacture and sale of the same category of small size accessories as those produced and sold by the Group. However, as the Group sells the products to its franchisees which in turn sell the products to the retail customers in the PRC, the Directors are of the view that the retail consumption power in the PRC is one of the most decisive factors for the Group's business.

OVERVIEW OF THE PRC ECONOMY

The PRC economy has achieved significant growth since the economic reform in the late 1970s, a trend which has accelerated in the past decade especially after its accession to the World Trade Organisation in 2001. Nowadays, the PRC has been one of the fastest growing economies in the world. According to the World Bank, the PRC recently became the world's fourth largest economy and third largest trading nation.

According to the National Bureau of Statistics of China, GDP of the PRC increased from approximately RMB9,921.5 billion in 2000 to approximately RMB30,067.0 billion in 2008, representing a compound annual growth rate ("CAGR") of approximately 14.9%. Per capita GDP of the PRC increased from approximately RMB7,858 in 2000 to approximately RMB22,698 in 2008, representing a CAGR of about 14.2%. The chart below illustrates the GDP and per capita GDP of the PRC from 2000 to 2008:

GDP and per capita GDP of the PRC (2000-2008)



Source: National Bureau of Statistics of China and <China Statistics Yearbooks>

It is generally believed that economic growth in the PRC will continue. According to a report by the International Monetary Fund, it is estimated that real GDP in the PRC will grow at an annual growth rate of 9.3% in 2009, which would outpace most of the economies in the world. The table below illustrates the forecast growth rate of real GDP in major economies in the world by the International Monetary Fund in 2009:

	2009 forecast
	(%)
The PRC	9.3
Developing Asia	7.7
Advanced Economies	0.5
The United States	0.1
Euro Area	0.2
United Kingdom	-0.1
Japan	0.5
Hong Kong	3.5
Singapore	3.5

Source: International Monetary Fund, World Economic Outlook Database, October 2008

Disposable income and consumption expenditure

Strong economic growth and the growth in GDP per capita have resulted in improvements in the living standard and purchasing power of the people in the PRC. This is evidenced by the gradual increase in the average income level in the PRC, in particular, among urban residents. During 2000 to 2008, per capita annual disposable income of urban residents grew from approximately RMB6,280 in 2000 to approximately RMB15,781 in 2008, representing a CAGR of about 12.2%. Per capita annual consumption expenditures of urban households increased from approximately RMB4,998 in 2000 to approximately RMB11,243 in 2008, representing a CAGR of about 10.7%. The table below illustrates the change in per capita annual disposable income of urban households in the PRC during the period from 2000 to 2008 and the change in per capita annual consumption expenditures of urban households in the PRC during the period from 2000 to 2008:

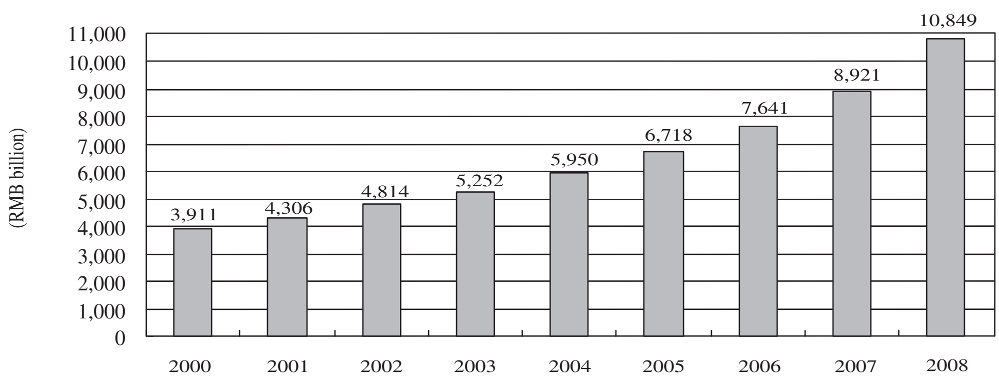
	2000	2004	2005	2006	2007	2008
Per capita annual disposable income of urban households (RMB)	6,280	9,422	10,493	11,759	13,786	15,781
Per capita annual consumption expenditures of urban households (RMB)	4,998	7,182	7,943	8,697	9,997	11,243

Source: National Bureau of Statistics of China and <China Statistics Yearbooks>

TOTAL RETAIL SALES OF CONSUMER GOODS

During 2000 to 2008, the total retail sales of consumer goods in the PRC grew from about RMB3,910.6 billion in 2000 to RMB10,848.8 billion in 2008, representing a CAGR of about 13.6%. The chart below sets forth total retail sales of consumer goods in the PRC from 2000 to 2008.

Total retail sales of consumer goods in the PRC

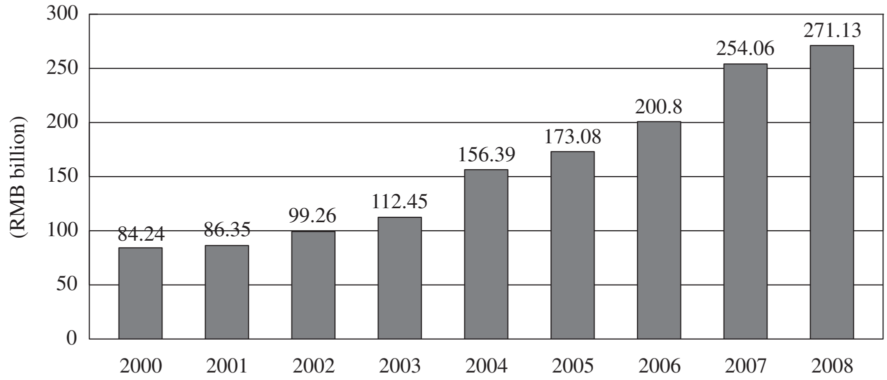


Source: National Bureau of Statistics of China and <China Statistics Yearbooks>

SALE VALUES OF ACCESSORIES FOR DAILY USE

During 2000 to 2008, the sale values of accessories for daily use by wholesale and retail enterprises above designated size (wholesale enterprises having 20 or more employees at year-end with annual sales over RMB20 million and retail enterprises having 60 or more employees at year-end with annual sales over RMB5 million) in the PRC grew from about RMB84.2 billion in 2000 to RMB271.1 billion in 2008, representing a CAGR of about 18.7%. The chart below sets forth the sale values of accessories for daily use by wholesale and retail enterprises above designated size in the PRC from 2000 to 2008.

Sale values of accessories for daily use by wholesale and retail enterprises above designated size in the PRC

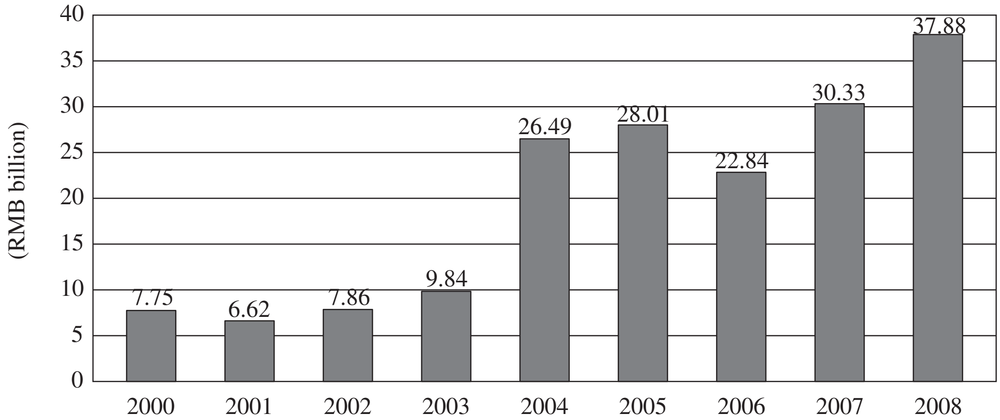


Source: National Bureau of Statistics of China and <China Statistics Yearbooks>

SALE VALUES OF WOOD AND WOODEN PRODUCTS

During 2000 to 2008, the sale values of wood and wooden products by wholesale and retail enterprises above designated size in the PRC grew from about RMB7.7 billion in 2000 to RMB37.9 billion in 2008, representing a CAGR of about 22.0%. The chart below sets forth the sale values of wood and wooden products by wholesale and retail enterprises above designated size in the PRC from 2000 to 2008, during the period consumption tax was imposed on certain kinds of wood and wooden products in the PRC in 2006.

Sale values of wood and wooden products by wholesale and retail enterprises above designated size in the PRC



Source: National Bureau of Statistics of China and <China Statistics Yearbooks>

Population

The PRC is one of the most populated countries in the world and its population has grown continuously over the past decade. The population of the PRC had a CAGR of approximately 0.6% between 2000 and 2008. The population of the PRC was over 1.32 billion in 2008 whilst the urbanisation rate increased from approximately 36.2% in 2000 to approximately 45.7% in 2008. According to the China National Population and Family Planning Commission of China, the population will reach 1.36 billion and 1.45 billion in 2010 and 2020, respectively. It is expected that with the increasing urbanisation rate, there are tremendous opportunities of growth in the retail sector in the PRC in the future. The table below shows the population growth and urbanisation rate in the PRC during the period from 2000 to 2008.

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Population (million)	1,267.4	1,276.3	1,284.5	1,292.3	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0
Urbanisation rate (%)	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	45.7

Source: National Bureau of Statistics of China and <China Statistics Yearbooks>

Tourist

The Directors consider the Group's accessories, which are mainly made of natural wood and designed with traditional Chinese cultural features, are appealing to foreign tourists.

According to the research in tourist development, the total number of international tourists grew from around 83.4 million in 2000 to around 130.0 million in 2008, representing a CAGR of about 5.7% while that of domestic tourists grew from 744 million in 2000 to 1,712 million in 2008, representing a CAGR of about 11.0%.

According to the National Bureau of Statistics of China, the international tourism earnings increased from approximately US$16.2 billion in 2000 to approximately US$40.8 billion in 2008, representing a CAGR of about 12.2% while that of domestic tourism earnings increased from approximately RMB317.6 billion in 2000 to approximately RMB874.9 billion in 2008, representing a CAGR of about 13.5%.

The PRC hosted the 2008 Olympic Games in Beijing. It is expected that the successful hosting of the Olympic Games will increase the number of tourists visiting in the future, and at the same time increase the public's awareness on retail sales in the PRC.

REGULATIONS CONCERNING THE WOODEN INDUSTRY IN THE PRC

The State Council of the PRC issued The Forestry Law of the People's Republic of China (中華人民共和國森林法) in January 1985 and issued the Regulations for the Implementation of the Forestry Law of the PRC (中華人民共和國森林法實施條例) (the "Forestry Regulations") in January 2000, being the regulations for wooden and bamboo's industry in the PRC. Under article 34 of the Forestry Regulations, purchases of wood and bamboo and operating wooden and bamboo's value added processing businesses in the forest region is subject to the approval by county-level or higher government forestry administration division.

REGULATIONS CONCERNING VALUE-ADDED TAX IN THE PRC

Pursuant to the Provisional Regulations of PRC Value-Added Tax (中華人民共和國增值稅暫行條例), except for (1) self-produced agricultural products sold by agricultural producers, (2) contraceptive medicines and devices, (3) antique books, (4) imported instruments and equipment for scientific research, experiment and education, (5) imported materials and equipment from foreign governments and international organisations as assistance free of charge, (6) articles imported directly by organisations for the disabled for special use by the disabled, and (7) sale of second-hand goods, all other commodities for sale in the PRC are regarded as value added products and sale of such products shall be subjected to VAT.

REGULATIONS CONCERNING FRANCHISE BUSINESS IN THE PRC AND THE UNITED STATES

Under the Management of Franchise Business (商業特許經營管理辦法) in relation to the franchised businesses issued by the Ministry of Commerce of the PRC, the foreign investment enterprises with franchised businesses should apply to Chongqing City Administration Bureau for Industry and Commerce (重慶市工商行政管理局) for an addition of "engagement in business activities by way of franchise" (以特許經營方式從事商業活動) in the operating scope.

Pursuant to the Regulation on the Administration Measures on Commercial Franchises (商業特許經營管理條例) (the "Franchise Regulation") effective on 1 May 2007, a franchisor conducting franchise operation should have at least two self-owned shops which shall have been operated by the franchisor for more than one year. For the franchisor who has entered into a new franchise agreement with franchisee, save for the renewal of a prior franchise agreement, should register with and file its information to the relevant commercial ministry authorities within 15 days from the date of entering into the relevant franchise agreement. The Franchise Regulation also requires the franchisors to provide prospective franchisees with detailed information on its franchise operation.

For the franchisees who had been engaged in franchise operation prior to 1 May 2007 should register with and file its information to the relevant commercial ministry authorities within one year from the date of implementation of the Franchise Regulation.

If there are any changes for the filed information, the franchisor should notice to the relevant commercial ministry authorities and remedy the filed information within 30 days from the date of the changes in the filed information. There is also a disclosure requirement under the Franchise Regulation which the franchisor should follow for the information disclosure to the public.

For the franchise regulations in the United States, at the federal level, the 1979 Federal Trade Commission ("FTC") Rule on disclosure requirements as amended, effective on 1 July 2007 applying to all 50 states, requires the franchisors to provide prospective franchisees with detailed information on its franchise operation and the franchise agreement as stipulated in the FTC Rule. While at state level the majority of states have no legislation regulating franchising, the State of New York has however adopted legislation requiring disclosure, of which the State of New York requires the registration of the disclosure document, and the franchisor is subject to a process of registration and examination by state administrators.

THE FRANCHISE SECTOR IN THE PRC

In the PRC, the franchisors which possess operational resources such as registered trademarks, brandnames, patents and exclusive skills generally license the franchisees to use those operational resources on a contractual basis. The franchisees then operate on the unified operating mode in accordance with the terms of the relevant franchise agreements entered into with the franchisors, and accordingly pay the franchisee fees to the franchisors.

The franchise sector in the PRC has grown steadily since 2000. According to the 2008 China Franchise Development Report jointly published by the Ministry of Commerce of the PRC and China Chain Store and Franchise Association, China had over 2,800 franchise chains and more than 260,000 franchised stores by the end of 2007. The average number of stores for each franchise business was approximately 93 by the end of 2007, of which approximately 11 stores were self-owned by the franchisors.

To the best of the Directors' knowledge and belief, save for the differences in the regulating environment as described in the paragraph headed "Regulations Concerning Franchise Business in the PRC and the United States" above, there is no material difference in the franchising arrangements typically found in the PRC and the United States.

HISTORY AND DEVELOPMENT

Development milestones

The history of the Group dates back to 6 March 1997 when Carpenter Tan was established, the then principal business of Carpenter Tan was manufacture and sale of a series of small size wooden handicrafts including wooden combs. Subsequent to the injection of assets and liabilities from Mr. Tan and Mrs. Tan, whereas they acquired such assets and liabilities from Chongqing City Wanzhou Qu Sanxia Handicraft Company (重慶市萬州區三峽工藝品公司) ("Sanxia") pursuant to a sale and purchase agreement, Carpenter Tan rented an area in Wanzhou District, Chongqing, the PRC as its office and production site. Details of the injection of assets and liabilities from Mr. Tan and Mrs. Tan are set out in the subsection headed "Shareholding" below in this section.

With the development of the wooden comb market and the aim of enhancing market awareness towards the Group's products, Carpenter Tan then manufactured and sold the wooden combs through the brandname "Carpenter Tan" (譚木匠) and Sanxia registered the trademark "Carpenter Tan" (譚木匠) in the PRC in June 1997 and subsequently transferred it to Carpenter Tan through the injection of assets and liabilities of Sanxia by Mr. Tan and Mrs. Tan. In the same year, the Group introduced box sets into the market.

Since the establishment of Carpenter Tan, Carpenter Tan has employed a number of workers who have fulfilled the definition of employees with disabilities, Carpenter Tan therefore was regarded as a social welfare enterprise (社會福利企業) in the PRC and obtained a social welfare enterprise status in May 1998. Please refer to subsection headed "Licences and regulatory approvals" below in this section for the criteria to be regarded as a social welfare enterprise in the PRC.

Sales of Carpenter Tan's products were initially conducted through consignment counters located in various shopping malls and the sales team members in different areas in the PRC. As the Group had experienced difficulties in collecting payments from consignment counters, it decided to change its sales channel and began the franchise programme which it considered to be a more cost-efficient approach to build up the Group's sales network. Carpenter Tan entered into the first franchise agreement in March 1998 with an independent franchisee to set up the first franchise shop in Sichuan, the PRC for the sale of its products. As at 31 December 1998, the Group's annual production output was approximately 535,000 pieces, and a total of 10 franchise shops were established in Chongqing, Sichuan, Hubei, Hunan, Shanxi and Shaanxi of the PRC. Since the introduction of the franchise programme, the Group's products have then mainly been sold to the franchisees and the rest through direct sales, wholesalers and/or distributors.

In 1999, the Group diversified its product range by commencing the production and sale of pocket size wooden mirrors.

In 2000, the Group introduced different artistic features of combs and mirrors to the market, such as painted combs, painted mirrors, scented combs and mirrors with photo frames. At the end of 2000, the Group's annual production output had increased to approximately 1,000,000 pieces, and a total of 59 franchise shops were established which covered 20 municipalities in different regions in the PRC including Chongqing, Sichuan, Shanxi, Henan, Shandong, Yunnan, Hubei, Jiangsu, Shaanxi, Liaoning, Anhui, Hebei, Zhejiang, Gansu, Guangxi, Ningxia, Xinjiang, Guizhou, Hunan and Beijing.

In 2001, the Group further introduced sandalwood mirrors to the market and commenced to source other accessories from contractors for further processing and selling to franchisees. Meanwhile, to cope with the expansion of the Group's business and the increasing number of franchisees, it rented a warehouse with usable floor area of approximately 700 sq.m. in Chongqing, the PRC in March 2001 as its logistic centre. It expanded its logistic centre in Chongqing, the PRC by renting an additional usable floor area of approximately 700 sq.m. in February 2002.

In order to increase the Group's production capability, Carpenter Tan entered into an agreement with Wanzhou District Asset Operation Company (萬州區資產經營公司), an Independent Third Party, to acquire the Wan Zhou Factory (property numbered 1 in Appendix III to this prospectus) at a consideration of RMB15,810,000 to establish its production base in November 2001 and it relocated its production facilities to Wan Zhou Factory in March 2002. In addition, the Group acquired a property in Chongqing, the PRC with a gross floor area of approximately 577.96 sq.m. used as the headquarters of the Group in 2002.

At the end of 2002, the Group's annual production output increased to approximately 2,400,000 pieces, and a total of 174 franchise shops were established which covered 29 municipalities in different regions of the PRC including Guangdong, Fujian, inner Mongolia, Guizhou, Jilin, Jiangxi, Hainan, Heilongjiang, Sichuan, Hunan, Shanxi, Henan, Shandong, Yunnan, Hubei, Jiangsu, Shaanxi, Liaoning, Anhui, Hebei, Zhejiang, Gansu, Guangxi, Ningxia, Xinjiang, Chongqing, Tianjin, Beijing and Shanghai.

The Group set up Little Carpenter in August 2003 which sells its wooden products through wholesalers or distributors and targeted to the lower-end market. The office of Little Carpenter is located in a property at Baiyan Road, Chongqing, the PRC which was leased from an Independent Third Party.

In the second half of 2003, the Group introduced combs and mirrors which were made of mixed materials, including wood and horns. To further cope with the expansion of the Group's business and the increasing number of franchisees, it rented a warehouse with gross floor area of approximately 2,070 sq.m. in Chongqing, the PRC in March 2004. It expanded its original logistic centre in Chongqing, the PRC by renting an additional usable floor area of approximately 835 sq.m. in August 2005.

In March 2004, Carpenter Tan was awarded ISO9001:2000 certification relating to the quality of management and effectiveness of quality control measures of Carpenter Tan.

To cope with the growth of the Group's business scale and with the purpose to streamline its business by separating its franchise operation business and the major manufacturing activities, the Group established Ziqiang Muye in February 2004, which concentrates on carrying out major manufacturing activities of the Group (manufacturing of combs). The Directors consider that such separation of operation business and major manufacturing activities allows a clearer delineation of businesses for the purpose of better control and monitoring of the Group's functional activities. In the same year, Ziqiang Muye obtained a social welfare enterprise permit from Chongqing City Civil Affairs Bureau (重慶市民政局) and was regarded as a social welfare enterprise (社會福利企業) in the PRC. In June 2004, Carpenter Tan terminated the employment contracts with its disabled workers and all these disabled workers entered into employment contracts with Ziqiang Muye, Carpenter Tan then no longer fulfilled the criteria as a social welfare enterprise after July 2004. Ziqiang Muye is principally engaged in the manufacture of small size accessories including wooden combs while Carpenter Tan focuses on the production of mirrors and sourcing/processing of other accessories. Since its incorporation, the production of Ziqiang Muye has been carried out in the Wan Zhou Factory. Carpenter Tan then purchases wooden combs finished by Ziqiang Muye and resells the combs to the franchise shops.

At the end of 2005, the Group's annual production output increased to approximately 3.2 million pieces, and a total of 370 franchise shops were established which covered over 30 municipalities in different regions of the PRC including Guangdong, Fujian, inner Mongolia, Guizhou, Jilin, Jiangxi, Hainan, Heilongjiang, Sichuan, Hunan, Shanxi, Henan, Shandong, Yunnan, Hubei, Jiangsu, Shaanxi, Liaoning, Anhui, Hebei, Zhejiang, Gansu, Guangxi, Ningxia, Xinjiang, Chongqing, Tianjin, Beijing, Shanghai and Tibet.

As a trial to enter into the furniture market, a cooperation agreement and a supplemental cooperation agreement were entered into between Carpenter Tan and Mr. Su on 10 August 2003 and 20 December 2003 respectively. Mr. Su was an employee of Carpenter Tan during the period from February 2000 to August 2003 and became a shareholder of Carpenter Tan in June 2003 and is currently holding 2.98% of the shareholding interests in Fame Good. Save as the aforesaid, Mr. Su is not connected with the Group, its directors, senior management and shareholders. Considering the sourcing network and sales experience of Mr. Su, his insight and knowledge in the furniture market and his understanding of the Group's culture, the Group entered into the aforesaid cooperation agreement and supplemental cooperation agreement with Mr. Su with the purpose to enhance public awareness towards the Group's brandname "Carpenter Tan" and as a trial to enter into the furniture market whereas to lower the risk during the initial set-up stage of a new business.

Pursuant to the aforesaid cooperation agreement and supplemental cooperation agreement, Carpenter Tan agreed to lend a maximum amount up to RMB3.8 million to Mr. Su as registered capital and development fund for the opening of a furniture shop in Chongqing and the right to use the Group's brandname "Carpenter Tan". Mr. Su, in return, would provide the Group with information and industry research for the PRC's furniture market. The furniture shop had to be operated by Mr. Su and Mr. Su should complete all the relevant procedures and opened the said furniture shop within one year from the date of the cooperation agreement. In November 2003, Mr. Su opened a furniture shop in Chongqing, the PRC.

On 10 October 2005, the Group entered into a repayment agreement with Mr. Su to calculate the accumulated amount of loan lent to Mr. Su under the cooperation agreement and the supplemental cooperation agreement, which accounted for RMB3,663,326.70, and both parties agreed that such accumulated loan should be repaid by Mr. Su on or before 31 December 2005. On 10 October 2005, the Group further entered into a trademark licence agreement (商標使用許可協議) (and supplemented by a supplemental trademark licence agreement dated 28 October 2005) with Mr. Su, in which the Group granted Mr. Su the right to use the Group's trademark "Carpenter Tan" exclusively with a term of two years for the outlook and furniture of his furniture shop in Chongqing, the PRC and Mr. Su in return pays the Group RMB3,000 monthly licence fee which is settled on an annual basis starting from 1 November 2005. The Group shall monitor the purchase process and quality of those products using the Group's brandname and Mr. Su shall be responsible for operation of the shop, sourcing of products and bear all the risks, including litigation and product liability of all products sold in the furniture shop operated by him. The Group conducted random visits to review and inspect the quality of the products sold by Mr. Su. On 28 October 2005, according to the terms of the aforesaid repayment agreement, Mr. Su had fully repaid the loan of RMB3,663,326.70 under the cooperation agreement and the supplemental cooperation agreement to the Group. As advised by the Directors, subsequent to the repayment of the aforesaid loan, all the obligations of Mr. Su under the cooperation agreement and the supplemental cooperation agreement had been fulfilled and therefore the said agreements had been completed by virtue of the fulfilment of all obligations thereunder. Since then, Mr. Su continues to operate his furniture shop pursuant to the trademark licence agreement and the supplemental licence agreement. However, Mr. Su was informed that the location of his furniture shop will be disassembled and his furniture shop has been closed in June 2007 and the trademark licence arrangement entered into between the Group and Mr. Su therefore terminated pursuant to a termination agreement dated 30 June 2007. More information about the transactions between Mr. Su and the Group is set out in note 37 under the heading of "Related party transactions" in Appendix I to this prospectus.

In order to penetrate into the high-end accessories market, on 25 April 2006, the Group established CQMY with the business scope of manufacturing, processing and sale of household products or accessories which are mainly made of wood. CQMY currently shares its office with Carpenter Tan at Guanyinqiao, Jingbei District, Chongqing, the PRC and carries out its production in property located in the Wan Zhou Factory which was leased from Carpenter Tan pursuant to a lease agreement entered into between CQMY and Carpenter Tan on 14 June 2008.

To take advantage of the proximity to the Wan Zhou Factory, to reduce transportation cost and time between the Wan Zhou Factory and the logistic centre, and to cope with the expansion of the Group's business, in June 2006, it moved its logistic centre to a leased property in Wanzhou District, Chongqing, the PRC. The gross floor area of the logistic centre then further expanded to approximately 3,900 sq.m..

To further expand the Group's business in the high-end accessories and furniture market, the Group established Lifestyle Handicrafts Company with a purpose to set up its flagship stores to display and sell all of its products including combs, mirrors, box sets, high-end home accessories as well as traditional Chinese style furniture made by third parties engaged by the Group. In January 2007, the first lifestyle handicraft store which was operated by the Group and occupied an area of approximately 974 sq.m. was opened in Chongqing, the PRC.

In view of the expansion of the Group, Carpenter Tan decided to move its main offices and has entered into three sale and purchase agreements all dated 14 February 2007 with Chongqing Yingli Real Estate Development Co., Ltd（重慶英利房地產開發有限公司）, an Independent Third Party, whose registered office is at No. 181 Minsheng Road, Yuzhong District（渝中區民生路181號）for acquisition of three properties in the same building with total gross floor area of approximately 2,385 sq.m. in Chongqing, the PRC (properties numbered 4 and 7 in Appendix III to this prospectus), at the total consideration of approximately RMB13.3 million. The entire consideration has been paid in cash from the Group's internal resources in April 2007.

In April 2007, the Group opened its second lifestyle handicraft store in Chongqing, the PRC with an area of approximately 634 sq.m..

In April 2007, the first Tan's shop was opened in Chongqing, the PRC which enabled the Group to expand and penetrate into the high-end home accessories market in the PRC.

In August 2007, in order to explore market outside the PRC, the Group opened a self operated shop with brandname "Carpenter Tan" in Hong Kong as a stepping stone to enter into overseas market.

In October 2007 and February and July 2008, three more Tan's shops were opened in Chongqing, the PRC.

The Group obtained a number of patents and received a number of awards in the past, details of which are set out in the paragraph headed "Intellectual property rights" in Appendix V and "Awards and accreditation" under the section headed "Business" in this prospectus.

As at the Latest Practicable Date, the Group has 853 franchise shops in the PRC and two franchise shops each in Singapore and Malaysia and one franchise shop in the United States. The Group's sales network covered 31 regions in the PRC including Guangdong, Fujian, Guizhou, Jilin, Jiangxi, Hainan, Heilongjiang, Sichuan, Hunan, Shanxi, Henan, Shandong, Yunnan, Hubei, Jiangsu, Shaanxi, Liaoning, Anhui, Hebei, Zhejiang, Gansu, Guangxi, Ningxia, Xinjiang, Chongqing, Tianjin, Beijing, Shanghai, Qinghai, Inner Mongolia and Tibet.

Shareholding

Carpenter Tan

On 6 March 1997, Mr. Tan, Mrs. Tan and Sanxia jointly established Carpenter Tan. Sanxia was a collective enterprise (集體所有制企業) originally established in the name of Wanxian District SanxiaHandicraft Factory (萬縣地區三峽工藝廠) under the laws of the PRC on 28 August 1992, Mr. Tan was the legal representative of Sanxia and Sanxia was a social welfare enterprise (社會福利企業) in the PRC. Sanxia was principally engaged in the manufacture and sale of small wooden products including mainly wooden combs. The initial registered share capital of Carpenter Tan was RMB500,000, of which Mr. Tan contributed RMB175,000 representing 35% interest in Carpenter Tan, Mrs. Tan contributed RMB175,000 representing 35% interest in Carpenter Tan and Sanxia contributed RMB150,000 representing 30% interest in Carpenter Tan, and each of Mr. Tan, Mrs. Tan and Sanxia has contributed their respective portion into the capital of Carpenter Tan.

In order to further expand the business of Carpenter Tan, Mr. Tan and Mrs. Tan agreed to purchase the entire assets and liabilities of Sanxia (save for the investment in Carpenter Tan) at a consideration of RMB200,000, accordingly, Mr. Tan and Mrs. Tan entered into a sale and purchase agreement with Sanxia on 31 May 1997. The total consideration for the acquisition was determined as a matter of commercial decision after negotiations and taking into account of the fact that the business of Sanxia was run and developed by Mr. Tan and Mrs. Tan. Subsequent to the acquisition of the assets and liabilities of Sanxia by Mr. Tan and Mrs. Tan, Mr. Tan and Mrs. Tan have injected part of the assets (mainly inventories, trademark, an undeveloped land, plant and machinery) and liabilities of Sanxia into Carpenter Tan, which had a net book value of approximately RMB1.22 million. As advised by the PRC legal advisers to the Company, the said sale and purchase agreement is legally valid and enforceable under the PRC laws.

As at 31 May 1997, the relevant net book value of the acquired assets and liabilities of Sanxia was reflected in Carpenter Tan's accounts and at the same time, additional undistributed profit amounting to RMB0.98 million, additional capital reserve amounting to RMB123,839 and discretionary surplus reserve amounting to RMB117,277 were recorded in Carpenter Tan's account. After injection of Sanxia's assets and liabilities by Mr. Tan and Mrs. Tan into Carpenter Tan but prior to the increase of registered capital in May 1998, Carpenter Tan engaged 北方亞事無形資產評估事務所 (Northern Yashi Intangible Assets Appraisal Co., Ltd.), an Independent Third Party, to evaluate its undeveloped land, trademark and patent rights and recorded (i) a revaluation surplus of land which amounts to RMB1,086,335 subsequent to the acquisition of the assets and liabilities from Sanxia by Mr. Tan and Mrs. Tan, and (ii) a surplus which amounts to RMB1,036,828.06 after revaluing the trademark and patent rights. Carpenter Tan recorded such surpluses into the capital reserve of Carpenter Tan as a temporary entry before formal approval of such capitalisation of the capital reserve to registered capital.

On 5 May 1998, Sanxia transferred its 16% interest in Carpenter Tan to Mr. Tan at a consideration of RMB80,000 and transferred its 14% interest in Carpenter Tan to Mrs. Tan at a consideration of RMB70,000. The consideration paid by Mr. Tan and Mrs. Tan were determined based on the initial investment amount paid by Sanxia. As advised by the PRC legal advisers to the Company, being a PRC domestic enterprise, the transfer of the interest in Carpenter Tan by Sanxia to Mr. Tan and Mrs. Tan in 1998 was only subject to the registration of change to relevant branch of Administration for Industry and Commerce, and such transfer was not required to obtain approval from other government authorities at that time. According to the application for change of corporate information (公司變更登記申請書) submitted by Carpenter Tan dated 11 May 1998 and the business licence of Carpenter Tan dated 8 July 1998, Carpenter Tan has completed the relevant filing and registration procedures in relation to the aforesaid equity transfer. As such, the transfer of equity interest by Sanxia has complied with the requirement of the relevant laws in the PRC and has complied with the relevant legal procedures to effect such transfer. Since then, Carpenter Tan was owned as to 51% by Mr. Tan and 49% by Mrs. Tan.

In May 1998, the registered capital of Carpenter Tan was increased from RMB500,000 to RMB5,180,000 to expand the production capacity to cater for the increasing sales of wooden combs, of which 51% was owned by Mr. Tan and 49% was owned by Mrs. Tan. The then net asset value of Carpenter Tan as at 28 February 1998 (being the latest account available for capital verification in relation to the increase in registered capital in 1998) was approximately RMB5.26 million. The additional registered capital of RMB4,680,000 was attributable to the capitalisation of (i) the capital reserve balance of RMB2,413,804, (ii) a part of the discretionary surplus reserve balance which amounts to RMB117,277, and (iii) undistributed profit balance of RMB2,228,060. As stated above, the increase in capital reserve was mainly attributable to the surpluses from revaluation of land, trademark and patent rights and the increase in undistributed profit was attributable to the injection of the assets and liabilities of Sanxia from Mr. Tan and Mrs. Tan, resulting from the undistributed profit generated by Sanxia being recorded as the undistributed profit of Carpenter Tan and the growth of Carpenter Tan's sales subsequent to the launch of the brand "Carpenter Tan" prior to the increase of registered capital in May 1998. The PRC legal advisers to the Company advised that the above increase in registered capital has (i) completed all legal procedures, (ii) been verified by PRC accountant firm which has issued capital verification report, and (iii) been approved by competent Industries and Commerce authority which has issued new business licence for Carpenter Tan after the above increase in the registered capital. Therefore, the PRC legal advisers to the Company are of the opinion that the capital changes mentioned are legally valid and enforceable. Sanxia ceased its production of wooden products subsequent to the sale of the assets to Mr. Tan and Mrs. Tan.

On 9 June 2003, Carpenter Tan increased its registered share capital from RMB5,180,000 to RMB16,255,750. The additional registered capital of RMB11,075,750 was attributable to the accumulated capital reserve of RMB2,892,427.57 and part of discretionary surplus reserve of RMB8,183,322.43. After such increase of registered capital, the shareholding structure remained the same with Mr. Tan owned as to a total of RMB8,290,432.50, represented approximately 51% interest in Carpenter Tan, and Mrs. Tan owned as to a total of RMB7,965,317.50, represented approximately 49% interest in Carpenter Tan. The registered capital of Carpenter Tan had been fully paid up.

Pursuant to the capital transfer agreement and various supplemental capital transfer agreements dated 25 June 2003, Mr. Tan and Mrs. Tan transferred their partial interests in Carpenter Tan which were equivalent to investment amount of RMB269,739 and RMB259,161 respectively to the following 19 persons at nil consideration.

	Transferees	Amount of registered capital transferred from Mr. Tan *(RMB)*	Approximate percentage of interests	Amount of registered capital transferred from Mrs. Tan *(RMB)*	Approximate percentage of interests	Total registered capital transferred from Mr. Tan & Mrs. Tan *(RMB)*	Approximate Percentage of interests
1.	Tan Yao (譚堯)	41,820.00	0.26%	40,180.00	0.25%	82,000.00	0.50%
2.	Geng Chang Sheng (耿長生)	20,910.00	0.13%	20,090.00	0.12%	41,000.00	0.25%
3.	Dong Kun Zhu (董坤屬)	16,728.00	0.10%	16,072.00	0.10%	32,800.00	0.20%
4.	Xia Zhi Ping (夏志平)	12,546.00	0.08%	12,054.00	0.07%	24,600.00	0.15%
5.	Kong Xiang Hui (孔祥輝)	12,546.00	0.08%	12,054.00	0.07%	24,600.00	0.15%
6.	Tan Xiao Chuan (譚小川)	12,546.00	0.08%	12,054.00	0.07%	24,600.00	0.15%
7.	Tan Song (譚松)	12,546.00	0.08%	12,054.00	0.07%	24,600.00	0.15%
8.	Yu Wen Jian (余文建)	16,728.00	0.10%	16,072.00	0.10%	32,800.00	0.20%
9.	Li Ping (李平)	12,546.00	0.08%	12,054.00	0.07%	24,600.00	0.15%
10.	Huang Chao (黃超)	12,546.00	0.08%	12,054.00	0.07%	24,600.00	0.15%
11.	Su Jian Ping (蘇建平)	12,546.00	0.08%	12,054.00	0.07%	24,600.00	0.15%
12.	Huang Ming Fen (黃明芬)	16,728.00	0.10%	16,072.00	0.10%	32,800.00	0.20%
13.	Zhang Xiao Yan (張曉燕)	6,273.00	0.04%	6,027.00	0.04%	12,300.00	0.08%
14.	Li Liang Zhong (李良中)	20,910.00	0.13%	20,090.00	0.12%	41,000.00	0.25%
15.	Zhang Yao Cheng (張耀誠)	8,364.00	0.05%	8,036.00	0.05%	16,400.00	0.10%
16.	Liu Yu Ping (劉玉萍)	8,364.00	0.05%	8,036.00	0.05%	16,400.00	0.10%
17.	Wang Zhi Ming (王治明)	6,273.00	0.04%	6,027.00	0.04%	12,300.00	0.08%
18.	Li Lin (李林)	8,364.00	0.05%	8,036.00	0.05%	16,400.00	0.10%
19.	He Ping (何平)	10,455.00	0.06%	10,045.00	0.06%	20,500.00	0.13%
		269,739.00	1.67%	259,161.00	1.57%	528,900.00	3.24%

The above 19 transferees were selected as they are either close family members of Mr. Tan or persons who have made contribution to the development and operations of Carpenter Tan or employees of Carpenter Tan who were senior management of Carpenter Tan or had served Carpenter Tan for long period of time at that time. Details please refer to note (4) under subsection headed "Corporate structure" below for more information about the transferees' background/relationship with the Group. Pursuant to the various supplemental capital transfer agreements dated 25 June 2003 entered into between Mr. Tan, Mrs. Tan and each of the above transferees (except Mr. Li Liang Zhong), Mr. Tan and Mrs. Tan transfer their interests at nil consideration on the condition that these transferees shall continue working for Carpenter Tan for five years from the date of the supplemental capital transfer agreements. In the event that the transferee resigns within the aforesaid binding period of five years, Mr. Tan and Mrs. Tan shall have the right to buy back the relevant interests at the price equivalent to the capital amount transferred from Mr. Tan and Mrs. Tan to such transferee pursuant to the supplemental capital transfer agreement dated 25 June 2003 and multiplied by 2.44 times, the transferees shall have no right to reject such buy back arrangement. It is the intention of Mr. Tan and Mrs. Tan to encourage the transferees to continue to work for Carpenter Tan, and such buy back arrangement was implemented to reserve the right of (but not impose an obligation to) Mr. Tan and Mrs. Tan to buy back the shares they had transferred if the transferees resign after the transfer. As at the Latest Practicable Date, five transferees (who signed the supplemental capital transfer agreements and were employees of the Group, including Mr. Su, Mr. Yu Wen Jian, Mr. Zhang Yao Cheng, Ms. Liu Yu Ping and Mr. Wang Zhi Ming) resigned during the five-year binding period. However, in order to eliminate the possible share transfer activities between the existing shareholders after the Listing and considering the transferees' historical contribution to the Group, according to a confirmation signed by Mr. Tan and Mrs. Tan on 16 January 2007, Mr. Tan and Mrs. Tan agreed to waive the right of the buy back arrangement set out in the supplemental capital transfer agreements dated 25 June 2003 entered into with the above 18 transferees. Although Mr. Li Liang Zhong did not sign the supplemental capital transfer agreement and is therefore not subject to the five years binding period, the equity interests in Carpenter Tan held by Mr. Li Liang Zhong were later transferred to Mr. Geng Chang Sheng on 26 October 2005.

As advised by the Company's PRC legal advisers, such transfer of equity interests has complied with the requirement of the relevant laws in the PRC and has gone through with the relevant legal procedures to effect such transfer. After such transfer, the interests of Mr. Tan and Mrs. Tan in Carpenter Tan then decreased to approximately 49.34% and 47.42% respectively, while the above 19 persons owned as to an aggregate of RMB528,900, representing approximately 3.24% of the interest in Carpenter Tan.

Pursuant to the capital increase agreements dated 22 July 2003, 21 persons, 18 of which had interests in Carpenter Tan, agreed to inject RMB2,740,000 into Carpenter Tan, of which RMB1,123,400 was used for the increase of the registered capital of Carpenter Tan and RMB1,616,600 was applied as capital reserve. As such, the registered share capital of Carpenter Tan has further increased to RMB17,379,150.

		Amount of registered capital contributed immediately before 22 July 2003 *(RMB)*	Approximate percentage of interests	Additional amount invested on 22 July 2003 *(RMB)*	Total amount of registered capital contributed *(RMB)*	Approximate percentage of interests
1.	Mr. Tan	8,020,693.50	49.34%	—	8,020,693.50	46.1515%
2.	Mrs. Tan	7,706,156.50	47.42%	—	7,706,156.50	44.3414%
3.	Tan Cao (譚操)	—	0.00%	410,000.00	410,000.00	2.3591%
4.	Tan Yao (譚堯)	82,000.00	0.50%	164,000.00	246,000.00	1.4155%
5.	Ma Liang (馬良)	—	0.00%	82,000.00	82,000.00	0.4718%
6.	Geng Chang Sheng (耿長生)	41,000.00	0.25%	41,000.00	82,000.00	0.4718%
7.	Dong Kun Zhu (董坤屬)	32,800.00	0.20%	41,000.00	73,800.00	0.4246%
8.	Xia Zhi Ping (夏志平)	24,600.00	0.15%	41,000.00	65,600.00	0.3775%
9.	Kong Xiang Hui (孔祥輝)	24,600.00	0.15%	41,000.00	65,600.00	0.3775%
10.	Tan Xiao Chuan (譚小川)	24,600.00	0.15%	32,800.00	57,400.00	0.3303%
11.	Tan Song (譚松)	24,600.00	0.15%	32,800.00	57,400.00	0.3303%
12.	Yu Wen Jian (余文建)	32,800.00	0.20%	20,500.00	53,300.00	0.3067%
13.	Li Ping (李平)	24,600.00	0.15%	24,600.00	49,200.00	0.2831%
14.	Huang Chao (黃超)	24,600.00	0.15%	24,600.00	49,200.00	0.2831%
15.	Su Jian Ping (蘇建平)	24,600.00	0.15%	24,600.00	49,200.00	0.2831%
16.	Huang Ming Fen (黃明芬)	32,800.00	0.20%	8,200.00	41,000.00	0.2359%
17.	Xiong Jian Cheng (熊建成)	—	0.00%	41,000.00	41,000.00	0.2359%
18.	Zhang Xiao Yan (張曉燕)	12,300.00	0.08%	28,700.00	41,000.00	0.2359%
19.	Li Liang Zhong (李良中)	41,000.00	0.25%	—	41,000.00	0.2359%
20.	Zhang Yao Cheng (張耀誠)	16,400.00	0.10%	20,500.00	36,900.00	0.2123%
21.	Liu Yu Ping (劉玉萍)	16,400.00	0.10%	16,400.00	32,800.00	0.1887%
22.	Wang Zhi Ming (王治明)	12,300.00	0.08%	16,400.00	28,700.00	0.1651%
23.	Li Lin (李林)	16,400.00	0.10%	8,200.00	24,600.00	0.1415%
24.	He Ping (何平)	20,500.00	0.13%	4,100.00	24,600.00	0.1415%
		16,255,750.00	100.0%	1,123,400.00	17,379,150.00	100.0%

The registered capital of Carpenter Tan after the capital transfer on 25 June 2003 and capital increase on 22 July 2003 had been fully paid up.

On 26 October 2005, Mr. Li Liang Zhong, who had approximately 0.2% interest in Carpenter Tan, transferred all of his interest in Carpenter Tan to Mr. Geng Chang Sheng at a consideration of RMB100,000 which was determined after arm's length negotiation between the parties. Since then, the interest of Mr. Geng Chang Sheng in Carpenter Tan was increased from approximately 0.4718% to approximately 0.7077%, while the others remain the same. As advised by the Company's PRC legal advisers, such transfer of equity interest has complied with the requirement of the relevant laws in the PRC and has gone through with the relevant legal procedures to effect such transfer.

As part of the Reorganisation, the 23 beneficial owners of Carpenter Tan entered into an equity transfer agreement with CTHK on 6 November 2005, pursuant to which the 23 beneficial owners of Carpenter Tan transferred their entire interest in Carpenter Tan to CTHK at a consideration of HK$25.25 million. The consideration was determined after negotiation between the purchaser and the vendors and represented approximately 20% discount to the valuation of Carpenter Tan as of 31 August 2005 of approximately RMB32.89 million as valued by Chongqing Jinhui Certified Public Accountants Co. Ltd. (重慶金滙會計師事務所), a PRC independent valuer, in accordance to the PRC valuation requirements. Such consideration was funded by Lead Charm and Fame Good, the funding of which was obtained from a loan from Princeton. Such transfer was approved by Chongqing Municipal Wanzhou District Foreign Trade and Economic Relations Commission (重慶市萬州區對外貿易經濟委員會) and Carpenter Tan then became a wholly-foreign owned enterprise and obtained Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准証書) on 2 December 2005 and the Foreign Invested Enterprise Business License (外商投資企業營業執照) on 20 December 2005. As advised by the PRC legal advisers to the Company, according to article 8 of the Interim Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Interim Provisions on Merger"), launched by the Ministry of Foreign Trade and Economic Cooperation, State Administration of Taxation, State Administration for Industry and Commerce and State Administration of Foreign Exchange 2003 No. 3 (外國投資者併購境內企業暫行規定) (中華人民共和國對外貿易經濟合作部、中華人民共和國國家税務總局、中華人民共和國國家工商行政管理總局、中華人民共和國國家外匯管理局令2003年第3號) effective on 12 April 2003, the valuation prepared by an asset valuer for assets/equity to be transferred shall be used as a reference for determination of consideration, but the Interim Provisions on Merger did not impose any restriction on the amount of discount on the acquisition/merger and the final consideration shall be subject to the approval by the relevant approval authorities. As advised by the PRC legal advisers to the Company, in relation to the transfer of the equity interests in Carpenter Tan by CTHK, the consideration which represent a discount of approximately 20% to the valuation is permissible under the Interim Provisions on Merger and relevant rules and regulations in the PRC and the aforesaid transfer of equity interests (including the consideration amount) has been approved by the relevant authorities as stated above.

According to the Approval of Articles of Association of Carpenter Tan (關於重慶譚木匠工藝品有限公司章程的批覆) issued by Chongqing Municipal Wanzhou District Foreign Trade and Economic Commission (重慶市萬州區對外貿易經濟委員會) on 16 November 2005, the consideration of HK$25.25 million for the acquisition of the entire equity interest of Carpenter Tan by CTHK should be paid within three months from the date of issuance of the Foreign Invested Enterprise Business License (外商投資企業營業執照) to Carpenter Tan. Carpenter Tan obtained the said license on 20 December 2005 and CTHK had fully paid the consideration of HK$25.25 million on 13 March 2006 and as advised by the PRC legal advisers to the Company, the consideration for the acquisition of Carpenter Tan was made by CTHK within the required timeframe stipulated under the relevant PRC laws and regulations.

According to the Interim Provisions on Merger, in mergers and acquisitions of PRC domestic enterprises, foreign investors shall obtain approvals from approval authorities in accordance with the Interim Provisions on Merger, and complete registration of change or establishment with the registration authorities. The acquisition of Carpenter Tan by CTHK has obtained relevant approvals such as Approval of Articles of Association of Carpenter Tan (關於重慶譚木匠工藝品有限公司章程的批覆) issued by Chongqing Municipal Wanzhou District Foreign Trade and Economic Commission (重慶市萬州區對外經濟貿易委員會), Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書). In addition, Carpenter Tan had completed establishment registration by obtaining Foreign Invested Enterprise Business License (外商投資企業營業執照). Considering the above and as advised by the PRC legal advisers to the Company, the acquisition of the equity interests in Carpenter Tan by CTHK has complied with the PRC laws and regulations.

The PRC legal advisers to the Company are of the opinion that the above changes (including each share transfer and capital increase) of Carpenter Tan have obtained relevant approvals and consents from the government authorities under applicable rules and regulations and are legal and enforceable.

Little Carpenter

On 6 August 2003, Little Carpenter was established in the PRC with a registered share capital of RMB1,000,000, of which Carpenter Tan contributed RMB800,000 for 80% interests and Ms. Tan Yao, sister of Mr. Tan, held the remaining 20% interest on trust for Carpenter Tan pursuant to a trust deed dated 29 July 2003 between Carpenter Tan and Ms. Tan Yao. According to the aforesaid trust deed, Carpenter Tan has entrusted Ms. Tan Yao, who acts the trustee, to contribute RMB200,000 (which represents 20% interest in Little Carpenter) as registered share capital of Little Carpenter for Carpenter Tan. As such, Ms. Tan Yao is the trustee holding 20% interest in Little Carpenter for Carpenter Tan and Carpenter Tan shall be the actual beneficial owner of such interest in Little Carpenter. As advised by the Company's PRC legal advisers, the arrangement under the aforesaid trust deed do not constitute any breach of relevant rules and regulations in the PRC.

As part of the Reorganisation, an equity transfer agreement dated 2 November 2005 was entered into between Carpenter Tan, Ms. Tan Yao and CTHK, in which Carpenter Tan transferred its 5% direct interest in Little Carpenter to CTHK at a consideration of HK$140,000, and Ms. Tan Yao, who held 20% interest in Little Carpenter on trust for Carpenter Tan, transferred 20% interest in Little Carpenter to CTHK at a consideration of HK$550,000. The consideration was determined after negotiation between the purchaser and the vendors and represented approximately 20% discount to the valuation of Little Carpenter as of 31 August 2005 of approximately RMB3.58 million as valued by Chongqing Jinhui Certified Public Accountants Co. Ltd. (重慶金滙會計師事務所), a PRC independent valuer, in accordance to the PRC valuation requirements. As Ms. Tan Yao held Little Carpenter's interest on trust for Carpenter Tan, the consideration of HK$550,000 for acquisition of 20% interest in Little Carpenter by CTHK was paid to Carpenter Tan and such amount was eliminated in the Group's combined financial statements during the Track Record Period. The consideration was funded by Lead Charm and Fame Good where the funding was obtained from a loan from Princeton. After such transfer, Carpenter Tan and CTHK accounted for RMB750,000 and RMB250,000 of the registered capital of Little Carpenter respectively, representing 75% and 25% of the registered capital of Little Carpenter respectively. Such transfer was approved by Chongqing Municipal Wanzhou District Foreign Trade and Economic Commission (重慶市萬州區對外經濟貿易委員會) and Little Carpenter then became an sino-foreign joint venture and obtained Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書) on 7 December 2005 and Foreign Invested Enterprise Business License (外商投資企業營業執照) on 25 January 2006. As advised by the PRC legal advisers to the Company, according to article 8 of the Interim Provisions on Merger, the valuation report prepared by an asset valuer for assets/equity to be transferred shall be used as a reference for determination of considerations, but the Interim Provisions on Merger did not impose any restriction on the amount of discount on the acquisition/merger and the final consideration subject to the approval by the relevant approval authorities. As advised by the PRC legal advisers to the Company, in relation to the transfer of the equity interests in Little Carpenter by CTHK, the consideration which represents a discount of approximately 20% to the valuation is permissible under the Interim Provisions on Merger and relevant rules and regulations in the PRC and the aforesaid transfer of equity interests (including the consideration amount) has been approved by the relevant authorities.

According to the Approval of Memorandum and Articles of Association of Little Carpenter issued by Chongqing Municipal Wanzhou District Foreign Trade and Economic Commission (重慶市萬州區對外貿易經濟委員會) on 15 November 2005, the consideration of HK$690,000 for the acquisition of the 25% equity interest in Little Carpenter by CTHK should be paid within three months from the date of issuance of the Foreign Invested Enterprise Business License (外商投資企業營業執照) to Little Carpenter. Little Carpenter obtained the said license on 25 January 2006 and CTHK had fully paid the consideration of HK$690,000 on 13 March 2006 and as advised by the PRC legal advisers to the Company, the consideration for acquisition of 25% equity interests of Little Carpenter was made by CTHK within the required timeframe stipulated under the relevant PRC laws and regulations.

According to the Interim Provisions on Merger, in mergers and acquisitions of PRC domestic enterprises, foreign investors shall obtain approvals from approval authorities in accordance with the Interim Provisions on Merger, and complete registration of change or establishment with the registration authorities. The acquisition of Little Carpenter by CTHK has obtained relevant approvals such as Approval of Articles of Association of Little Carpenter (關於重慶小木匠工藝品有限公司章程的批覆), Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書). In addition, Little Carpenter had completed establishment registration by obtaining Foreign Invested Enterprise Business License (外商投資企業營業執照) for Little Carpenter. Considering the above and as advised by the PRC legal advisers to the Company, the acquisition of the equity interests in Little Carpenter by CTHK has complied with the PRC laws and regulations.

The PRC legal advisers to the Company are of the opinion that all equity transfers have obtained relevant approvals and consents from the government authorities under applicable rules and regulations and are legally enforceable.

Ziqiang Muye

The Group established Ziqiang Muye in February 2004. The registered capital of Ziqiang Muye was RMB2,000,000, of which Carpenter Tan contributed RMB1,600,000 representing 80% interests and Little Carpenter contributed RMB400,000 representing 20% interests in Ziqiang Muye.

CTLS

On 30 November 2004, CTLS was established in the PRC with registered capital of RMB2,857,000, of which Carpenter Tan contributed RMB1,999,900 representing 70% interests and Shanghai S-point Industrial Design Co., Ltd (上海指南工業設計有限公司), an Independent Third Party contributed RMB857,100 representing 30% interests in CTLS. Shanghai S-point Industrial Design Co., Ltd was established in PRC in 1997 and principally engaged in industrial design in Shanghai, the PRC. Carpenter Tan and Shanghai S-point Industrial Design Co., Ltd each contributed their respective portion into the capital of CTLS.

CTLS was established with an intention to design, manufacture and sell stylish accessories. In 2005, the Directors intended to increase the registered capital of CTLS so as to enlarge the business scale of CTLS. However, as Shanghai S-point Industrial Design Co., Ltd has no intention to increase its investment in CTLS. Carpenter Tan then entered into a liquidation agreement on 29 July 2005 with Shanghai S-point Industrial Design Co., Ltd, in which both parties agreed to liquidate CTLS, and CTLS then deregistered in November 2005. Upon completion of liquidation of CTLS, a sum of RMB1,451,779.87 and unsold products of CTLS with a total cost of RMB541,787.78 have been distributed to Carpenter Tan.

CQMY

On 25 April 2006, CQMY was established in the PRC with registered capital of RMB12 million, of which Carpenter Tan contributed RMB10.8 million, representing 90% interests in CQMY, and Madam Wang Ping contributed RMB1.2 million, representing 10% interests in CQMY. Madam Wang Ping is the senior management of the Company. Carpenter Tan and Madam Wang Ping each contributed their respective portion into the capital of CQMY.

On 8 June 2007, Madam Wang Ping and Carpenter Tan entered into an equity transfer agreement, pursuant to which Madam Wang Ping transferred her 10% interests in CQMY to Carpenter Tan at a consideration of RMB1.2 million, representing the amount of capital originally contributed by madam Wang Ping in CQMY. After such transfer, CQMY then became a wholly-owned subsidiary of Carpenter Tan.

The branches of CQMY namely Metropolitan Shop (大都會店), Small Size Wooden Accessory Shop (木製精品店), Shang Qing Si Shop (上清寺店) and Yang Jia Ping Shop (楊家坪店) were established on 5 June 2007, 22 October 2007, 25 February 2008 and 11 July 2008 respectively with the business scope of sale of handicrafts.

Lifestyle Handicrafts Company

On 10 January 2007, Lifestyle Handicrafts Company was established in the PRC with a registered capital of RMB5 million and principally engaged in the sale of furniture, wooden products, horn products, handicrafts, knitwear, embroideries, and import and export of goods.

Munan Handicrafts, Xiangnan Handicrafts and Chennan Handicrafts

On 25 August 2007, Munan Handicrafts, Xiangnan Handicrafts and Chennan Handicrafts were established in the PRC as wholly owned subsidiaries of Lifestyle Handicraft Company, each with registered and paid-up capital of RMB100,000. They are principally engaged in the sale of furniture, wooden products, horn products, handicrafts, knitwear, embroideries, and import and export of goods.

Hao Yu Handicrafts

On 6 August 2008, Hao Yu Handicrafts was established in the PRC as a wholly-owned subsidiary of Lifestyle Handicrafts Company with registered and paid-up capital of RMB100,000. Hao Yu Handicrafts is principally engaged in the sale of handicrafts, furniture, wooden products, daily consumables, knitwear, and import and export of goods.

Beijing Carpenter Tan

On 12 November 2008, Beijing Carpenter Tan was established in the PRC as a wholly-owned subsidiary of Lifestyle Handicrafts Company with registered and paid-up capital of RMB10 million. Beijing Carpenter Tan is principally engaged in the sale (excluding retail) of handicrafts, furniture, wooden products, knitwear, and import and export of goods.

CT Development

On 18 March 2008, CT Development which was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares with a par value of HK$1.00 each, one share of which has been issued to the initial subscriber and such share was subsequently transferred to CTHK on 10 April, 2008. CT Development is principally engaged in market and business development.

Chongqing Carpenter Sales and Chengdu Carpenter Sales

On 7 April 2008 and 14 April 2008, Chongqing Carpenter Sales and Chengdu Carpenter Sales were established in the PRC as wholly owned subsidiaries of Carpenter Tan, with registered and paid-up capital of RMB3 million and RMB1 million respectively. However, the two companies had not commenced business since their establishment and had subsequently been deregistered on 23 October 2008 and 12 December 2008 respectively.

Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise its structure in preparation for the Listing and as a result the Company became the holding company of the Group.

The corporate reorganisation involved the following:

(a) CTBVI was incorporated in the BVI on 2 July 2004 with an authorised capital of US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each. The entire share capital of CTBVI has been issued and is fully paid up, of which 4,524,645 shares (representing approximately 90.49% of the issued share capital in CTBVI) and 475,355 shares (representing approximately 9.51% of the issued share capital in CTBVI) were held by Lead Charm and Fame Good respectively.

(b) CTHK was incorporated in Hong Kong on 10 September 2004 with an authorised share capital of HK$10,000, divided into 10,000 shares of HK$1.00 each. One share of CTHK was issued and allotted to the initial subscriber of CTHK, and credited as fully paid, and such share was subsequently transferred to CTBVI on 30 December 2004.

(c) On 29 July 2005, Carpenter Tan entered into a liquidation agreement with Shanghai S-point Industrial Design Co., Ltd, pursuant to which CTLS was liquidated and deregistered from the Administration of Industry and Commerce in November 2005.

(d) On 2 November 2005, Carpenter Tan, Tan Yao and CTHK entered into an "Equity Transfer Agreement", pursuant to which Carpenter Tan transferred its 5% equity interest in Little Carpenter to CTHK in consideration of HK$140,000, and Tan Yao transferred her 20% equity interest in Little Carpenter to CTHK in consideration of HK$550,000.

(e) On 6 November 2005, the 23 original shareholders of Carpenter Tan entered into an "Equity Transfer Agreement" with CTHK, pursuant to which the 23 original shareholders of Carpenter Tan transferred 100% of their equity interests in Carpenter Tan to CTHK.

(f) Lead Charm and Fame Good have entered into a memorandum of loan agreement and two supplemental agreements with Princeton on 9 March 2006, 7 November 2006 and 13 July 2007 respectively. Accordingly, Princeton agreed to lend HK$23,473,106 and HK$2,466,894 to Lead Charm and Fame Good, respectively. Lead Charm and Fame Good will transfer the relevant numbers of Shares (valued at the Offer Price) held by them to Princeton as repayment for the loan. However, Lead Charm, Fame Good and Princeton has entered into a repayment agreement dated 20 February 2009, pursuant to which, Lead Charm and Fame Good will repay HK$23,473,106 and HK$2,466,894 respectively to Princeton within 12 months from the date of such repayment agreement without charging any interest and/or penalty. On such basis, Lead Charm and Fame Good will not transfer any Shares to Princeton prior to or upon the Listing. The said loans of HK$25,940,000 in aggregate had already been settled by Lead Charm and Fame Good in May 2009.

(g) CQMY was incorporated in the PRC on 25 April 2006 with registered capital of RMB 12,000,000. As at the date of incorporation, the equity interests of CQMY were held by Carpenter Tan as to 90% and Madam Wang Ping as to 10%.

(h) On 8 June 2007, Carpenter Tan has entered into an equity transfer agreement with Madam Wang Ping, pursuant to which Madam Wang Ping transferred to Carpenter Tan her 10% equity interest in CQMY in consideration of RMB 1,200,000.

(i) The Company was incorporated in the Cayman Islands on 20 June 2006 with authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, one of which was allotted and issued nil paid, to the subscriber to the Memorandum and Articles of Association and such Share was subsequently transferred to Lead Charm.

(j) Lifestyle Handicrafts Company was incorporated in the PRC on 10 January 2007 with registered capital of RMB5,000,000. The entire equity interest of Lifestyle Handicrafts Company is held by Carpenter Tan.

(k) Munan Handicrafts was incorporated in the PRC on 25 August 2007 with registered capital of RMB100,000. The entire equity interest of Munan Handicrafts is held by Lifestyle Handicrafts Company.

(l) Xiangnan Handicrafts was incorporated in the PRC on 25 August 2007 with registered capital of RMB100,000. The entire equity interest of Xiangnan Handicrafts is held by Lifestyle Handicrafts Company.

(m) Chennan Handicrafts was incorporated in the PRC on 25 August 2007 with registered capital of RMB100,000. The entire equity interest of Chennan Handicrafts is held by Lifestyle Handicrafts Company.

(n) On 29 August 2007, the Company has entered into a "Sale and Purchase Agreement" inter alia with Lead Charm and Fame Good whereby the Company acquired the entire issued share capital of CTBVI in consideration of the Company (i) allotting and issuing a total of 4,999,999 Shares, credited as fully paid, to Lead Charm and Fame Good; and (ii) crediting as fully paid at par the 1 nil paid Share held by Lead Charm.

(o) CT Development was incorporated in Hong Kong on 18 March 2008 with an authorised share capital of HK$10,000 divided into 10,000 shares with a par value of HK$1.00 each, one share of which has been issued to the initial subscriber and such share was subsequently transferred to CTHK on 10 April 2008.

(p) Hao Yu Handicrafts was incorporated in the PRC on 6 August 2008 with registered capital of RMB100,000. The entire equity interest of Hao Yu Handicrafts is held by Lifestyle Handicrafts Company.

(q) Beijing Carpenter Tan was incorporated in the PRC on 12 November 2008 with registered capital of RMB10,000,000. The entire equity interest of Beijing Carpenter Tan is held by Lifestyle Handicrafts Company.

(r) Upon the share premium account of the Company being credited as a result of the Share Offer, HK$1,825,000 standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full 182,500,000 shares in the Company for allotment and issue to Lead Charm and Fame Good for their respectively shareholdings prior to listing.

Further details of the Reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix V to this prospectus.

As disclosed under subsection headed "History and development" in this section, for the acquisition of Carpenter Tan by CTHK in relation to the Reorganisation, Carpenter Tan has obtained relevant approval, including:

(i) Approval of Articles of Association of Carpenter Tan (關於重慶譚木匠工藝品有限公司章程的批覆) on 16 November 2005 issued by Chongqing Municipal Wanzhou District Foreign Trade and Economic Commission (重慶市萬州區對外經濟貿易委員會);

(ii) Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書) on 2 December 2005 issued by Chongqing City People's Government (重慶市人民政府); and

(iii) Foreign Invested Enterprise Business License (外商投資企業營業執照) on 20 December 2005 issued by Chongqing City Administration for Industry and Commerce (重慶市工商行政管理局) which recognised Carpenter Tan as a wholly-foreign owned enterprise.

In addition, for the acquisition of Little Carpenter by CTHK in relation to the Reorganisation, Little Carpenter has obtained relevant approvals, including:

(i) Approval of Articles of Association of Little Carpenter (關於重慶小木匠工藝品有限公司章程的批覆) on 15 November 2005 issued by Chongqing Municipal Wanzhou District Foreign Trade and Economic Commission (重慶市萬州區對外經濟貿易委員會);

(ii) Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書) on 7 December 2005 issued by Chongqing City People's Government (重慶市人民政府); and

(iii) Foreign Invested Enterprise Business license (外商投資企業營業執照) on 25 January 2006 issued by Chongqing City Administration Bureau for Industry and Commerce (重慶市工商行政管理局) which recognised Little Carpenter as a foreign invested enterprise.

Besides, according to Notice of the State Administration of Foreign Exchange of China on Issues Relating to Foreign Exchange on Fund-raisings by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments, Hui Fa [2005] No. 75 (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (匯發[2005]75號文) ("SAFE Notice 75") promulgated on 21 October 2005 and effective as of 1 November 2005, PRC residents who establish or acquire control of special purpose companies ("SPVs") for the purpose of financing SPVs with assets or equity interests in a PRC domestic enterprise are required to complete the relevant overseas investment foreign exchange registration procedures. The 23 shareholders of Carpenter Tan including but not limited to Mr. Tan, Mrs. Tan, Mr. Tan Cao and Ms. Tan Yao has completed aforementioned registration of foreign exchange on 7 December 2005.

Meanwhile, according to article 3 of SAFE Notice 75, when the PRC residents inject assets or equity of their owned PRC companies into SPVs or injecting assets or equity into SPVs to carry out foreign equity financing, the PRC residents must register any changes to net assets or equity interests of an SPV with the State Administration Foreign Exchange for foreign exchange on foreign investments. Upon the completion of acquisition of Carpenter Tan and Little Carpenter by CTHK, the 23 shareholders of Carpenter Tan including but not limited to Mr. Tan, Mrs. Tan, Mr. Tan Cao and Ms. Tan Yao have properly filed the aforementioned registration for foreign exchange on foreign investments with the State Administration Foreign Exchange on 17 July 2006. Therefore, the aforesaid filing of the registration of foreign exchange by the 23 shareholders of Carpenter Tan has complied with the requirements of the SAFE Notice 75. If the Shareholders who are PRC residents are unable or fail to complete the registration in accordance with SAFE Notice 75 in the future, such beneficial owners and/or the PRC subsidiaries of the Company may be subject to fines and legal sanctions, the Company's ability to contribute additional capital to its PRC subsidiaries may also be limited, and the abilities of the PRC subsidiaries of the Company to distribute dividends to the Company may also be limited.

As advised by the PRC legal advisers to the Company, save for the approval and filing as mentioned above, the Reorganisation and the proposed listing of the Company are not required to obtain other approvals or filings from other government authorities. After the proposed listing of the Company, according to the requirements of SAFE Notice 75, 23 shareholders of Carpenter Tan, who have established or acquired control of SPVs that have made investments in the PRC, are required to file and complete the relevant overseas investment foreign exchange registration procedures again in view of the change in the capital of the aforesaid overseas companies.

According to the Provisions Regarding Mergers and Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Regulation") jointly promulgated in the PRC by the Ministry of Commerce, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry and Commerce, the China Securities Regulatory Commission ("CSRC") and State Administration of Foreign Exchange on 8 August 2006 and effective as of 8 September 2006 (the "Effective Date"), an offshore SPV formed for overseas listing purposes and controlled directly or indirectly by PRC domestic enterprise(s) or individual(s), shall obtain the approval of the CSRC prior to its overseas listing, especially in the event that the SPV acquires shares of or equity interests in PRC domestic enterprise(s) in exchange for the shares of offshore companies. On 21 September 2006, the CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings.

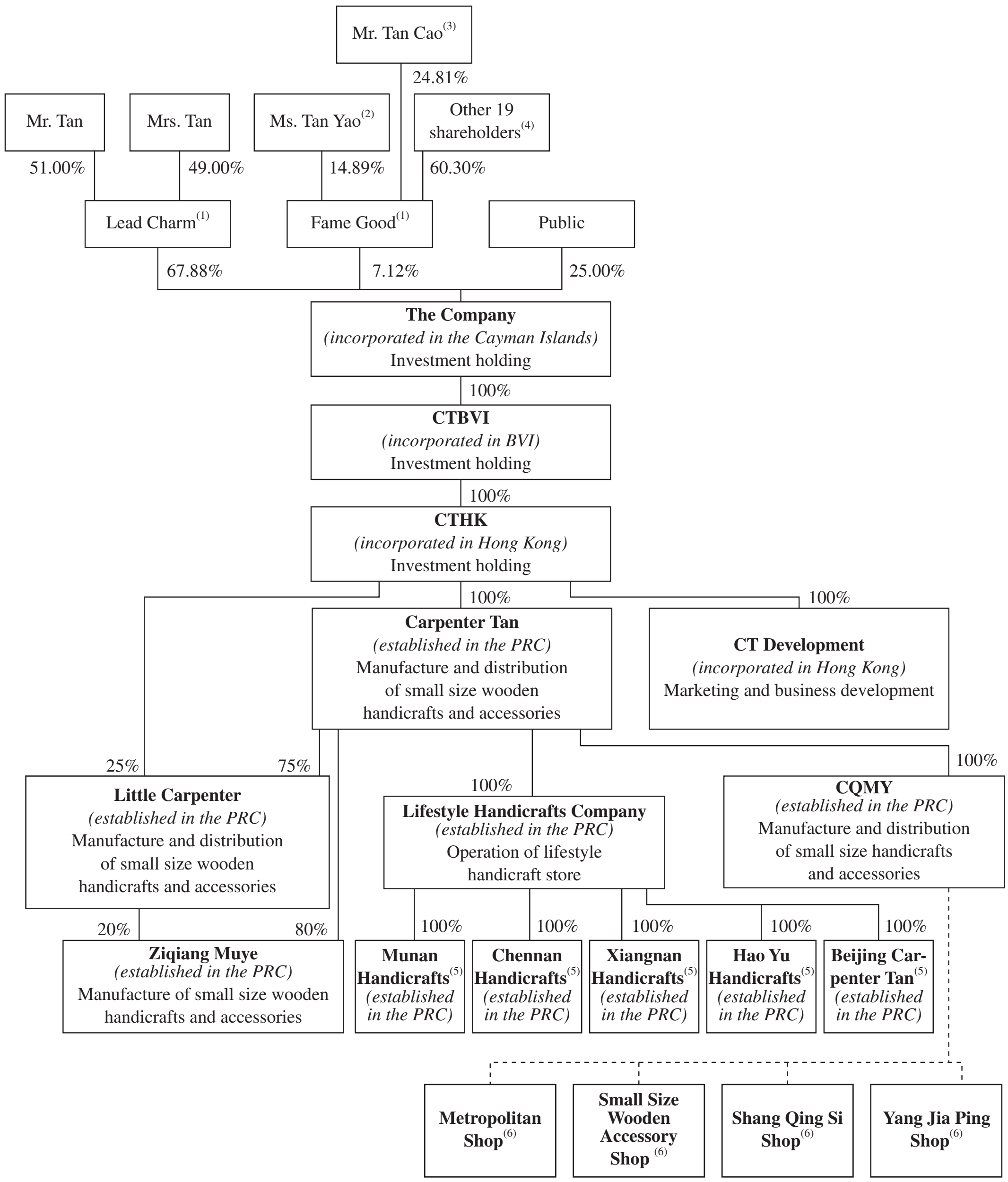
Based on its understanding of current PRC laws, regulations and rules and the procedures announced on 21 September 2006, the PRC legal advisers to the Company are of the view that the listing of the Company on the Stock Exchange does not require the approval by the CSRC because CTHK had completed the acquisitions of Carpenter Tan and Little Carpenter and obtained all necessary approvals from the relevant PRC foreign trade and economic cooperative regulatory authorities for the Reorganisation before the Effective Date.

Under article 12 of the M&A Regulation, if foreign investors acquire a domestic enterprise and obtain actual control over the enterprise, and if such acquisition involves any critical industry, or affects or may affect the security of national economy, or causes transfer of actual control over the domestic enterprise who possesses a famous trademark or a honoured century brand, the parties to the merger shall apply to the Ministry of Commerce of the PRC. However, (i) CTHK has completed the acquisition of Carpenter Tan and Little Carpenter in December 2005, which was before the Effective Date; and (ii) prior to completion of the aforesaid acquisition, the PRC laws and regulations have no such laws or similar rules on famous trademark and the M&A Regulation has no retrospective effect, the PRC legal advisers to the Company therefore consider that the acquisition of CTHK is not subject to the M&A Regulation including but not limited to article 12.

The Company's PRC legal advisers confirmed that the Company and its controlling shareholders have complied with all the relevant rules, regulations and registrations imposed by the relevant PRC government authorities in respect of the reorganisation and listing of the Group; and the Group has obtained all the relevant approvals from the PRC government authorities in connection to the Reorganisation and listing of the Group.

CORPORATE STRUCTURE

The Company was incorporated in the Cayman Islands on 20 June 2006. The chart set out below is the corporate structure of the Group immediately following completion of the Share Offer and Capitalisation Issue but without taking into account the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme:



Notes:

(1) Lead Charm is owned as to 51.00% by Mr. Tan and 49.00% by Mrs. Tan and is a controlling shareholder within the meaning of the Listing Rules.

Fame Good is owned as to approximately 14.89% by Ms. Tan Yao, approximately 24.81% by Mr. Tan Cao and approximately 60.30% by its 19 other shareholders, details of which are set out in notes 3 and 4 below.

(2) Ms. Tan Yao is the sister of Mr. Tan and one of the senior management of the Group, and is also a controlling shareholder within the meaning or otherwise by virtue of the Listing Rules.

(3) Mr. Tan Cao is the brother of Mr. Tan and a non-executive Director, and is also a controlling shareholder within the meaning or otherwise by virtue of the Listing Rules.

(4) The respective shareholding of the other 19 shareholders in Fame Good are as follows:

	Other shareholders of Fame Good	Background/relationship with the Group	Approximate percentage of shareholding interests in Fame Good
1.	Geng Chang Sheng (耿長生)	Executive Director of the Company	7.44%
2.	Ma Liang (馬良)	Advised the Group's sales network development	4.96%
3.	Dong Kun Shu (董坤屬)	Account assistant of the Group	4.47%
4.	Xia Zhi Ping (夏志平)	Administrative manager of the Group	3.97%
5.	Kong Xiang Hui (孔祥輝)	Former finance manager and current executive officer of Carpenter Tan's disabled staff association	3.97%
6.	Tan Xiao Chuan (譚小川)	Nephew of Mr. Tan and deputy general manager of the Group	3.47%
7.	Tan Song (譚松)	Advised the Group's corporate culture development	3.47%
8.	Yu Wen Jian (余文建)	Former chief technical Officer of the Group	3.23%
9.	Li Ping (李平)	Chief cultural development officer of the Group	2.98%
10.	Huang Chao (黃超)	Finance manager of the Group	2.98%
11.	Su Jian Ping (蘇建平)	Investor relations manager of the Group	2.98%
12.	Huang Ming Fen (黃明芬)	Purchasing manager of the Group	2.48%
13.	Xiong Jian Cheng (熊建成)	Advised the Group's corporate culture development	2.48%
14.	Zhang Xiao Yan (張曉燕)	Financial officer of the Group	2.48%
15.	Zhang Yao Cheng (張耀誠)	Former sales and marketing manager of the Group	2.23%
16.	Liu Yu Ping (劉玉萍)	Logistic manager of the Group	1.99%
17.	Wang Zhi Ming (王治明)	Former finance manager of the Group	1.74%
18.	Li Lin (李林)	Assistant plant manager of the Group	1.49%
19.	He Ping (何平)	Quality control officer of the Group	1.49%
			60.30%

Save as disclosed above, the above 19 shareholders in Fame Good are not connected with the Directors, senior management, other shareholders or the Group's major customers or suppliers.

(5) Munan Handicrafts, Chennan Handicrafts, Xiangnan Handicrafts, Hao Yu Handicrafts and Beijing Carpenter Tan are wholly-owned subsidiaries of Lifestyle Handicrafts Company and are principally engaged in the sale of furniture, wooden products, horn products, handicrafts, knitwear, embroideries, and import and export of goods.

(6) Metropolitan Shop, Small Size Wooden Accessory Shop, Shang Qing Si Shop and Yang Jia Ping Shop are branches of CQMY established in accordance with the PRC laws. They have no legal person status, but can operate in accordance with the business scope of sale of handicrafts as stated in their business licenses, with liabilities borne by CQMY.

CORPORATE CULTURE

Corporate culture describes the predominating staff attitudes and behaviour, beliefs and values in a corporation. The Directors realise that proper corporate culture would help to foster team work, enhance staff morale, strengthen the Group's brand image and have a positive effect on its long-term economic performance. Since the Group's establishment in 1997, it has placed great emphasis on building up its corporate culture and the Group aims to become the brand leader in the wooden accessories industry while maintaining its principles in operation.

The Group devotes itself to developing attractive ideas on the traditional wooden accessories and adding values to wooden accessories by incorporating Chinese craftsmanship and its corporate culture into its products. The Group operates its business under the following guiding principles: (i) to reinforce its corporate values of "Honesty, Work and Happiness"; (ii) to contribute to the society; and (iii) to advocate Chinese traditional handicraft culture.

Corporate values

The Group's corporate values are "Honesty, Work and Happiness".

Honesty: The Group emphasises honesty and integrity. The Group treats its suppliers, franchisees and employees as partners and emphasises on credibility. The Group always educates its staff and franchisees about the importance of honesty to customers. The Directors believe that honesty is one of the best ways to gain trustworthiness from the Group's customers and build up customers' loyalty towards it.

Work: The Directors believe every people, including disabled, should work hard and have opportunity to be employed. More than half of the employees in Ziqiang Muye, its principal manufacturing arm, are with various disabilities. The Group encourages its employees to progress and pursue excellence through sharing and on-the-job training. The Directors are confident that the Group's efforts will benefit its employees, the Group itself and the community as a whole.

Happiness: Through upholding the values of honesty and work, the Group aims to provide reliable products and quality services which fulfil its customers' needs as well as job satisfaction of its franchisees, its employees and the Group.

Social contribution

Besides maximising the wealth of the Group's shareholders, the Directors consider contribution to the community as one of its principal goals. The Group employs a number of people with disabilities with an aim to assist people with disabilities to enter the labour market by providing them with real-work training and working opportunities, and more importantly, helping them to move from welfare reliance to self-reliance. The Group enthusiastically educates its employees and encourages them to progress and pursue excellence, as evidenced by the Group's brand reputation and the numerous awards obtained. The Group aims to prove to the public that people with disabilities could produce products that are not less attractive than products produced by the able-bodies.

Advocate Chinese traditional handicraft culture

The Group commits to advocate Chinese traditional handicraft culture while the Group operates its business. The Directors consider that one of the factors of the Group's success is its ability to advocate Chinese traditional handicraft culture through its products and its culture is also one of its guiding principles while it operates. By incorporating traditional Chinese culture with creative designs for the small size wooden accessories, the Group adds values to its products and creates a competitive edge for it. The Group dedicates to work on wood materials and to make products combining traditional artistic features such as exquisite carving and natural simplicity with contemporary designs.

To highlight the Group's corporate and traditional Chinese cultures, the Group requires all its franchise shops to follow its standard design blueprint. The window display of all the Group's franchise shops is simplistically designed and mainly decorated by wooden materials, which advocates traditional Chinese culture and the Company's hallmark of "Excellent craftsmanship on wood" (我善治木) enhances public awareness towards its brand.

OVERVIEW OF BUSINESS

The Group is principally engaged in (i) the design, manufacture and distribution of small size wooden accessories which are mainly made of natural wood and designed with traditional Chinese cultural features and with high artistic qualities; (ii) the operation of a franchise network primarily in the PRC; (iii) the operation of retailing shops for direct sale of its products in Hong Kong; and (iv) manufacture and sale of high-end home accessories and Chinese style furniture. The Group's products are mainly classified into four categories, namely (i) wooden or horn combs such as coloured drawing combs, grass-and-tree dyed wooden combs and carved combs; (ii) pocket-size wooden mirrors such as coloured drawing mirrors and carved mirrors; (iii) other wooden accessories and adornments such as bead bracelets (香珠手鏈), pendants (鏈墜), barrettes (髮夾), hair bobs (髮簪) and massage tools; and (iv) box sets which combine its different products featured in themes for gift purpose. The Group's products are mainly sold under the brandname of "**Carpenter Tan**" (譚木匠).

The Group was ranked 66th, 92nd, 130th and 173rd of the *Top Highest Growth Potential Enterprises* in the PRC by *Forbes*, China edition in 2006 to 2009 respectively, as well as awarded the *2005 Best Growing Competence Award* and *China Outstanding Retail Franchiser Top 10 Brand 2006-2007* by the *China Chain Store and Franchise Association*. As far as the Directors are aware, China Chain Store and Franchise Association ("CCFA") is an association registered in Ministry of Civil Affairs of the PRC in 1997 with an aim to drive the expansion of chain store industry in the PRC and an Independent Third Party. Members of CCFA consist of companies and individuals which/who are domestic and overseas retailers, franchisers, suppliers from different regions of the PRC, chain store manager, etc. CCFA provides industrial information, management knowledge and business development in relation to the chain stores and the franchise industry to franchisees and franchisers. In addition, the Group has been recognised as one of the *Critical Creative Enterprises in Chongqing* by the Chongqing Creative Assets Development Office, an Independent Third Party, in March 2007.

The Group has established an extensive distribution network in the PRC through its franchise programme under which the Group's franchisees purchase the products from it and in turn sell to the retail customers through the franchise shops operated by them. As at the Latest Practicable Date, the Group had 853 franchise shops in the PRC, two franchise shops each in Singapore and Malaysia and one franchise shop in the United States. The franchisees have to pay non-refundable one-off franchise fees to the Group when they open franchise shops. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sale of the Group's products to its franchisees accounted for approximately 94.2%, 91.3%, 87.9% and 88.3% of the Group's turnover respectively. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sales to other direct customers accounted for approximately 4.2%, 7.4%, 11.3% and 10.6% of the Group's turnover respectively. Sales to direct customers mainly refer to (i) ad hoc purchases from corporate entities or local government authorities, which bulk purchase the Group's products for their clients/staff or for their corporate functions and/or sponsor purpose; and (ii) sales to wholesalers/distributors. The franchisee fees accounted for approximately 1.6%, 1.3%, 0.8% and 1.1% respectively of the Group's turnover during the Track Record Period.

The following table shows a breakdown of the Group's turnover by category for each of the three years ended 31 December 2008 and the six months ended 30 June 2009:

Turnover by category

	Year ended 31 December						**Six months ended 30 June**	
	2006		**2007**		**2008**		**2009**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Distribution and sale of small size accessories								
Combs	38,003	39.8	47,036	38.2	44,292	40.8	25,308	38.8
Mirrors	3,174	3.3	4,230	3.4	2,568	2.4	1,137	1.8
Other accessories *(Note)*	6,071	6.4	11,909	9.7	6,404	5.9	3,665	5.6
Box sets	46,592	48.9	58,381	47.4	54,544	50.1	34,369	52.7
	93,840	98.4	121,556	98.7	107,808	99.2	64,479	98.9
Franchise fee income	1,558	1.6	1,613	1.3	848	0.8	738	1.1
	95,398	100.0	123,169	100.0	108,656	100.0	65,217	100.0

Note: Other accessories comprise small home accessories and furniture.

In January 2007, the Group opened its first lifestyle handicraft store which is a self-operated flagship store that displays and sells all of its products including combs, mirrors, box sets, high-end home accessories as well as traditional Chinese style furniture which it purchased from third parties engaged by the Group for resale. In order to enhance the Group's production capability and cope with its future strategic development requirement, it has acquired a production site with approximately 118 acres which is located opposite to its existing production site.

During the Track Record Period, the Group manufactured its products by its own production facilities located in the Wan Zhou Factory. The Wan Zhou Factory has an aggregate gross floor area of approximately 25,395.37 sq.m., which mainly includes three factory buildings for the major production of wooden combs and mirrors and processing of other accessories manufactured by the Group's contractors and a building used as office and showrooms.

The Group relies on its strong brand awareness, extensive franchise network and coverage in the PRC, as well as design, development and research capabilities to capture market share in the small size wooden accessories industry. New designs and products are developed at the Group's design and development centres in Chongqing, the PRC.

The Group strives to incorporate traditional Chinese culture with modern designs and advanced technology so that the idea of "living with arts" can be realised. By leveraging on the Group's expertise in design, manufacture and distribution of small size wooden accessories, it aims at enhancing the quality and cultural value of small size wooden accessories and creating attractive outlook for the market. The Group has successfully launched over 2,000 designs to market since the establishment of the Group in 1997 and its achievements in design and development of wooden handicrafts are evidenced by the awards obtained by the Group and the array of patents registered by it.

PRINCIPAL STRENGTHS OF THE GROUP

1. Well established market position

The Directors believe that "Carpenter Tan" has gained an excellent reputation by virtue of the Group's franchise programme and brand building process in the small size wooden accessories industry. The Group obtained the *2005 Best Growing Competence Award* (最具成長力獎) granted by the China Chain Store and Franchise Association (中國連鎖經營協會), an Independent Third Party. In 2004, "Carpenter Tan" was awarded *Achieved Standard of China Famous Brand* (中國公認名牌產品標準) by the Social Survey Institute of China (中國社會調查所), an Independent Third Party. The Group was ranked 66th, 92nd, 130th and 173rd of the *Top Highest Growth Potential Enterprises* in the PRC by *Forbes*, China edition in 2006 to 2009 respectively. Further, the Group was awarded *China Outstanding Retail Franchiser Top 10 Brand 2007-2008* (2007-2008年度中國零售業十大優秀特許加盟品牌) by China Chain Store and Franchise Association (中國連鎖經營協會), an Independent Third Party.

In June 2006, the Group's brand "Carpenter Tan" was granted *China Famous Trademark* (中國馳名商標) by Trademark Bureau of China State Administration of Industry and Commerce (國家工商行政管理局商標局). As far as the Directors are aware, according to Rule 14 of the Trademark Law of the PRC (中華人民共和國商標法), the following factors should be taken into account when recognising a famous trademark: (i) the extent of public awareness of the trademark; (ii) the duration of the use of the trademark; (iii) the duration, extent and geographical scope of any publicity work for the trademark; (iv) record that the trademark has been protected as a famous one; and (v) other reasons for the trademark being famous. The Directors believe that the honour reflects the brand recognition, consumer satisfaction and loyalty, which in turn encourages the Group's confidence of expanding business worldwide and strengthens its vision of becoming a well-known Chinese brand in the global market.

2. **Extensive sales network and prominent store locations**

The Group has developed an extensive distributorship by operating the franchise programme in the PRC. The Group has a prominent network of franchise outlets operated by its franchisees. The Group sets up its first franchise shop in Chengdu, Sichuan, the PRC in 1998. As at the Latest Practicable Date, the Group have 853 franchise shops in the PRC with wide geographical spread covering 31 provinces and autonomous regions and more than 300 cities. In addition, the Group has two franchise shops each in Singapore and Malaysia and one franchise shop in the United States. The easy accessibility of the Group's products in many convenient shopping areas and business districts serves to build brand loyalty and increases penetration among PRC consumers.

The Directors believe that one of the key factors for the success of the Group's franchise programme is its store location strategy. The Group makes in-depth assessment on the location of the proposed franchise shops including, among others, level of local commercial and economic activities, population and education, consumer habit and purchasing power, competition, and investment affordability prior to the grant of the franchise rights. At present, most of the Group's franchise shops are located in convenient shopping areas and business districts of the respective cities.

3. **Professional management team**

Mr. Tan, the Group's chairman and chief executive officer, has over 15 years of experience in the small size wooden accessories industry. Mr. Tan's experience and intimate knowledge of the wooden accessories industry in the PRC are critical competitive advantages for the Group's success.

The Directors believe that the Group has a strong and stable management team with extensive experience, and it is the well-established franchise operation that leads the Group to outperform its competitors. To assure a consistent quality of services and images in the chain of franchise shops, the Group distributes to every franchisee an operation manual which contains policies and procedures that are important for operating a franchise shop. Such policies and procedures help the franchisees to train their staff and outline duties for them. The Group also offers a free, 24 hours services hotline to handle customers and franchisees' inquiries. Through training and educating the franchisees, they are encouraged to dedicate their professional efforts to maintain the Group's leading position in the small size wooden accessories industry in the PRC. The Group's management is also committed to the quality of its products which can be demonstrated by the ISO9001:2000 obtained by Carpenter Tan in March 2004. Achievement of the Group's management is evidenced by the awards obtained by Mr. Tan including *Country Self-motivated Model* (全國自強模範) issued by Ministry of Personnel (人事部) of the PRC and China Disabled Persons' Federation (中國殘疾人聯合會) in 2003 and *2005 China Outstanding Franchise Executive* (2005 中國特許企業優秀管理者) issued by China Chain Store and Franchise Association (中國連鎖經營協會).

4. **Strong design and development capability**

The Directors believe that the Group has a competitive edge in its capability in designing and developing a wide variety of small size accessories, mainly made of wooden material with Chinese traditional features. The Group's products have won many awards throughout the years for their simplicity, nature style and refinement.

Besides the Group's 15 design and development team members, it encourage its other staff to participate in design and development of new products through various incentive programmes. The Group also hosts various forums and campaigns to identify attractive designs from outsiders. In addition, for future product enhancement, the Group engages external designers from Europe which are Independent Third Parties to provide artistic and innovative designs on a contract basis. In March 2007, the Group has been recognised as one of the *Critical Creative Enterprises in Chongqing* by the Chongqing Creative Assets Development Office, which further reflects the strong design capacity of the Group. As at the Latest Practicable Date, the Group has successfully launched over 2,000 products to the market.

To enhance the Group's product attractiveness, it designs particular themes for its box sets which contain manual stating the themes, characteristics, maintenance and storage methods of the products.

To further strengthen the Group's research and development capability, it has established a technology centre in the Wan Zhou Factory. One of the Group's research topic is the study on stabilising wood size against drastic temperature change and discolouration that are common problems of wooden materials. In 2005, the Group's technology centre was granted the status of "Municipal Technology Centre" designated by Chongqing Municipal Government. The Group's technology centre is planning to apply for the State Technology Centre status to be issued by the central government though it is not legally required under current PRC rules and regulations to made such application. With the grant of the State Technology Centre status, the Group will be entitled to enjoy certain taxation exemptions in relation to the import of the certain type of technology-related and education-related instruments. With the State Technology Centre status, the centre would also be entitled to funding from PRC government for further development of the centre. The Directors believe that the Group's achievements in design and innovation of wooden handicrafts products are evidenced by its array of patents approved by the state trademark registration authority. As at the Latest Practicable Date, the Group had registered an aggregate of 66 patents and has filed applications for registration of additional 9 patents.

5. **Successful marketing strategy**

The Directors believe that the Group's marketing strategy is one of the factors of its success as well.

The Group's marketing strategy emphasises the use of various channels to build up the image of its brandname. The Group has irregularly published its own brochures and booklets which are distributed at franchise shops to their customers. As a kind of promotional materials, these brochures and booklets provide information on the Group's news, products and essence of a healthy lifestyle. The Directors believe that public awareness toward the Group should be enhanced through the distribution of these brochures and booklets, and the customers can gain more understanding on the Group's culture, product features and the benefits of using its products. The Group shares the feeling and stories of its employees and franchisees, as well as advocates Chinese traditional handicraft and provides information relating to the source and development of certain small size wooden accessories. In addition, promotional events are held during festive seasons such as Christmas, Mid-Autumn festival, Chinese New Year, Valentine's Day and Mothers' Day to draw the attention of the end customers. The Group's design team monitors the creative design and production of graphical matters for promoting its brandnames. The Group has also launched advertising campaigns on national television to capture a wider audience.

The Directors believe that an appealing window display is an important factor for the Group's promotion of its brandnames. Accordingly, the Group requires all the franchise shops to have unified window display and window dressing.

6. **Established corporate culture and values**

The mission of the Group is to become a reputable enterprise with long-lasting history. The Directors believe that corporate culture is the Group's core value. "Honesty, Work and Happiness" reflects the Group's belief that its management team, employees and franchisees, are all eager to become honest persons, work hard and enjoy happiness in their lives. The Group's corporate culture and values are demonstrated through its management philosophy of responsibility and open-mindedness. The Group's corporate culture and values are also communicated externally through a series of publications such as a book named "Excellent craftsmanship on wood — Carpenter Tan's 88 operating secrets" (我善治木 — 譚木匠的88個經營秘訣) as well as its booklets and brochures.

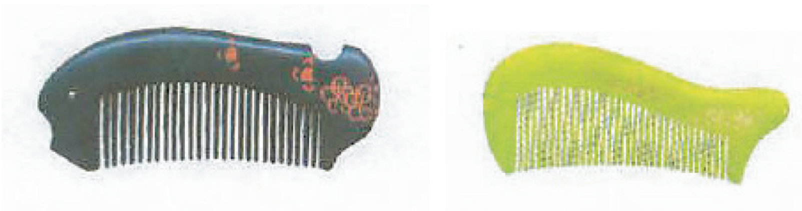
The Directors believe that the Group has attained its success through its core culture and value with a passion in traditional handicrafts improvements and modernisations, the Group's family-like attitudes to franchisees and customers, and its continuous efforts on research and development in the design of small size wooden accessories.

PRODUCTS

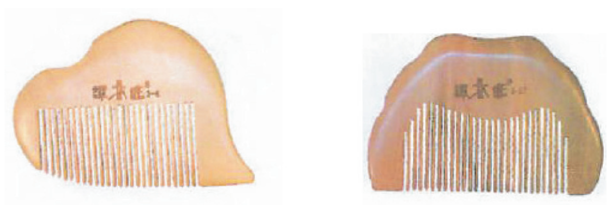
The Group is principally engaged in the design, manufacture and distribution of small size accessories grouped under four categories, namely, (i) combs; (ii) mirrors; (iii) other accessories and adornments; and (iv) box sets. Most of the Group's products are made of natural wood and creatively designed with Chinese aesthetics and craftsmanship, which permeates Chinese traditional culture. The Group's registered trademark, "**Carpenter Tan**" (譚木匠), is labelled on a majority of its small size accessories. The details of the small size accessories products sold by the Group are set out below:

Combs

Combs produced by the Group consist of products such as open-teeth combs, insert-teeth combs and brushes, which are made of wood, horns and/or mixed-materials (combined different types of wood). The Group manufactures various designs of combs which can satisfy the different needs of customers such as coloured combs, grass-and-tree dyed wooden combs, carved wooden combs, children's combs and mosaic combs. As at 31 December 2008, the Group has launched over 1,500 designs of combs. For the three years ended 31 December 2008 and the six months ended 30 June 2009, sales under this category accounted for approximately 39.8%, 38.2%, 40.8% and 38.8% respectively of the Group's turnover.



grass-and-tree dyed wooden combs



children's combs

carved wooden combs

mixed material combs (combined different type of wood)

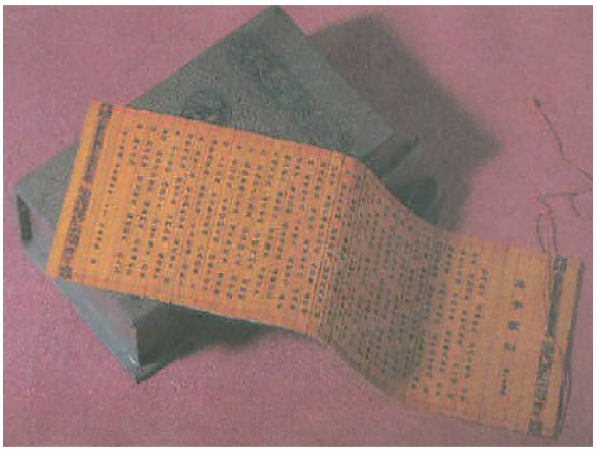
coloured combs

Mirrors

The Group's mirrors are mostly in pocket size which are portable and easy to carry. To retain the uniqueness of the Group's products, most of the mirrors produced by it are attached with wood and designed with Chinese traditional features such as Chinese colour drawing and carving on the surface of the mirror frames. Mirrors attached with metal materials have also been introduced in the product collection. As at 31 December 2008, the Group has launched over 340 designs of mirrors. For the three years ended 31 December 2008 and the six months ended 30 June 2009, sales under this category accounted for approximately 3.3%, 3.4%, 2.4% and 1.8% respectively of the Group's turnover.

Other accessories

In order to provide customers more choices in small size accessories, the Group supplies a variety of accessories and adornments including bead bracelet (香珠手鏈), pendant (鏈墜), barrette (髮夾), hair bob (髮簪), massager (健身扒), gua sha massager (刮痧板), ear swab (耳勺), cardholder (卡片盒), shoe horn (鞋扒), pipe (烟斗), tobacco holder (煙嘴), bamboo slips (竹簡), peachwood sword (桃木劍) and other small home accessories as well as furniture. For better quality and enhancement of the Group's production efficiency, it purchases the semi-finished accessories from its contractors and conduct further processing before sale. For the three years ended 31 December 2008 and the six months ended 30 June 2009, sales under this category accounted for approximately 6.4%, 9.7%, 5.9% and 5.6% respectively of the Group's turnover.



bamboo slips

pipe

bead bracelet

gua sha massager and hair bob

Box Sets

In order to maintain the Group's competitiveness in the industry, it also offers box sets which contain a single product or combine its different products, including combs, mirrors and/or other accessories. With reference to the products in the box sets, the Group introduces particular theme for each box set and the products are packaged by specially designed gift boxes for gift purpose. For examples, box set "si-ji-ping-an" (四季平安) contains Chinese traditional healthy tools, including a black horn comb, a massage piece, a bathing tool and a horn claw; box set "he-jia-huan" (合家歡) is a family comb set which includes a men style comb, a women style comb and a child comb; box set "zhu-lian-bi-he" (珠聯璧合) contains a single product of bead bracelet, box set "wu" (舞) contains a single product of pocket size mirror in butterfly shape. For the three years ended 31 December 2008 and the six months ended 30 June 2009, sales under this category accounted for approximately 48.9%, 47.4%, 50.1% and 52.7% respectively of the Group's turnover.

box set "he-jia-huan" (合家歡)

box set "zhu-lian-bi-he" (珠聯璧合)

PRODUCTION

Amongst the products provided by the Group, the Group concentrates on the manufacturing of wooden combs and mirrors and processing of other accessories manufactured by its contractors.

Production facilities

During the Track Record Period, the Group manufactured its products by its own production facilities located in the Wan Zhou Factory. The Wan Zhou Factory has an aggregate gross floor area of approximately 25,395.37 sq.m., which mainly includes three factory buildings for the major production of wooden combs and mirrors and processing of other accessories manufactured by the Group's contractors and a building used as office and showrooms.

The table below sets out the maximum production capacity of the Group as well as its actual production output of its major products for each of the three years ended 31 December 2008 and the six months ended 30 June 2009:

	For the year ended 31 December 2006			For the year ended 31 December 2007			For the year ended 31 December 2008			For the six months ended 30 June 2009		
	Maximum production capacity* (pieces)	Actual production output (pieces)	Overall utilisation rate	Maximum production capacity* (pieces)	Actual production output (pieces)	Overall utilisation rate	Maximum production capacity* (pieces)	Actual production output (pieces)	Overall utilisation rate	Maximum production capacity* (pieces)	Actual production output (pieces)	Overall utilisation rate
Combs	7,580,000	3,800,000	50%	7,580,000	3,750,400	50%	7,580,000	2,682,700	35%	3,790,000	1,507,000	40%
Mirrors	860,000	406,000	47%	860,000	496,000	58%	860,000	342,000	40%	430,000	171,000	40%
Total	8,440,000	4,206,000	50%	8,440,000	4,246,400	50%	8,440,000	3,024,700	36%	4,220,000	1,678,000	40%

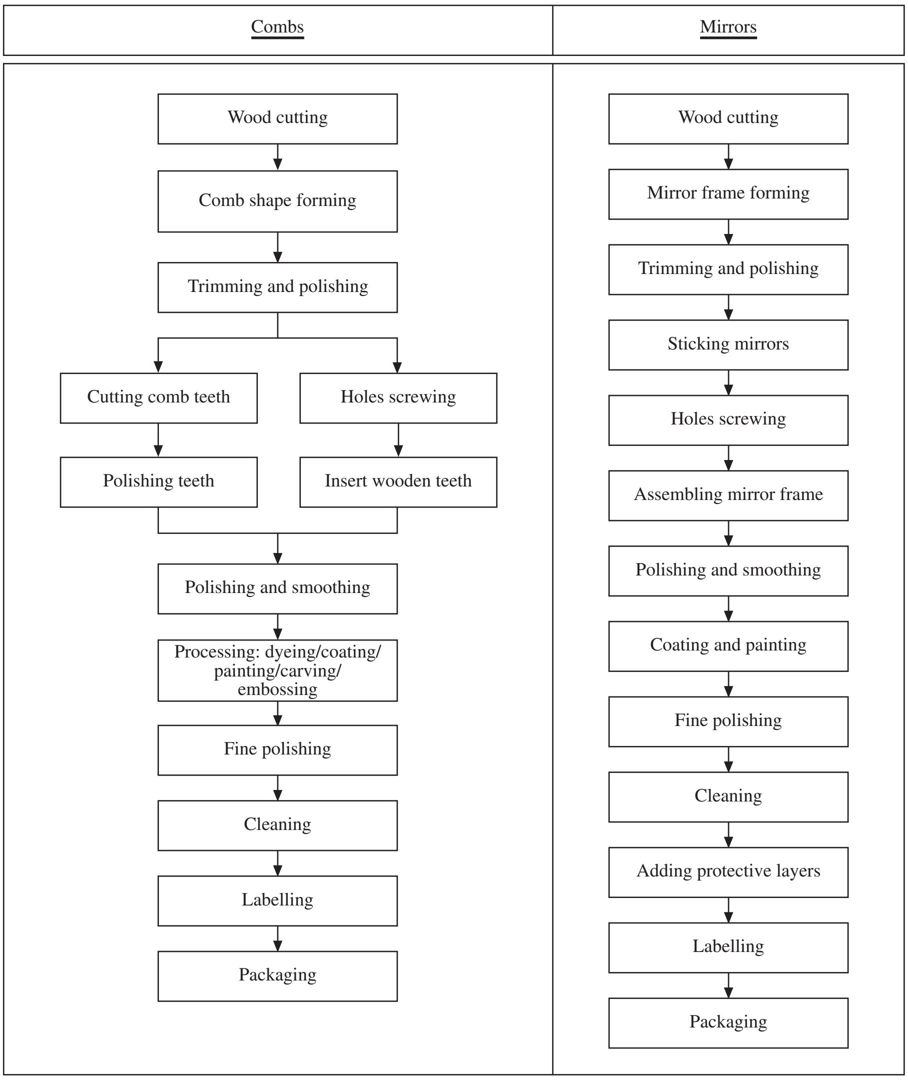
* *estimated maximum production capacity assumes the production facilities operate on three shifts per day, with eight hours per shift and operate on 5 days per week.*

Depending on demand for the Group's products, the Group's production facilities generally operates one shift with eight hours per day and five-day works per week. As at the Latest Practicable Date, the Group had a production team of 690 workers who are full-time employees.

The Group's existing production capacity is mainly designed for the production of combs and mirrors, which is expected to be able to support its sales of combs and mirrors in the foreseeable future.

Production processes

The principal steps involved in the production of the Group's wooden combs and mirrors are illustrated below:



Wood cutting:	to cut the wood into pieces and dry them before putting into production
Comb shape forming:	to cut the wood pieces into comb shape (without teeth)
Mirror frame forming:	to cut wood pieces into suitable mirror frames in different shapes
Trimming and polishing:	to trim and polish the shaped wood pieces
Cutting comb teeth:	to cut the shaped wood pieces to produce comb teeth

Polishing teeth:	to polish the comb teeth area
Sticking mirrors:	to stick mirrors onto the wooden frames
Holes screwing:	to screw holes onto the combs or to screw holes onto the mirrors for assembling of different parts of mirror frames
Polishing and smoothing:	to polish and smooth the surface and edges of the combs and mirrors
Processing: dyeing/coating/painting/carving and embossing:	to carry out processing works such as dyeing/coating/painting/carving/embossing of special features/pictures onto certain types of combs/mirrors
Fine polishing and cleaning:	to fine polish and clean the combs and mirrors
Adding protective layers:	to add protective layers onto the mirrors
Labelling:	to seal or print the Group's trademarks and mark reference numbers onto the products
Packaging:	to pack the finished goods for delivery to franchisees

Besides the Group's own production, it arranges contractors to produce certain semi-finished accessories such as bead bracelets, hair bobs, bamboo slips and massagers. Under the contracting arrangement, the Group provides specification to the contractors to perform the relevant contracting works. Upon receipt of the processed semi-finished goods from the contractors, the Group then performs further processing (mainly polishing, cleaning, labelling and packaging) and quality check before delivery to customers. Unqualified products from contractors would be returned to the contractors and they may be subject to penalty for delay in delivery and unqualified products. Annual contracts have been entered into with some major contractors. In order to monitor the performance and quality of the processing works conducted by the contractors, the Group assigns inspectors to provide on-site guidance. In addition, the Group conducts annual review to assess the performance of the contractors with criteria including product quality, delivery, timing and attitude of contractors. To protect the interests of the Group, a confidentiality provision is included in contracts with contractors to safeguard and protect the confidential information of the Group, which the contractors undertake not to disclose, inform, issue or transfer in any form the technology and confidential information of the Group to third parties.

During the three years ended 31 December 2008 and the six months ended 30 June 2009, the manufacture of the Group's combs and mirrors is principally conducted by Carpenter Tan and Ziqiang Muye with some production processes subcontracted to the subcontractors. As part of the Reorganisation, after the establishment of Ziqiang Muye in February 2004, Carpenter Tan terminated all the employment contracts with its disabled workers in June 2004 and all these disabled workers were then employed by Ziqiang Muye. Leveraging on the experience of the workers from Carpenter

Tan, Ziqiang Muye has therefore been specialising in the manufacture of wooden combs since July 2004. The combs manufactured by Ziqiang Muye are sold to Carpenter Tan on a continuous basis. The management of Carpenter Tan considered it more efficient for Carpenter Tan to concentrate on the production of mirrors and processing of other accessories.

In order to reduce inventory level, the Group intends to sell the products (mainly combs and mirrors) with lower quality grade through wholesalers/distributors. Little Carpenter has therefore been engaged in the distribution of wooden combs since July 2005. The Directors confirmed that as at the Latest Practicable Date, no production has been carried out by Little Carpenter. The products sold by Little Carpenter generally bear no brandname. For the three years ended 31 December 2008 and the six months ended 30 June 2009, the amount of sales generated by Little Carpenter was approximately RMB587,000, nil, nil and nil respectively and all the sales of Little Carpenter have been accounted for in the Group's sales during the Track Record Period. As the quantity of these products is minimal, sale of such products is infrequent and on ad hoc basis. In general, no contract or agreement was signed and the wholesalers/ distributors settle the payment upon delivery of these products.

Subcontracting

The Directors consider that it is time-consuming and not cost-efficient to perform certain production processes which the Group is not specialised in while subcontracting them out could improve its competitive position by reducing costs and shortening production lead times. Accordingly, the Group subcontracts certain production processes from time to time, such as carving and painting of combs and mirrors to other subcontractors in the PRC. The Group closely monitors the performance and the product quality of the subcontractors, including regular factory visits to inspect and monitor subcontractors' production process and product quality. The Group also provides on-site training and guidance to the subcontractors to ensure the products are processed in accordance with the Group's specifications. The Group also performs full or random quality checks on the products processed by the subcontractors, where unqualified products would be returned to the subcontractors. In addition, the Group performs annual reviews to assess the performance of the subcontractors with criteria including product quality, delivery, timing and attitude of subcontractors.

As at the Latest Practicable Date, the Group engages approximately 9 subcontractors and such subcontractors are Independent Third Parties with business relationship with the Group ranging from 1 to 6 years. The Group believes that it maintains good working relationships with its subcontractors. The Directors believe that since there are a large number of subcontractors performing similar type of subcontracting works in the PRC, alternative subcontractors can be engaged within a short period of time to replace any existing ones, if required. For the three years ended 31 December 2008 and the six months ended 30 June 2009, the total subcontracting fee paid by the Group was approximately 7.2%, 6.0%, 3.7% and 2.9% of its cost of sales (including subcontracting charges) respectively. The subcontractors generally offer credit terms up to approximately 30 days.

Maintenance and repair

The major machinery of the Group includes digital carving machines, paint spraying machines, polishing machines, open-teeth machines, fine polishing machines and cutting machines. The Group performs regular maintenance and repair to its production machinery according to the facilities repair and maintenance programme. The Group, as at the Latest Practicable Date, had a crew of 8 staff responsible for general maintenance and minor repairs.

PROCUREMENT

As at the Latest Practicable Date, the Group had a team of 7 staff responsible for the procurement of raw materials for its own manufacturing and semi-finished products for further processing. Major items purchased by the Group include (i) raw materials for production such as wood, mirror pieces, packaging materials such as gift boxes and bags; (ii) semi-finished products such as other accessories of bracelet, bamboo slips, pendant, shoe horn, barrette, hair bob, gua sha massager, ear swab, pipe and tobacco holder. All procurement for own manufacturing of combs, mirrors, box sets, small home accessories and furniture is subject to strict quality control standards.

The Group has entered into master agreements with its major suppliers to secure the supply of the raw materials. The Group has been in business relationship with its major raw material suppliers for more than two and a half years. It is required in the contracts that the raw material suppliers have legitimate source of raw materials and the Group normally selects raw material suppliers which are licensed suppliers or suppliers with relevant permit by the relevant authorities in the PRC in the open markets, and requires its raw material suppliers to issue those VAT invoices or commercial invoices which are acceptable to the relevant authorities in the PRC and conducts annual review on their qualifications, reliability and legitimacy in order to ensure its raw material supply is sourced from lawful and sustainable suppliers so that the Group will not purchase from and rely on unlawful and unsustainable suppliers. The master agreements are in the term of one year and generally expire at the end of each year. Under the master agreement with the respective major suppliers, the Group specified the raw materials or semi-finished products (e.g. wood, packaging products) to be purchased by the Group and set out the reference unit prices of the specific raw materials or semi-finished products to be purchased by the Group during the contractual period. The unit prices are the basic reference prices and the prices may change from time to time and to be considered case-by-case depending on the amount and frequency of the orders placed by the Group. Pursuant to the master agreement, sample materials must be delivered to the Group for quality check, and mass purchase for the raw materials/semi-finished products for the Group should only be commenced after the Group approved the quality of the trial products from the suppliers. The master agreement also provides the delivery requirements that the suppliers are generally responsible for the delivery of the raw materials/semi-finished products and packing of the raw materials/semi-finished products should follows the packaging requirements as set out in the master agreements. Based on the Group's production plans, the Group requests the suppliers to supply the raw materials/semi-finished products in accordance with the quantity and specification provided by the Group. There is no minimum purchase requirement for purchase of materials from the suppliers.

Raw material supply

The principal raw materials purchased by the Group include wood, horns, mirror pieces and packaging materials such as gift boxes and bags, of which wood accounted for approximately 26.5%, 30.2%, 24.2% and 11.2% of its purchase of direct materials (including subcontracting charges) for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively. The Group mainly purchases wood from traders or wood importers in the PRC. The Group has over 25 wood suppliers and there are a number of alternative wood suppliers in the market who are capable of supplying natural wood for the Group, the Directors thus considered that the Group's natural wood was supplied from sustainable sources. All raw material suppliers are Independent Third Parties. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the consumption of raw materials amounted to approximately 35.8%, 34.8%, 27.2% and 27.6% of the Group's cost of sales (including subcontracting charges) respectively.

Semi-finished product supply

The Group considers that the manufacture of other accessories such as bracelets, massage tools, ear swabs, tobacco holders and bamboo slips of its own design was relatively costly and time consuming. The Group then concentrates on the manufacturing of combs and mirrors and processing of other accessories, while the initial manufacturing processes of other accessories have been contracted to contractors since 2001. As at the Latest Practicable Date, the Group mainly engaged approximately 20 contractors in the PRC for the manufacturing of semi-finished accessories. Such contractors are all Independent Third Parties. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the amount paid for the purchase of semi-finished accessories accounted for approximately 36.6%, 41.4%, 31.9% and 27.9% of the Group's cost of sales (including subcontracting charges) respectively.

In general, specification, design and guidelines on the type of raw materials used are provided to the contractors, upon receipt of the semi-finished accessories from the contractors, the Group then, depending on the types of semi-finished accessories, performs further processing (mainly polishing, cleaning, labelling and packaging), before delivering the products to the customers.

Payment terms

For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, all of the Group's purchases (including raw materials and semi-finished accessories) were made within the PRC and all of its purchases were settled in RMB during the respective period. During the Track Record Period, the Group's purchases were mainly settled by cash or bank transfer in advance or with credit terms up to approximately 30 days, of which the suppliers generally offer credit terms up to approximately 30 days. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the creditors' turnover period of the Group was approximately 22.9 days, 28.8 days, 20.0 days and 22.4 days respectively.

Largest suppliers

For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, purchases from the Group's top five suppliers amounted to approximately RMB11.8 million, RMB16.1 million, RMB11.7 million and RMB7.1 million, representing approximately 35.0%, 35.4%, 36.4% and 52.1% of its total purchases (including subcontracting charges) respectively. The Group has up to 8 years' business relationship with the top five suppliers. The Group's largest supplier accounted for approximately 12.7%, 11.3%, 11.1% and 17.7% of its total purchases (including subcontracting charges) for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively. None of the Directors, their respective associates nor shareholders (who or which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company or any of its subsidiaries) had any interest in any of the Group's five largest suppliers during the Track Record Period.

The Group has not experienced any disruption of the material/product supplied since its establishment. The Directors believe that, given the good relationships established with most of the Group's suppliers in the past, the risk of non-delivery of required materials is remote. There are a number of alternative raw material suppliers and contractors in the market who are capable of providing the required raw materials and semi-finished goods as required by the Group. Therefore, it is not likely for the Group to suffer from serious material/product supply disruption in the foreseeable future.

QUALITY CONTROL

The Group places emphasis on quality control over its raw materials, production process and finished products. The Directors believe that the Group's commitment to high level of quality control has been one of the key factors of its success in keeping its leading marketing position. Carpenter Tan obtained the certificate of ISO9001:2000 in March 2004.

As at the Latest Practicable Date, the Group had a quality control team consisting of 15 staff, each of them is responsible for inspection of raw materials, semi-finished goods, finished products and at all stages throughout the production process to meet its quality standards. The quality control team is responsible for the following quality control procedures:

Preliminary control

All raw materials and semi-finished products purchased by the Group through suppliers and contractors are randomly or entirely examined in accordance with the internal quality manual and the required specification before they are put into production or delivered to customers. In the event that the raw materials or semi-finished products supplied do not meet the Group's specifications or quality requirements, such materials/products would be returned to its suppliers or contractors. This ensures that the raw materials as well as the semi-finished products purchased meet the Group's specifications and quality standards before being used for production or delivered to customers.

On-going control

All work-in-process are subject to on-going quality control processes. Inspection is conducted on or after each critical production process to ensure that defective items are detected and remedied at the earliest possible opportunity. Products that fail to meet the quality standards will be removed from the production process or disposed of. Upon completion of the production process, all finished products are subject to further quality assurance tests to ensure that they comply with the Group's quality standards before packaging.

Report and analysis

Quality report are provided by the quality control team of each production line regularly. This would enable the Group to take prompt action if any manufacturing problem occurs in the production process, thereby minimising disruption to the entire production process. Furthermore, this allows the Group to review production efficiency from time to time, thereby formulating and implementing corresponding improvement measures.

INVENTORY CONTROL

The Group's inventories as at 31 December 2006, 2007 and 2008 and 30 June 2009, amounted to approximately RMB24.9 million, RMB39.3 million, RMB40.9 million and RMB35.9 million respectively. The Group maintains control over its inventory quantities and movements. Physical movement of stock is recorded based on established procedures. Inventory records are properly updated according to the approved stock-in and stock-out notes, while duplicate copies of stock-in and stock-out notes are provided to accounting department to ensure the recording of inventory in time.

The Group carefully monitors the inventory level to cater for the fluctuation in the sales volume while, at the same time, minimise the inventory cycle. The Group prepares monthly production plan based on the orders on hand and overall business environment. With reference to the monthly production plan, the Group closely monitors and adjusts its inventory level. The Group usually manufactures according to customers' orders to avoid excess finished products manufactured and finished products are usually delivered to customers within 30 days.

In order to closely monitor the Group's inventory level of finished products, the Group has installed a computer system in June 2003 to record the amount of products manufactured/processed by the Wan Zhou Factory and delivered to the logistic centre and then to the franchise shops. Such system also allows the franchise shops to check the status of the orders placed by them. Stock-take in the Wan Zhou Factory is conducted regularly based on established procedures over all inventories. The stock-take results are compared and reconciled to inventory records in the warehousing and accounting systems. Discrepancies are investigated and any adjustments to the inventory records in the warehousing and accounting systems have to be approved by management of the production plant. The Group also conducts regular inventory inspection to ensure that the inventory are in good condition.

For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the Group's inventory turnover period (as calculated by dividing inventory balances as at year/period end by turnover in respective year/period and multiplying by the number of days in the respective year/period) was approximately 241.0 days, 294.7 days, 313.8 days and 242.5 days respectively. The Group's inventories are normally not subject to imminent expiry date so long as they are placed under suitable conditions. Suitable conditions mean sufficient ventilation and appropriate temperature for storage of raw materials. In this regards, the Group takes various measures to ensure the raw materials, mainly wood and horn, are placed under suitable conditions. A demoisturising process would be carried out for over a week before the wood are stored in warehouses. In addition, to ensure the environment is in sufficient ventilation, the Group requires the staff to strictly follow the storage instructions of raw materials stored in the warehouses, including the size of each piece of the raw materials, spacing of each piece and each batch of wood and the spacing of wood between the walls and floor. Besides, the Group installed thermometers in places where the raw materials are stored, and keep monitor and record the temperature of such places and test the humidity on such places to ensure the environment is in appropriate temperature and humidity. Besides, the Directors consider that the raw materials can be moved to other area for storage without material effect to the Group's operation in the event that the original storage area may be no longer suitable for the storage of raw materials. In view of the abovementioned measures taken by the Group, the Directors consider that the Group has not been exposed to any material risks in relation to the storage of inventories. Based on the Directors' experience, the raw materials including wood and horn can be stored for up to 10 years. Provision for inventory ranging from 25% to 50% (except wood for 6%) would be provided with aging over one year. As at 31 December 2006, 2007 and 2008 and 30 June 2009, the provisions made for inventories were approximately RMB0.9 million, RMB1.0 million, RMB3.7 million and RMB1.1 million respectively. The increase in the provisions made for inventories in 2008 was mainly attributable to the written off of certain finished goods which remained unsold for many years in 2008.

DESIGN AND PRODUCT DEVELOPMENT

The Directors believe that the Group has a competitive edge in its capability in designing and developing a variety of small size accessories, mainly made of wooden material with Chinese traditional features. The Group develops different kinds of products in order to suit the demand for and tastes of different customers. The Group's design and product development team is mainly responsible for the quality enhancement of existing products and new product development. The Group's design and product development team takes into account the analysis of sales in the previous year as well as the feedback from customers when designing its products. After commencement of the designs, wooden accessories samples will be produced for refinements or modifications. The design and product development team on average designs about 300 products each year. During the Track Record Period, the amount incurred by the Group in relation to design and development of its products and research and development accounted for approximately RMB1.3 million, RMB2.0 million, RMB0.4 million and RMB0.7 million respectively.

The Group's design and development centres are located in Chongqing, the PRC. As at the Latest Practicable Date, the Group's design and development centres have about 15 staff with experience and expertise in several areas, in particular, colouring, inlaying, packaging, catalogue design and graphic design. The team members work together to create innovative designs and models for the Group's small size accessories which designed with Chinese cultural features and creative style. Among thousands of designs, the Group selects distinctive models to put into production and introduces to the market. Besides the Group's design and development team members, it encourage its other staff to participate in design and development of new products through various incentive programmes. The Group also hosts various forums and campaigns to identify attractive designs from outsiders. In addition, for future product enhancement, the Group engages external designers from Europe which are Independent Third Parties to provide artistic and innovative designs on a contract basis. The Group owns all intellectual property rights including drafts and designs created by its design and development team and the external designers.

To further strengthen the Group's research and development capability, it has established a technology centre with 8 staff in the Wan Zhou Factory. One of the Group's research topic is the study on stabilising wood size against drastic temperature change and discolouration that are common in wooden materials. In 2005, the Group's technology centre was granted the status of "Provincial Technology Center" designated by Chongqing Municipal Government. It is expected that the Group's technology centre will apply for the State Technology Centre status to be issued by the central government in September 2010. The Directors believe that the Group's achievements in design and innovation of wooden handicrafts products are evidenced by its array of patents approved by the state trademark registration authority. As at the Latest Practicable Date, the Group has registered an aggregate of 66 patents and has filed applications for registration of an additional 9 patents.

SALES AND DISTRIBUTION

The main sales and distribution channel of the Group is through franchise shops under the name of "**Carpenter Tan**" (譚木匠). The Group's major customers are its franchisees. The Directors believe that franchise shops operated by the Group's franchisees are effective for establishing its retail coverage and enhancing public recognition of its brands without utilising a substantial amount of its own resources. A minority of the Group's products are sold through direct sales or distributors/wholesalers to other direct customers. For the three years ended 31 December 2008 and the six months ended 30 June 2009, sales and distribution of products to franchise shops amounted to approximately 94.2%, 91.3%, 87.9% and 88.3% of the Group's turnover in the respective year. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sales to other direct customers accounted for approximately 4.2%, 7.4%, 11.3% and 10.6% of the Group's turnover respectively. Sales to direct customers mainly refer to (i) ad hoc purchases from corporate entities or local government authorities, which bulk purchase the Group's products for their clients/staff or for their corporate functions and/or sponsor purpose; and (ii) sales to wholesalers/distributors. Sales to distributors/wholesalers are infrequent and on ad hoc basis. For direct sales of the Group's products, as part of the staff benefit, the Group's employees can purchase the products at 50% discount to the retail prices at a limited amount while the Group's connected persons regarded as its direct customers can enjoy the same treatments as its direct customers. In any events, the employees and the connected persons are only allowed to purchase the products for self-use or gift purpose and resell is prohibited. During the Track Record Period, sales to employees and connected persons amounted to approximately RMB1.1 million, RMB287,000, RMB36,000 and nil respectively.

The Group places great emphasis on the expansion of its franchise network and enhancement of quality of the products. Furthermore, the Group is keen to set up more franchise shops for strengthening the presence in the targeted markets while it is also endeavouring to maintain the consistency of all of its existing franchise shops in the areas of service quality and image.

The Group first established the franchise programme in 1998 by entering into a franchise agreement with an Independent Third Party in Sichuan, the PRC. The Directors are of the view that franchise is an efficient way to capture the rapid economic growth in the PRC and to promote brandnames and recognition of the Group as well as its products. As at the Latest Practicable Date, the Group had 853 franchise shops in the PRC all under the name of "**Carpenter Tan**" (譚木匠). In addition, the Group had two franchise shops each in Singapore and Malaysia and one franchise shop in the United States. In addition, the Group had established four self-operated retail shops under the name of "Carpenter Tan" in Hong Kong. The Group also owned and operated four Tan's shop and two lifestyle handicraft stores in Chongqing of the PRC. Sales outside the PRC accounted for less than 2% of the Group's turnover during each of the Track Record Period.

The following diagram illustrates the geographical distribution of the Group's franchise shops in the PRC as at the Latest Practicable Date:

A team of 45 staff from the sales and marketing department of the Group are dedicated to develop and expand its franchise network. The details of the procedures for engaging the franchisees are set out below:

Engagement of franchisees

Procedures	**Description**
Application	The Group's sales and marketing department conducts research on the business opportunities of various areas in the PRC so as to formulate strategies in respect of geographical expansion and to strengthen the existing franchise network. After the Group has identified the specific areas for expanding its franchise network, it launches marketing programme to promote its franchise network through the Internet and magazines. Interested parties may apply for the franchise rights in respective areas.
Preliminary evaluation	After the review of application from the interested parties, the Group will evaluate the competence of the candidates and it will assess the competency based on the following factors: (i) capability (ii) experience (iii) financial position
Interview	After selection of the potential franchisees, the Group convenes interviews in person to obtain mutual understandings between the Group and the potential franchisees.
Location feasibility assessment of potential franchise shops	The Group will assist the candidates in assessing the suitability of location and business environment of the proposed franchise shops in terms of competitiveness.
Approval	The application will be reviewed by a committee comprising the regional sales managers of the Group and the head of sales and marketing department. Before entering into formal agreements with potential franchisees, approval from the aforesaid committee is required.

After the candidates have satisfied the criteria set up by the Group, attended training, obtained relevant training certificate issued by the Group and upon determination of the operation details, in particular, operation size and location of the proposed franchise shops, the candidates will enter into agreements with the Group which govern the terms of the franchise arrangement. As at the Latest Practicable Date, all of the franchises engaged by the Group in the PRC are individuals.

The Group has implemented strict policies toward the Group's full-time employees so as to restrict them in becoming the Group's franchisees and engaging in other businesses that compete with the Group. As a result, no franchise agreement would be entered into with the Directors, employees and the connected persons of the Group.

Agreements entered into between the Group and the franchisees

In general, agreements entered into between the Group and the franchisees which govern the terms of the franchise arrangement are (a) franchise agreement, (b) delivery agreement, (c) confidentiality and non-competition undertaking agreement and (d) trademark licence agreement.

Under the agreements entered into between the Group and the franchisees, products sold by the Group to the franchisees are made on a non-consignment basis. Other than the one-off franchise fee and sales made to the franchisees, no other material revenue is generated from the franchisees. No royalty fee is payable by the franchisees to the Group in respect of the rights granted to them for selling its products. The franchise shops are set up in locations approved by the Group and the franchisees are required to sell exclusively the Group's products. In general, the Group does not directly involve in the operation of the franchise shops and the franchisees have to bear all costs and liabilities resulting from operation of the franchise shops. However, under certain circumstances, the Group may be involved in providing assistance to the management and operation (including basic financial/cash management) of certain franchise shops (the "Managed Shops"). A regional manager of the Group is to conduct shop visit, advise on the purchase of products from the Group, monitor the operation of the shops, monitor the hygiene of the shops and provide help in salesmanship training to the Managed Shops as well as all other franchise shops throughout the PRC. As explained by the Directors and advised by the relevant franchisees, the assistance to the management and operation (including basic financial/cash management) of such franchise shops are carried out at the requests of the relevant franchisees for the purpose to assist them to manage the franchise shops owned by them. The Group would generally monitor and provide assistance to the franchise shops by training, frequent contact with franchisees, and franchise shop visits.

Prior to 15 November 2005, the then 16 Managed Shops were owned and operated by certain connected persons of the Group, which were generally locating at Chongqing, Chengdu and Wanzhou, Sichuan Province, the PRC. According to the transfer agreements entered into between the connected persons of the Group (i.e. the previous owners of the then 16 Managed Shops) and the three current relevant franchisees of the Managed Shops in 2005, the consideration for the transfer of such 16 Managed Shops in aggregate of approximately RMB2.0 million was determined after arm's length negotiations and on normal commercial terms after considering the factors comprising the agreed transfer value of the fixed assets, inventory balance, advance rental payment paid by the previous owners/franchisees, agreed transfer fee, other loose tools or consumable assets, and advance payment of utility charges and wages borne by the previous owners. In respect of the other Managed Shops, one of which was transferred to one of relevant franchisees, namely Mr. Lei Peng Cheng (雷鵬程) from a connected person of the Group in December 2003, while the remaining Managed Shops were established by the three relevant franchisees on their own. The executive Directors have confirmed that none of the three relevant franchisees had received any financial assistance from any connected persons of the Company for the acquisition of the Managed Shops.

In 2004, the Group commenced the preparation of the listing of the Shares and considered that any related party/connected transactions should gradually be lessened to a possible extent. Since then, the franchise shops originally owned/operated by the connected persons of the Group had gradually been transferred to Independent Third Parties, and such transfer arrangement had been completed by end of 2005.

After the said transfer, the Group had been requested to and was involving in providing assistance to the management and operation of the Managed Shops at no consideration . The provision of assistance to the management and operation services for the Managed Shops was verbally agreed between the Group and the franchisees of the Managed Shops on the following grounds:

- the arrangement for provision of assistance to basic management and operation for the Managed Shops was requested by the relevant transferees/new franchisees of the Managed Shops when they first entered into the franchise agreement and was originally expected to be ceased by the end of 2007 since they would desire a period of familiarisation with the management and operation of the franchise shops;

- Chongqing, Chengdu and Wanzhou have been the places of origin and development of the Group and of geographical proximity to its single production site (i.e. Wan Zhou Factory), logistic centres and headquarter, where are vital for its brand-building and business development because the Managed Shops located at such areas have been running successfully in the past and are comparatively important to the Group's brand-building and promotion for its franchise programs to the market so these Managed Shops had generally been acting as model shops for demonstrating the success of "Carpenter Tan" to any new potential franchisees who are considering to join the Group's franchise programs. On this basis, the Directors have considered that the provision of assistance to basic management and operation for the Managed Shops may help the Group in the promotion for its franchise programs to the market; and

- the franchisees are not obliged to submit regular reports to the Group in relation to the sales and inventories maintained by them. It is difficult for the Group to constantly monitor the franchisees' sales and inventory records. The provision of assistance to the management and operation for the Managed Shops would enable the Group to better and more timely understand the latest market condition surrounding the franchise shops which are of strategic importance because the Group can more easily and directly understand the ultimate customers' demand pattern, opinion on its retail pricing policy and new product design, and any suggestion for improvement. Upon obtaining such valuable information from the ultimate customers, the Group can adjust its sales and pricing policies and product design innovation/plan more promptly and accurately in order to cope with the ever-changing customers' needs. In addition, the Group can further analyse and compare the sales performance among these Managed Shops, and then formulate appropriate strategies for deciding appropriate geographical locations to set-up new franchise shops and/or other sales outlets in order to alleviate any self-competition among them.

The provision of assistance in the management and operation for the Managed Shops was originally agreed to be ceased by the end of 2007, but which was requested for extension for some more time because of the serious snow storm/disaster occurred at around end of 2007 and beginning of 2008, the serious earthquake occurred in May 2008 and the global economic downturn as a result of the global financial tsunami starting from September 2008, all such events had, to different extent, affected the operating performance of the Managed Shops. The Group had already terminated the assistance arrangement with the Managed Shops in July 2009. The relevant franchisees of the Managed Shops are responsible for the overall management and operation of the Managed Shops which includes human resources management, negotiating and entering into rental agreements with landlords, decoration and purchase of fixed assets for the shops, applying for business certificates and tax registrations, recording sales and expense items, and the daily operation of the Managed Shops such as sales and after-sales services, and placing inventory orders. The Group provides assistance to the Managed Shops on basic financial/cash management which include monitoring and consolidating the money flow records on the sales, expenses, stock-in materials and inventories prepared by the Managed Shops and preparing monthly profit and loss information for the owners of the Managed Shops. In particular, a designated employee of the Group (the "Designated Employee") has been authorised by the franchisees/owners of the Managed Shops to manage the day-to-day sales revenue which are deposited into a bank account for each of the Managed Shops (i.e. one individual bank account for one Managed Shop) under the name of the Designated Employee. Generally, each of the shop keepers of the Managed Shops will deposit the daily sales revenue of his/her responsible franchise shop to the specific bank account. The Designated Employee will in turn directly deposit the total sales revenue together with the bank interests accrued thereon, if any, into the bank accounts of the franchisees/owners of the Managed Shops on a monthly basis, while they will cross-check their shops' monthly sales revenue against the receipt upon collection of the monthly sales revenue and then acknowledge duly receipt thereof in writing to the Group. The Designated Employee, namely Ms. Wang Rong, is a finance officer of the Group and the wife of Mr. Tan Xiao Chuan, who is the deputy general manager of the Group and the nephew of Mr. Tan, Madam Fan Cheng Qin, Mr. Tan Cao and Madam Tan Yao. Madam Fan Cheng Qin and Madam Tan Yao were previously the owners of some of the Managed Shops. Prior to the termination by end of July 2009, there were 35 Managed Shops separately owned by three relevant franchisees, who did not own other franchise shops other than the Managed Shops.

For the above managerial services provided by the Group to the Managed Shops, the Group did not receive any consideration in exchange and the Directors are of the view that the assistance provided to the Managed Shops are given in the ordinary course of the Group's business. During the Track Record Period, there were four employees of the Group involved in the provision of assistance to the management and operation for the Managed Shops, and the cost incurred by the Group for the provision of such assistance were approximately RMB126,000, RMB119,000, RMB175,000 and RMB81,000 for the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively. In addition, prior to 1 October 2004, the Managed Shops enjoyed a slightly greater purchase discount on some 350 products than other franchisees since the locations of such Managed Shops were of geographical proximity to the Wan Zhou Factory or the logistic centres of the Group, so the transportation costs incurred by the Group were lower than that for the other franchisees. However, after 1 October 2004, in order to have a unified pricing policy for every product among all of the Group's franchisees, the concessionary pricing policy by allowing a slightly greater purchase discount on certain products for the Managed Shops had already been revoked. The Group has offered the same prices for its products to all franchisees during the Track Record Period. During the Track Record Period, there were 32, 36, 35 and 35 Managed Shops receiving the assistance from the Group. For the three years ended 31 December 2008 and the six months ended 30 June 2009, sale of the Group's products to the Managed Shops amounted to approximately RMB10.2 million, RMB10.4 million, RMB8.6 million and RMB5.5 million, representing approximately 10.9%, 8.6%, 8.0% and 8.4% of its total sales revenue respectively; whilst the respective franchise fee income derived therefrom amounted to RMB70,000, RMB50,000, RMB40,000 and RMB40,000, representing approximately 4.5%, 3.1%, 4.7% and 5.4% of the Group's total franchise fees received from all its new franchisees during the same period. All the Group's franchisees were Independent Third Parties and none of the franchise shops was beneficially owned by any connected persons of the Company during the Track Record Period and as at the Latest Practicable Date. After the assistance arrangement with the Managed Shop being terminated in July 2009, the Group has no intention to enter into similar arrangements in the future. The Group and its connected persons have not been involved in the operation of any of the franchise shops, except for the Group's provision of assistance to the management and operation for the Managed Shops during the Track Record Period. The Directors consider that the termination of the assistance arrangement with the Managed Shops will have no material adverse impact to the business operation and financial and trading position of the Group in the future; and such Managed Shops can be operated independently going forwards after the Listing. As advised by the PRC legal advisers to the Company, under current and existing rules and regulations in the PRC, the Group is not required to submit application to the office of State Administration for Industry and Commerce upon signing of the franchise agreements.

Background of the Managed Shops and the relevant franchisees

Prior to the termination by end of July 2009, there were 35 Managed Shops locating at Chongqing, Chengdu and Wanzhou, Sichuan Province, the PRC which are owned and operated by three franchisees, namely Mr. Lei Peng Cheng (雷鵬程), Mr. Xiao Da Quan (肖大全) and Ms. Pan Ping (潘萍).

Mr. Lei Peng Cheng (雷鵬程) has been working for Chongqing Three Gorges Natural Gas (Group) Limited (重慶三峽燃氣(集團)有限公司) ("CTGGC") (formerly known as Chongqing Sanxiafeng Corporate Group (重慶三峽風企業集團)) as head of human resources department since May 2003. CTGGC is a limited company established in the PRC on 21 August 1998 and owned as to 35% by Mr. Tan Chuan Rong (being the elder brother of Mr. Tan) and 65% by Ms. Tan Yi Nan (being the niece of Mr. Tan). Mr. Tan has no interests in CTGGC. Prior to joining CTGGC, Mr. Lei had been an officer of Chongqing Sanxiafeng Corporate Group Cultural Centre (重慶三峽風企業集團文化中心), which is a department of Chongqing Sanxiafeng Corporate Group (重慶三峽風企業集團) (presently known as CTGGC), from May 1998 to December 2000; and a reporter of Chongqing Youth Newspapers (重慶青年報), an Independent Third Party, from January 2001 to May 2003.

Mr. Xiao Da Quan (肖大全) has been working for Chongqing City Wu Shan Xian Natural Gas Company (重慶市巫山縣天然氣公司), an Independent Third Party, as an officer since May 2007. Prior to joining this organisation, Mr. Xiao had been a driver of CTGGC from September 2000 to May 2007. Mr. Xiao is the husband of Ms. Pan Ping (潘萍).

Madam Pan Ping (潘萍) had worked for Chongqing Ka Fu Company (重慶卡福公司), an Independent Third Party, as a quality controller from December 1978 to October 1996; and Chongqing Wanzhou Julong Real Estate Development Co., Ltd. (重慶市萬州區巨龍房地產開發有限公司) ("Ju Long") as a cashier from December 1996 to June 2008. Ju Long was a company owned as to 48% by Mr. Tan Chuan Rong, the elder brother of Mr. Tan. Mr. Tan has no interests in Ju Long. In February 2007, Mr. Tan Chuan Rong transferred his interest in Ju Long to an Independent Third Party. Madam Pan Ping has not been engaged in any employment since July 2008. Madam Pan Ping is the wife of Mr. Xiao Da Quan (肖大全).

Save as disclosed above, there is no other past or present relationship, whether business or otherwise, between the three relevant franchisees of the 35 Managed Shops and the Group, including the substantial shareholders and directors of the Company and any of its subsidiaries, and their respective associates.

The following table summarises (i) the total sales revenue; (ii) the total amount deposited into the Designated Employee's bank accounts; (iii) the total purchases from the Group; and (iv) the net profit for the year for all Managed Shops during the Track Record Period:

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB' million	*RMB' million*	*RMB' million*
Total sales revenue *(see note below)*	21.4	24.8	22.9
Total amount deposited into the Designated Employee's bank accounts *(see note below)*	17.8	21.1	20.4
Total purchases from the Group	10.2	10.4	8.6
Net profit for the year	3.4	3.8	4.1

Note: The total sales revenue received by the Managed Shops from their end-customers generally comprise payments in form of cash, cheques and/or credit cards; but only sales revenue in cash had been deposited into the Designated Employee's bank accounts.

The inferred financial information of the Managed Shops during the Track Record Period set out above is prepared by the Group according to the Directors' best understanding and estimates on the following basis:

- the Managed Shops are required to sell exclusively the Group's products;

- the Group has adopted a unified pricing policy for every product among all of its franchisees throughout the PRC;

- the total purchases by the franchisees from the Group is equivalent to the sale of the Group's products to the Managed Shops (exclusive for the value added tax);

- the Group and the Managed Shops have adopted a computer system which requires its staff to record the daily sales revenue and balance of inventories and their respective changes; and

- the Group has obtained information from the Managed Shops on a monthly basis in relation to their operating expenses.

Major terms of all the franchise agreement and its ancillary agreements

Major terms of each of the franchise agreement, delivery agreement, confidentiality and non-competition undertaking agreement and trademark licence agreement are summarised below:

a) *Franchise agreement*

Major terms	**Description**
Period of the franchise agreement	Ranges from one to two years with a right to renew by mutual consent.
One-off franchise fee	In general, each franchisee has to pay a non-refundable one-off franchise fee to the Group. Depending on the location of the franchise shops, the non-refundable franchise fee normally ranges from RMB5,000 to RMB20,000.
Outlook of the franchise shops	In order to maintain consistency of the display of the franchise shops, the Group requires all the franchise shops to have an unified window display and window dressing design. All the franchise shops must follow the standard blueprint for the designing, displaying and renovating of the franchise shops. The franchisees may entrust the renovation company appointed or approved by the Group for renovation or reconstruction of the franchise shops. All the fees in relation to the renovation shall be paid by the franchisees. The interior designs and decorations which inscribe the Group's trademark shall be returned to it when the franchise agreement terminates.

Major terms	Description
Limitation on selling the Group's products	The franchise shops can only exhibit, display and sell the Group's products exclusively. The selling of the Group's products is for retail purpose only. The franchisees may not set up branches, offices, selling counters or any other forms of sales in any place other than the franchise shops approved by the Group. The retail prices of the products are fixed in the PRC and no price adjustment is allowed unless with the Group's consent. Further information about the pricing policy of the Group is set out in the paragraph headed "Pricing and payment terms" in this section below.
Promotions	During festive seasons, the Group may launch promotions aiming to increase the sales of the franchise shops. Promotional items such as posters for decoration and souvenirs as gifts to end customers will be distributed to all franchise shops. The franchisees shall bear a part of the promotional costs.
Training	Prior to the opening of the franchise shops, the Group provides training materials to the franchisees covering, inter alia, customer service skills, etiquette and general concepts of operating the franchise shops. The Group also regularly distributes training materials to franchise shops and send marketing personnels to offer on-going trainings to the staff of the franchise shops. In addition, the Group organise periodic training events for the franchisees to participate in from time to time.
Insurance	Prior to the opening of the franchise shops, the franchisees shall purchase insurance to ensure adequate compensation against natural disasters.
Set up of additional franchise shops	Those franchisees who want to set up additional franchise shops must apply to the Group and if succeed, pay the one-off franchise fee to it for the additional franchise shop. If the same franchisee applies for the setting up of an additional franchise shop near the original franchise shop (depends on the Group's overall control on franchise shop distribution in that region), the Group will grant the franchise rights with priority.

Major terms	**Description**
Legal position of the franchisees	The franchisees are autonomous legal entities and are not the agents, sales representatives, employees or partners of the Group. As such, the franchisees shall not represent the Group to enter into any agreements on its behalf for the bearing of any liability, expense or responsibility. In the event that the franchisees breach their warranties or fail to fulfill any responsibilities under the franchise agreements which result in any losses, claims, damages or liabilities of the Group, its directors, staff or agents, the franchisees have to compensate for the relevant losses, other than those arising from negligence on its part.
Termination	The franchise agreement will be terminated after its expiry if it is not renewed. If the franchise shops or the franchisees have breached any of the terms set out in the franchise agreement, the Group may unilaterally terminate the franchise agreements with the franchisees. Likewise, the franchisees may unilaterally terminate the franchise agreements with the Group, if the Group has breached the terms of the franchise agreements and have not remedied such breach within 15 days upon receipt of notice to do so. Other than breach of the terms of the franchise agreement, the franchise agreement can also be terminated when it is mutually agreed by both the Group and the franchisees. The franchise agreement does not set out the time period required for the notice of termination.

Major terms	Description
	The franchisees shall submit the appropriate application at the office of State Administration for Industry and Commerce 10 days after termination of the franchise agreement. The franchisees shall also return all materials distributed by the Group. Unless the franchise shops are to be transferred to a new franchisee, the franchisees shall at their own expenses demolish the interior designs, decorations or sales counters of the franchise stores. Franchisees who terminate the operation of franchise shops may sell all products in good condition, which were purchased within one year, back to the Group at the price originally purchased by the franchisees, and the Group will charge the franchisees a 6% service charge on the corresponding retail price of those products.
Renewal	The franchisees are required to apply for renewal of the franchise shops one month prior to the end of their respective franchise agreements. The Group's sales and marketing department will decide whether to renew the agreements with the franchisees based on the performance of the franchisees during the period of the previous agreements. If the renewal application has been approved, the franchisees can continue to operate the franchise shops. If the Group decides not to renew the application of the franchise, the franchise agreement will be terminated simultaneously with the cessation of the franchisees' operation rights upon expiry of the franchise agreement, franchisees can sell the products back to the Group in accordance with the arrangement stipulated under the delivery agreement disclosed in the paragraph above. During the Track Record Period, approximately 355, 486, 611 and 543 franchise shops had renewed their respective franchise agreements and the renewal rate were approximately 95.9%, 92.7%, 90.0% and 75.4% respectively as compared to the total number of franchise shops at the beginning of each of the three years ended 31 December 2008 and the six months ended 30 June 2009. No further payment or fee is required for renewal of the franchise agreements.

Major terms	Description
Breach of the franchise agreement	If the franchisees breach the terms of the franchise agreements, the Group is entitled to claim for compensation or for any loss suffered by the wrongful acts of the franchisees. On the other hand, if the Group breaches the terms of the franchise agreements, the franchisees are entitled to claim for compensation or for any losses suffered by the wrongful act of the Group. Pursuant to the franchise agreement, in the event of breach of the terms of the franchise agreement by the franchisee, the compensation amount payable shall be the loss suffered by the Group arising from the breach (including the loss of benefit that would have been obtained had the breach not occurred) provided that the amount shall not exceed the loss that the defaulting franchisees should have foreseen at the time of entering into the franchise agreement. If a franchisee fails to pay any amount due and payable under the franchise agreement, the franchisee shall pay a default payment calculated at the rate of 0.3% on the overdue amount per day. In the event of breach of the terms of the franchise agreement by the Group, the above compensation policies prevail.

b) *Delivery agreement*

Major terms	Description
Period of the delivery agreement	The delivery agreements are entered into together with the franchise agreements and the term of the delivery agreements are the same as the franchise agreements signed with each franchisees.
Ordering of products	Franchisees are required to submit a purchase order form to the Group specifying the product names, product codes, quantity and unit and total price of the products, and the method of delivery.
Initial purchase of products	The minimum initial purchase of the Group's products by each franchise shop ranges from RMB35,000 to RMB40,000 depending on the location of the franchise shops. There is no minimum annual purchase requirement thereafter. For the three years ended 31 December 2008 and the six months ended 30 June 2009, the total amount of initial purchase by the Group's franchisees amounted to approximately RMB6.7 million, RMB7.6 million, RMB4.4 million and RMB3.8 million respectively.

Major terms	Description
Payment	Normally, the franchisees have to pay the full payment and the applicable delivery fee incurred upon submitting the purchase order forms. For certain franchisees who have outstanding performance, a credit period of up to 30 days will be granted. Should the franchisees fail to make the payment within five days after the payment deadline, the Group is entitled to collect a penalty (0.3% of the value of the total products ordered) from the franchisees.
Delivery of products	The Group bears the transportation fee for products to be delivered under the standard consignment. The Group and the franchisees will share the cost of delivery for express delivery. If the franchisees request for courier delivery under special circumstances, the franchisees shall be responsible for the full delivery cost. For those products to be collected by the franchisees directly, the rights and risks of the products shall pass to the franchisees from the Group upon the franchisees signing the collection notes. For those products to be provided under delivery, the rights and risks of the products shall pass to the franchisees from the Group upon the completion of the delivery order placed by the Group.
Conditions for exchange/refund of products sold by the Group	*Mismatch of the purchase order*: The franchisees may request for an exchange or refund if the products delivered do not match the specification on the purchase order forms and notify the Group within two days of delivery of the products. *Slow moving products:* The franchisees may request for an exchange or refund for the slow moving products (products delivered by the Group over six months but less than one year). The accumulated amount of the product exchange/refund for the year should not exceed 3% of the total purchase of the products from the Group during the year. A service fee of 3% of the wholesale price to the franchisees would be charged to the franchisees and the franchisees should bear the relevant transportation fee. *Refund/exchange of products*: Unless the products are damaged, the franchisees have to pay 3% of the product price for service fees for refund or exchange of the Group's products.

Major terms	Description
	Terminating of operation: Franchisees who are terminating the operation of the franchise shops may get a refund of all products in good condition which were purchased within one year and based on the prices originally purchased by the franchisees, the Group will charge a service fee of 6% of the retail price of the products.
Breach of the delivery agreement	If the Group breaches the delivery agreements, it shall pay late penalties to the franchisees amounting to 0.03% of the product costs per day. If the Group delays the delivery of the products for more than 30 days, the franchisees may cancel the order. If the franchisees breach the delivery agreements, the Group may adopt one or more of the following measures: (i) request the franchisees to stop the breach or adopt other remedial measures; (ii) claim RMB100,000 from the franchisees; and/or (iii) claim compensations for further damages suffered.

During the Track Record Period, there was no breach of the delivery agreements by the Group. The policy of product refund or exchange was adopted since the commencement of the franchise operation in 1998. The Company has adopted strict controls to monitor the goods return requests by the franchises. All the goods return requests have to be reviewed and approved by the Group and the franchisees may request for an exchange/refund of goods pursuant to the relevant provisions of the agreements entered into with the franchisees. The Group also performs monthly review on the goods returned/exchanged by the franchisees to analyse the reasons for goods return and understand the sales trends with an aim to improve the Group's products. The Group recognised the sale of goods to the franchisees during the track record period when the goods were delivered to the franchisees and the amount of sales return are deducted from the amount of sales during the respective period. During the Track Record Period, the amount of sales return amounted to approximately RMB3.6 million, RMB3.6 million, RMB4.5 million and RMB3.0 million, representing approximately 3.7%, 2.9%, 4.1% and 4.6% of the Group's total turnover respectively. The sales return for the year ended 31 December 2006 was mainly caused by (i) the return of slow moving products; and (ii) the return of products which had quality problems. During and prior to the Track Record Period, as the Group has waived the service fee in relation to the return or exchange of products by the franchisees, thus no service fee was accounted for in the Group's financial statements during and prior to the Track Record Period. Given that the estimated service fee (3% of the return amount) only amounted to approximately RMB108,000, RMB107,000, RMB134,000 and RMB90,500 for the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively if the aforesaid service fee was so charged, the Directors consider that the waiver of service fee (3% of the return amount) in relation to sales return did not have a material impact on the profitability of the Group. In the future, the Group will consider waiving the service fees on a case-by-case basis depending on the frequency and the amount of sales return of particular franchisees.

c) *Confidentiality and non-competition undertaking agreement*

Major terms	Description
Confidentiality undertaking	The franchisees undertake to safeguard and protect the confidential information of the Group. In addition, the franchisees undertake not to disclose, inform, issue, publish or transfer any other form of the technology and operation information of the Group to any third parties without its prior consent.
Termination	Upon termination of the franchise agreements, the franchisees undertake to continue to safeguard the confidentiality until the information becomes public or the Group agrees to release such undertaking.
Non-competition undertaking	Unless with the written approval of the Group, the franchisees are not allowed to work for any companies or organisations that manufacture and operate similar products as it does within three years of the termination of the franchise agreements. In addition, the franchisees are not allowed to operate business similar to the Group's within three years from the date of the termination of the franchise agreements unless with its written consent.
Breach of the confidentiality and non-competition undertaking	If the franchisees breach the terms under the confidentiality and non-competitive undertaking agreement, the Group may adopt one or more of the following measures: (i) request the franchisees to stop the breach or adopt other remedial measures; (ii) claim RMB200,000 from the franchisees; and/or (iii) claim compensations for further damages suffered.

d) *Trademark licence agreement*

Major terms	Description
Application of trademark	The grant of the Group's trademark "**Carpenter Tan**" (譚木匠) to be used by the franchisees is limited to the followings: (i) the sale of the Group's products; (ii) interior designs and decorations in the franchise shops; and (iii) other applications as agreed by the Group.
Licence fee	It has been included in the fee payable under the franchise agreement.
Liability	The franchisees shall be liable for their own wrongdoings and/or misuse of the Group's trademark, and it shall be entitled to claim compensations or to sue for any loss suffered from such wrongdoings and/or misuse.

During the Track Record Period, neither the Group nor the franchisees breached the franchise agreements, the delivery agreements and/or the trademark licence agreements in material respects.

Once the franchise agreement is terminated with the Group, the delivery agreement and the trademark licence will cease simultaneously while the confidentiality and non-competition undertaking agreement remains valid.

Monitoring of franchisees

The Group supervises franchise shops operated by its franchisees. Pursuant to the franchise agreement as disclosed above, the franchise shops are required to be renovated and decorated in accordance with the Group's requirements and specifications with an aim to promote and unify the image of its brand and consumers' shopping experience.

Training

The Group also provides personnel training to its franchisees and the franchisees are required to comply with procedures and policies stipulated by it in respect of decoration, marketing, operations and customer service. On-site training and training materials will be provided to the franchisees for them to conduct their in-house training and an operation manual will also be provided to the franchisees as a guideline on the operation of their franchise shops. Regular training/examination will be provided about quarterly to the franchisees to enhance/test franchisees' knowledge on the Group's operation, products, culture value, franchise policies and get more familiar with its requirements of service quality, and the terms and conditions of the various agreements entered into between the Group and the franchisees.

Contact with franchisees

The Group's sales and marketing team assigns regional supervisors to communicate, supervises and keep frequent contacts (including telephone and facsimile communication and shop visits) with the franchisees in different regions. The franchisees from time to time report to the Group about the problems encountered by them as problems arise or make requests to the Group's sales and marketing team. In general, the Group holds meetings with the franchisees at least once a year to assess and evaluate the sales performance.

Franchise shop visits

In order to ensure that the franchisees conducting their operations in accordance with the franchise agreements, regular visits and inspections to the franchise shops are conducted by the Group's regional supervisors for at least 6 times per year and additional visits are conducted on a random basis. During each visit, the regional supervisors will make sure the franchise shop complies with the Group's requirements such as correct shop display, provision of proper training to salespersons, sound knowledge of the franchisees on the Group's products, quality of service being provided to end customers and such quality of services are consistent among the franchise shops. The sales and marketing team must also ensure that the Group's promotion programmes are implemented, and obtain direct feedback from the franchisees in relation to the problems encountered by them, information about consumer preferences and the retail market conditions. The sales and marketing team will hold discussions with the Group's management regularly after their visits to the franchisees to provide information to the Group's management so that the Group's management can take appropriate actions to improve the efficiency of the Group's operations and to provide suggestions to the franchisees, if necessary.

Feedback from end customers

During the Track Record Period, the end customers of the Group were mainly domestic white collar residents in the PRC. The Group values feedback of the end customers which it regards as one of the monitoring measures to the performance of the franchise shops. For this reason, the Group encourages the end customers to provide opinion or feedback through its website and it established a toll-free customer hotline to allow the end customers to provide their feedback directly to the Group in relation to the service quality of the franchisees, product quality and information about consumer preferences. Centralised complaint handling procedures are implemented by the Group to handle complaints from the end customers.

Sales and inventories of franchisees

As the franchise shops are owned and controlled by the franchisees, under the franchise agreements, it is voluntary for the franchisees to submit regular reports to the Group in relation to the sales and inventories maintained by them. However, the sales and marketing staff of the Group keep frequent discussion with the franchisees as well as conducts regular and additional random visits to franchisees to better understand the sales and inventories of the franchisees. In addition, the Group also reviews the purchases from the franchisees and made telephone interviews with the franchisees so as to understand their inventories and sales performance.

As confirmed by the Directors, during the Track Record Period, the Group has experienced one major incident regarding infringement of the Group's trademark. For further details please refer to the paragraph headed "Intellectual property rights" below in this section.

During the Track Record Period, the Group has not engaged connected persons in the franchise arrangements.

Largest customers

The percentage turnover attributable to the Group's five largest customers for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 were less than 15%. Prior to the Track Record Period, Ms. Tan Yao, a sister of Mr. Tan and Mrs. Tan, were one of the top five customers of the Group. However, the franchise arrangement with each of Ms. Tan Yao and Mrs. Tan had ceased prior to the Track Record Period.

Save as disclosed herein, none of the Directors or any of their respective associates or Shareholders (who or which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company or any of its subsidiaries) has any interest in any of its five largest customers during the Track Record Period.

Pricing and payment terms

The prices of the Group's products charged to its customers including franchisees and direct customers are determined and reviewed regularly by the management of the Group after discussion with the sales and marketing department, the finance department and the production department of the Group with reference to the cost of sales of the products and the expected gross profit margin set by the management of the Group. Frequency of sales to each franchisee depends on the sales performance and inventory of his/her franchisee shop. During the three years ended 31 December 2008 and the six months ended 30 June 2009, the Group has offered same prices for its products to all franchisees with reference to the cost of sales of the products and the expected gross profit margin. For sales to direct customers, such as corporate entities/government authorities or wholesalers/distributors, the Group adopts the same pricing policy, however, the selling price and the gross margin varies and was determined case by case with reference to the credibility, frequency and amount of purchases of such direct customers. The Group implements uniform retail price within each franchisee shops in the PRC. When considering the prices of the products, the Group's management also takes into account a number of factors such as prevailing market price of similar products, product type, design, market position and trend. Retail price of the Group's major products ranged from approximately RMB30 to RMB1,300 with an average of about RMB135. The Directors confirmed that all other terms of sales were and are the same in respect of sales to the Managed Shops and to other independent franchise shops during the three years ended 31 December 2008 and the six months ended 30 June 2009 and up to the Latest Practicable Date.

Payments made by the Group's customers are normally settled by bank transfers. The majority of the sales of the Group is transacted in RMB. For the three years ended 31 December 2008 and the six months ended 30 June 2009, over 96% of the Group's sales were settled in RMB, while the remaining sales were settled in Euro Dollar or US Dollar.

Credit policy

The sales and marketing department consistently reviews the credit and performance of the Group's customers. In general, franchisees are required to settle the payments for the products prior to delivery. Credit term of up to 30 days would be granted to franchisees based on (i) personal creditworthiness of the franchisee, (ii) performance of the franchise shops such as amount of sales contributed to the Group and amount of return goods, (iii) the management of the franchise shops, (iv) marketing activities conducted; and (v) level of cooperation with the Group. Franchisees are required to settle the one-off franchise fees upon signing of the franchise agreement and no credit term is granted for the franchise fees payable by the franchisees. In general, direct customers are required to settle the payments for the products prior to delivery. However, credit term of up to 30 days may be granted depending on the performance of direct customers such as amount of historical sales contributed to the Group and their respective payment history as well as creditworthiness or profitability of the direct customers. However, sales to direct customers only accounted for approximately 4.2%, 7.4%, 11.3% and 10.6% of the Group's turnover respectively during the Track Record Period.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the balances of the trade receivables were approximately RMB607,000, RMB690,000, RMB420,000 and RMB332,000 respectively. The debtors' turnover period for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 were 2.3 days, 2.0 days, 1.4 days and 0.9 day respectively.

The Group monitors regularly the aging and settlement of the trade receivables by performing specific reviews and analyses on the repayment ability of each receivable balances at period end and making specific impairment for doubtful debts identified. The management of the Group reviews the bad and doubtful debt position on a regular basis, and specific impairment will be made after the management of the Group has taken into consideration of the debt's aging status and the possibility of collection. The basis of impairment is as follows:

Aging	**% of impairment**
Within 1 year	N/A
1 to 2 years	20%
2 to 3 years	50%
Over 3 years	100%

As at 31 December 2006 and 2007 and 2008, impairment of trade receivable of the Group was approximately RMB13,000, nil and nil respectively.

Seasonality

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

MARKETING AND PROMOTION

The Directors recognise the importance of creating an unique image for the Group's brandnames and maintaining public awareness of the products sold under the brandname of "**Carpenter Tan**" (譚木匠). The Group's sales and marketing department, which consists of 40 employees, is responsible for formulating the Group's marketing strategy and carrying out promotional events.

The Group's marketing strategy emphasises the use of various channels to build up the brandname image of the Group. By distributing healthcare brochures and booklets at the franchise shops, the Group introduces the benefits of wooden combs, the importance of healthy body and its history. The Group shares the feeling and stories of its employees and franchisees, as well as advocates Chinese traditional handicraft and provides information relating to the source and development of certain small wooden accessories. In addition, promotional events are held during festive seasons such as Christmas, Mid-Autumn festival, Chinese New Year, Valentine's Day and Mothers' Day to draw the attention of the end customers. The Group's design team monitors the creative design and production of graphical matters for promoting the Group's brandnames. The Group has also launched advertising campaigns on national television to capture a wider range audience.

The Directors believe that an appealing window display is an important factor for promotion of the Group's brandnames. Accordingly, the Group requires all the franchise shops to have unified window display and window dressing.

The Directors believe that enhancing the image of the Group helps its franchisees in the sale of its products which in turn enhances its sales and attracts potential franchisees to join its franchise programme. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the Group's marketing and promotional expenses amounted to approximately RMB1.5 million, RMB1.7 million, RMB0.5 million and RMB0.2 million respectively.

AWARDS AND ACCREDITATION

The Group has been awarded a number of accreditations and certifications by certain granting organisations, all of whom are Independent Third Parties. Set out below is a list of major awards and accreditations obtained by the Group in the past:

Issue year	Issuing organisation	Awards/Certificates
1997	Social Survey Institute of China (中國社會調查所)	China Recognised and Reputable Brand Product Certificate (中國公認名牌產品證書), China Recognised and Reputable Brandname Product Medal (中國公認名牌獎牌)
1998	Chongqing City Administration Bureau for Industry and Commerce (重慶市工商行政管理局)	Certificate of Chongqing Famous Trademark (重慶市著名商標證書)
1998	Chongqing Tourism Bureau (重慶市旅遊事業管理局)	Certificate of Chongqing Feature Product Award in Chongqing City Tourist Commodity New Product Design and Development Prize (重慶市旅遊商品新產品設計開發大獎賽最具巴渝特色的旅遊新產品優秀獎證書)
1999	Chongqing City Wanzhou District Administration Bureau for Industry and Commerce (重慶市萬州區工商行政管理局)	1998 Trustworthy Enterprise (重合同守信用企業)
2001	Chongqing Administration for Industry and Commerce (重慶市工商行政管理局)	Certificate of Chongqing Famous Trademark (重慶市著名商標證書)
2002	Agricultural Bank of China (中國農業銀行)	Certificate of Enterprise Credit (AA) Grading (公業資信評級證書,AA級)
2002	Chongqing Tourism Bureau (重慶市旅遊局)	Quality Packing Award in Chongqing City Tourist Commodity New Product Design and Development Contest (重慶市第二屆旅遊商品新產品設計開發大獎賽包裝獎)
2004	Social Survey Institute of China (中國社會調查所)	Certificate-Achieved Standard of China Famous Brand (榮譽證書-中國公認名牌產品標準)
2004	Social Survey Institute of China — Corporate Department (中國社會調查所企業部)	Certificate-2004 China Distinctive Brand (證書-2004年中國優秀品牌)

Issue year	Issuing organisation	Awards/Certificates
2004	Chongqing Administration for Industry and Commerce (重慶市工商行政管理局)	Certificate of Chongqing Famous Trademark (重慶市著名商標證書)
2004	Zhongjian United Quality Certification Body of Beijing (北京中檢聯合質量認證中心)	ISO9001: 2000 Certificate
2004	Commercial Credit Centre, China General Chamber of Commerce (中國商業聯合會商業信用中心)	China Commercial Credible Enterprise (中國商業信用企業)
2005	China Social Welfare Working Committee (中國社會工作協會福利企業工作委員會)	China Distinctive Social Welfare Enterprise (全國優秀福利企業)
2006	Forbes, China Edition	One of the Top 100 Highest Growth Potential Enterprises in the PRC (中國潛力100榜)
2006	China Industrial Economy Union Association (中國工業經濟聯合會), China Art Craft Association (中國工藝美術協會), Tsinghua University Art Faculty (清華大學美術學院) and China Art Craft (Group) Company (中國工藝美術(集團)公司)	"Golden Phoenix" Creative New Product Design Silver Award ("金鳳凰"創新產品設計大獎—銀獎)
2006	China Chain Store and Franchise Association (中國連鎖經營協會)	2005 Best Growing Competence Award (最具成長力獎)
2006	Trademark Bureau of China State Administration of Industry and Commerce (國家工商行政管理局商標局)	China Famous Trademark (中國馳名商標)
2007	Forbes, China Edition	One of the Top 100 Highest Growth Potential Enterprises in the PRC (中國潛力100榜)

Issue year	Issuing organisation	Awards/Certificates
2007	China Chain Store and Franchise Association (中國連鎖經營協會)	China Outstanding Retail Franchiser Top 10 Brand 2006-2007 (2006-2007年度中國零售業十大優秀特許加盟品牌)
2007	Chongqing Administration for Industry and Commerce (重慶市工商行政管理局)	Certificate of Chongqing Famous Trademark (重慶市著名商標證書)
2008	China Chain Store and Franchise Association (中國連鎖經營協會)	China Outstanding Retail Franchiser Top 10 Brand 2007-2008 (2007-2008年度中國零售業十大優秀特許加盟品牌)
2008	Forbes, China Edition	One of the Highest Growth Potential Enterprises in the PRC (2008最具潛力中小企業榜)
2009	Forbes, China Edition	One of the Highest Growth Potential Enterprises in the PRC (2009最具潛力中小企業榜)

INSURANCE

The Group's insurance coverage includes social insurance and insurance for damage to production facilities and certain assets arising from natural disasters. For the three years ended 31 December 2008 and the six months ended 30 June 2009, the Group has not experienced any significant loss or damage to its facilities. Apart from the above insurance policies, as there are no relevant laws or industrial regulations in the PRC requiring the Group to maintain any insurance policies relating to third party liability or product liability for the quality of its products, the Group as at the Latest Practicable Date, did not maintain such insurance.

INTELLECTUAL PROPERTY RIGHTS

The Group is the registered owner of the trademark Carpenter Tan "譚木匠" in the PRC as well as in Hong Kong, Singapore, Taiwan, Korea, Japan, the United States, Canada, Macau, Malaysia and Indonesia. The Group has applied the trademark Carpenter Tan "譚木匠" on its products and also uses it as the shop name for the franchised operation of its business. In addition, the Group has registered a number of intellectual property rights including certain trademarks which are not yet in use and certain patents for its various products and design. Details of which are set out in the section headed "Intellectual property rights of the Group" in Appendix V in this prospectus.

Other than the trademark Carpenter Tan "譚木匠" and the above mentioned patents, the Group is not materially dependent on any intellectual property right.

The Group recognises the importance of protecting and enforcing intellectual property rights. The Directors confirmed that there had been one major incident of infringement of the Group's trademarks during the Track Record Period, which was caused by 2 former employees (1 of which is also a former shareholder of Carpenter Tan holding less than 5% of shareholding interest) and a former franchisee of Carpenter Tan who were being accused of infringing Carpenter Tan's confidential information and its registered trademark. The accused applied the said registered trademark upon the production of wooden combs and engaged the suppliers of the Carpenter Tan to produce packaging materials. They were arrested by The People's Procuratorate of Wan Zhou District (萬州區人民檢察院) on 31 December 2004 and were transferred to The People's Procuratorate of Wan Zhou District (萬州區人民檢察院) for trial. According to the criminal ruling of the Chongqing Wanzhou District People's Court (2006) Wanxingchuzi No.25 (重慶市萬州區人民法院刑事判決書(2006)萬刑初字第25號), the accused were found guilty of the offence of infringing commercial secret and were sentenced for imprisonment and/or suspended sentences and were fined. Further, the properties illegally obtained by the said accused and the counterfeit products that had been seized were expropriated.

According to the said judgement, the possible damage of RMB1,185,719 due to the infringement suffered by Carpenter Tan includes (a) expenses to ratify the damages amounting to approximately RMB201,200; (b) investigation expenses in respect of the infringement amounting to approximately RMB424,240; and (c) loss of profit amounting to approximately RMB560,279. The accused then appealed to Chongqing No.2 Intermediate People's Court (重慶市第二中級人民法院) in 2006 and the case was dismissed. The aforesaid case of infringement was concluded and it will not have any further material financial impact to the Group and the possible damage of RMB1,185,719 has not been accrued or provided for in the Group's financial statements during the Track Record Period. Carpenter Tan has initiated a claim against the defendants. However, in light of the financial situation of the defendants and the relevant PRC laws, even if a judgement is granted in favour of Carpenter Tan, the result of the enforcement of the judgement may not be satisfactory. In other words, the defendants may not have sufficient assets to compensate the loss suffered by Carpenter Tan.

Save as disclosed herein, the Group has not engaged in or been threatened with any claim for infringement of any intellectual property rights, whether as a claimant or respondent. To prevent any infringement of the Group's intellectual property rights, the Group has adopted various measures to monitor the conducts of its franchisees such as conducting visits and inspections, maintaining frequent contacts with the franchisees as disclosed in the sub-paragraph headed "Monitoring of franchisees" above. In addition, the Group has relied on trademarks, patents and/or non-disclosure agreements with the employees and relevant parties to protect its intellectual property. The Group seeks patent protection on its new inventions, product improvements or technology developed by it, as well as makes every effort in protecting its products and technologies including restricting its staff's access to, and prohibiting staff from accessing its proprietary information, or its information and technology systems and network which hold proprietary data. The Directors believe that the Group has taken all reasonable measures to prevent any infringement of its intellectual property rights and to avoid any losses as a result of infringement of the intellectual property rights of third parties by the Group's suppliers.

As at the Latest Practicable Date, the Directors are not aware of any pending or threatened claims against the Group or any of its subsidiaries relating to the infringement of any intellectual property rights owned by third parties.

COMPETITION

The Directors consider that the competition in the PRC retail market in recent years has become increasingly intense as a result of the accession to the World Trade Organisation which has reduced import tariffs and allows foreign retailers to establish wholly-owned business in the PRC. With the gradual liberalisation of the retail sector to foreign ownership, the Directors expect that competition will further intensify.

The Group's performance to large extent depends on the sales to the franchisees. During the Track Record Period, sale of the Group's products to its franchisees accounted for approximately 94.2%, 91.3%, 87.9% and 88.3% of its turnover respectively. As the franchisees are operating retail business involving sales of small size accessories supplied by the Group and the franchisees' customers mainly purchase the Group's products for gift purpose, the Directors consider that other retail stores which offer any range of merchandise for gift purpose would affect the sales of the franchisees which in turn affects the Group's performance. In view of the absence of significant entry barriers to the industries, it has been the Group's strategy to provide high quality products with strong brand building.

With the established brandname and sales network, the Directors believe that the expertise and reputation of the Group in the small size accessories industry for providing quality and stylish combs, mirrors and accessories enable the Group to compete effectively with other competitors in the PRC. The Directors believe that the Group is supported by its strong design and development ability, extensive sales networks, reputable brandname and unique corporate culture and values.

As confirmed by the controlling shareholders of the Company, namely Mr. Tan, Mrs. Tan, Lead Charm, Fame Good, Mr. Tan Cao, Ms. Tan Yao and the Directors, they do not have any interest in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

LICENCES AND REGULATORY APPROVALS

Licences and approvals for operation

Under article 34 of the Regulations for the Implementation of the Forestry Law of the PRC (中華人民共和國森林法實施條例), purchases of wood and bamboo and operating wooden and bamboo's value added processing businesses in the forest region are subject to the approval by county-level or higher government forestry administration division. Considering that all of Carpenter Tan, Little Carpenter, Ziqiang Muye, CQMY, Lifestyle Handicrafts Company, Munan Handicrafts, Xiangnan Handicrafts, Chennan Handicrafts and Hao Yu Handicrafts are all regarded as operating wood related activities in the forest region, each of Carpenter Tan, Little Carpenter, Ziqiang Muye, CQMY, Lifestyle Handicrafts Company, Munan Handicrafts, Xiangnan Handicrafts, Chennan Handicrafts and Hao Yu Handicrafts therefore shall comply with the requirements as stipulated in the aforesaid article 34 of the Regulations for the Implementation of Forestry Law of the PRC. As advised by the PRC legal advisers to the Company, apart from obtaining the necessary business licenses for the wooden and bamboo's value added processing businesses, the Group's operation is not subject to any other business license or approval. Carpenter Tan, Ziqiang Muye, Little Carpenter and CQMY have obtained the Chongqing City Wood and Bamboo Operation Permit (重慶市木竹經營許可證) for the value added processing of the wood and bamboo business since commencement of its operation to the year 2009. Hao Yu Handicrafts has obtained the said permit which will expire in December 2010. As advised by the PRC legal advisers to the Company, Chongqing City Wood and Bamboo Operation Permit was issued with a valid term of one year, and such permit obtained by Carpenter Tan, Ziqiang Muye, Little Carpenter and CQMY will be expired on 31 December 2009. Carpenter Tan, Ziqiang Muye, Little Carpenter, CQMY, and Hao Yu Handicrafts have to apply to Chongqing City Wanzhou District Forestry Bureau (重慶市萬州區林業局) for renewal of the Chongqing City Wood and Bamboo Operation Permit annually. As advised by the PRC legal advisers to the Company, each of Carpenter Tan, Little Carpenter, Ziqiang Muye, CQMY, and Hao Yu Handicrafts shall have no legal impediment to the renewal of the Chongqing City Wood and Bamboo Operation Permit after their expiry in December 2009 and December 2010. For renewal of the said permit, the enterprise should have (a) legitimate and stable source of supply of the natural wood, (b) fixed location for operation or processing, (c) required capital and facilities, and (d) relevant staff and technician for production/processing of wood. Enterprises which do not fulfil the above requirements are not permitted to operate business in relation to wood processing. According to article 40 of the Regulations for the Implementation of the Forestry Law of the PRC (中華人民共和國森林法實施條例) effective on 29 January 2000, any illegal operation or processing of wood in the forest region shall be subject to (i) confiscation by the forestry authorities of People's Government of county or above for the wood and benefits caused by illegal operation; and (ii) a maximum fine of two times of the benefits procured by the enterprise under its illegal operation. The Group's natural wood suppliers are certified by the Forest Stewardship Council or the State Forestry Administration of the PRC. To ensure its natural wood supply is sourced from lawful and sustainable suppliers and the Group will not purchase from and rely on unlawful and unsustainable natural wood suppliers, the Group (i) enters into agreements with its natural wood suppliers for an average term of one year requiring that they should have the relevant certifications; (ii) purchases natural wood in the open market from licensed suppliers or suppliers with relevant permit by the relevant authorities in the PRC; (iii) requires its natural wood suppliers to issue those invoices which are acceptable to the relevant authorities in the PRC; and (iv) conduct annual review for its natural wood suppliers. Since the commencement of its business, the Group has not experienced any obstacles in the renewal of the aforesaid permit.

Under the Management of Franchise Business (商業特許經營管理辦法) in relation to the franchised businesses issued by Ministry of Commerce of the PRC, the foreign investment enterprises with franchised businesses should apply to the Administration Bureau for Industry and Commerce of relevant province or region for an addition of "engagement in business activities by way of franchise" (以特許經營方式從事商業活動) in the operating scope. In this regard, the Group has obtained the required license with expiry date on 20 December 2035, with the approval of Chongqing City Wanzhou District Foreign Trade and Economic Relations Commission (重慶市萬州區對外貿易經濟委員會). In addition, according to article 33 of the Regulation on the Administration Measures on Commercial Franchises (商業特許經營管理條例) (the "Franchise Regulation") effective on 1 May 2007, a franchisor conducting franchise operation prior to the adoption of the Franchise Regulation shall register and file its information with the relevant commercial ministry authorities within one year from the effective date of the Franchise Regulation. As confirmed by the Directors, the Group completed the aforesaid registration and filing procedure.

As advised by the PRC legal advisers to the Company, the Group has obtained all the necessary licenses and approvals for its operation, and the Group has complied with all requirements, policies and regulation rules within the operation scope of the Group during the Track Record Period.

Social welfare enterprise

Carpenter Tan obtained a social welfare enterprise permit and was regarded as a social welfare enterprise (社會福利企業) prior to July 2004. Ziqiang Muye obtained a social welfare enterprise permit since April 2004 from Chongqing City Civil Affairs Bureau (重慶市民政局) and was regarded as a social welfare enterprise in the PRC. Both Carpenter Tan and Ziqiang Muye obtained the social welfare enterprise permits under the same criteria as set out below, and the criteria for Carpenter Tan to enjoy tax concession remained the same until 30 June 2004 and Ziqiang Muye to enjoy tax concession remained the same until October 2006. Please refer to the subsection headed "Taxation" under the section headed "Financial information" to this prospectus for the criteria to enjoy tax concession by a social welfare enterprise.

Policies prior to 1 October 2006

According to the Temporary Regulations on Management of Social Welfare Enterprise (社會福利企業管理暫行辦法) (the "Temporary Regulations on Social Welfare Enterprise") effective on 15 September 1990, social welfare enterprises must fulfill the following conditions:

(a) the number of the disabled persons appointed by the enterprise accounts for over 35% of the total production staff (with no requirement of minimum number of disabled employees or total number of employees);

(b) the production and operation projects comply with national industry policy and are suitable for the disabled person to engage in;

(c) each disabled person appointed by the enterprise has an assigned position or job; and

(d) have necessary and safety production environments and protection methods which are suitable for the disabled person's physical condition.

People's Government on county level or higher government administration division, together with the local tax bureau and the local administration of the industry and commerce (工商行政管理部門) are entitled to supervise the local social welfare enterprises and examine their operation once per year. In the event of any of the following non-observance by the social welfare enterprise, and in the case of serious violation, their social welfare enterprise permit may be revoked as a penalty. The non-observance includes: (a) the total number of disabled persons less than 35% of the total number of production staff; (b) infringement of the legal interests of the disabled staff; (c) infringement of the rules regarding the management and usage of the funds from tax reduction (according to article 37 of the Temporary Regulations on Social Welfare Enterprise, the funds from tax reduction granted to social welfare enterprise must be recorded under a specific account and reviewed by the civil, taxation and financial authorities. The funds shall be used for technology development, enhancing production capacity, improving working capital and staff welfare benefits in the proportion as determined by the respective local government); and (d) concealment of the disabled persons employment ratio.

As advised by the Directors, the Group has complied with relevant rules and regulation requirements, including recorded the tax concession amount under specific account and recorded the portion of tax refund transferred to the respective funds. Considering that article 37 of the Temporary Regulations on Social Welfare Enterprise is a framework regulation and that article 6 of the Notice of Further Requirements to development of Social Welfare Enterprises issued by Chongqing City Wanzhou District Civil Affairs Bureau, Chongqing City Wanzhou District Work and Social Security Bureau, State Tax Bureau of Chongqing City Wanzhou District, Municipal Tax Bureau of Chongqing City Wanzhou District (重慶市民政局、重慶市勞動和社會保障局、重慶市國家稅務局、重慶市地方稅務局關於進一步規範社會福利企業發展的通知) as disclosed in the subparagraph headed "Enterprise development and staff welfare funds" under paragraph headed "Distributable Reserves" under the section headed "Financial information" is the local regulation regarding the actual implementation of article 37 of the Temporary Regulation on Management of Social Welfare Enterprise, by complying with article 6 of the said notice, the Group is considered to have complied with the requirements of article 37 of the Temporary Regulation on Management of Social Welfare Enterprise.

Pursuant to the above requirements, Carpenter Tan is regarded as a social welfare enterprise since its incorporation and obtained a social welfare enterprise permit (社會福利企業證書) issued by Chongqing Civil Affairs Bureau (重慶市民政局). Meanwhile, Carpenter Tan has passed all the annual reviews by having fulfilled the above criteria and the social welfare enterprise annual review reports (社會福利企業年檢報告書) of Carpenter Tan dated 20 January 2003 and 16 February 2004 proved the annual qualification of Carpenter Tan as a social welfare enterprise for the years 2002 and 2003. In addition, Carpenter Tan's social welfare enterprise permit issued on 14 June 2005 (*Note*) showed Carpenter Tan has passed the qualification as social welfare enterprise during the period from January 2004 to June 2004.

Note: Carpenter Tan has not renewed its social welfare enterprises permit after its expiry in December 2003. On 14 June 2005, Carpenter Tan then reapplied for the renewal of the social welfare enterprise permit and the renewed permit was issued. According to the annual inspection record showed in the said permit and a confirmation issued by the Chongqing City Wanzhou District Civil Affairs Bureau (重慶市萬州區民政局) dated 15 February 2006, Carpenter Tan was qualified as a social welfare enterprise until 1 July 2004.

Pursuant to the same requirements as set out above, Ziqiang Muye obtained a social welfare enterprise permit (社會福利企業證書) issued by Chongqing Civil Affairs Bureau (重慶市民政局) in 2004. Meanwhile, Ziqiang Muye has passed the annual reviews by having fulfilled the above criteria and the social welfare enterprise annual review reports (社會福利企業年檢報告書) of Ziqiang Muye dated 4 March 2005 and 17 March 2006 respectively proved the annual qualification of Ziqiang Muye as a social welfare enterprise for the years 2004 and 2005.

Policies from October 2006 to June 2007

According to Chongqing Temporary Regulations on Qualification of Social Welfare Enterprise (重慶市社會福利企業資格審核認定暫行辦法) effective on 1 October 2006, the enterprises that apply for the qualification of welfare enterprises, save for the requirement of industry and commercial and tax registration, must also fulfill the following conditions:

(a) the enterprise is an industrial company engaged in the production and sale of value added taxable products or provision of processing, repairs and replacement services or is engaged in the business that belongs to the category of "service industry" under business tax (excluding the enterprises which are engaged in the production and sales of consumable taxable products, direct sales of out sourcing products, wholesale or retail, or provision of advertising service, and the enterprises that are not engaged in the business that belongs to other operation taxable under "service industry");

(b) the actual number of the disabled persons appointed by the enterprise accounts for 25% or above of the total on-the-job staff (which means the staff who has established work relationship with the enterprise and enters into work agreement according to the PRC law) with no requirement of minimum number of disabled employees or total number of employees;

(c) according to the PRC law, the enterprise enters into work agreement with a term of not less than one year with each disabled person appointed;

(d) the enterprise contributes local applicable social insurance including basic pension insurance, basic medical insurance, unemployment insurance and industrial injury insurance for each disabled person appointed according to the PRC law;

(e) the disabled person means the person in the province who is holding a PRC Disabled Card (中華人民共和國殘疾人證) issued by local disabled association of the disabled person (殘疾人聯合會), PRC Disabled Military Man Card, level 1 to 8 (中華人民共和國殘疾軍人證(1至8級)) and has visual disability, hearing disability, speaking disability, physical disability or intellectual disability. If the disabled card is doubtful, the enterprise could seek the assistance from the disabled association of the disabled person for verification; and

(f) the salary payable to each disabled person appointed by the enterprise is not below the minimum salary fixed by the jurisdictions where it operates.

Pursuant to the Provisional Regulations of PRC Value-Added Tax (中華人民共和國增值稅暫行條例), except for (1) self-produced agricultural products sold by agricultural producers, (2) contraceptive medicines and devices, (3) antique books, (4) imported instruments and equipment for scientific research, experiment and education, (5) imported materials and equipment from foreign governments and international organisations as assistance free of charge, (6) articles imported directly by organisations for the disabled for special use by the disabled, and (7) sale of second-hand goods, all other commodities for sale in the PRC are regarded as value added products and sale of such products shall be subjected to VAT. Accordingly, the products currently sold by Ziqiang Muye are subjected to VAT, and thus Ziqiang Muye has fulfilled the condition (a) above. During each of the three years ended 31 December 2006, 2007 and 2008, the number of disabled persons appointed by Ziqiang Muye accounts for more than 25% of the total on-the-job staff, and thus Ziqiang Muye has fulfilled the condition (b) above. As confirmed by the Directors, currently, all employment contracts entered into between Ziqiang Muye and disabled employees are in the term of one year, as advised by the PRC legal advisers to the Company, Ziqiang Muye fulfilled the condition (c) above.

Pursuant to Chongqing Social Welfare Enterprise Qualification Confirmation Regulation (重慶市社會福利企業資格審核認定辦法), for enterprises of whose social welfare enterprise qualification has been confirmed, no annual inspection was required for the year 2006. Considering that Ziqiang Muye's social welfare enterprise qualification has been approved by Chongqing City Wanzhou District Civil Affairs Bureau (重慶市萬州區民政局) and Chongqing City Civil Affairs Bureau (重慶市民政局) pursuant to requirements of Chongqing Social Welfare Enterprise Qualification Confirmation Regulation (重慶市社會福利企業資格審核認定辦法) and according to the Chongqing social welfare enterprise qualification application form (重慶市社會福利企業資格認定申報表) of Ziqiang Muye dated 30 November 2006, thus, no annual inspection was required for Ziqiang Muye for the year 2006. As advised by the PRC legal advisers to the Company, on 15 December 2007, Chongqing City Wanzhou District Civil Affairs Bureau issued the Social Welfare Enterprise Certificate (社會福利企業證書) to Ziqiang Muye which is effective from years 2007 to 2010.

Policies from July 2007

According to the Qualification Guideline of Social Welfare Enterprise (福利企業資格認定辦法) effective on 1 July 2007, enterprises that apply for the qualification of social welfare enterprises must fulfill following conditions:

(a) the enterprise shall appoint each disabled staff as full-time employee and enter into work agreement with a term of not less than one year (including one year);

(b) the average number of employees with disabilities employed by the enterprise one month prior to the application shall account for 25% (including 25%) or above of the total on-the-job staff, with a minimum requirement of not less than 10 disabled employees;

(c) in the month prior to the application, the salary paid to each disabled person appointed by the enterprise is not below the minimum salary fixed by the jurisdictions where it operates;

(d) in the month prior to the application, the enterprise shall have contributed local applicable social insurance including basic pension insurance, basic medical insurance, unemployment insurance and industrial injury insurance for each disabled person appointed according to the PRC law;

(e) there are suitable positions assigned for each disabled employee; and

(f) the internal hallways and buildings fulfil the accessibility design guideline set out by the government.

According to the same requirement as set out above, Ziqiang Muye obtained a Social Welfare enterprise permit (社會福利企業證書) (issued by Chongqing City Wanzhou District Civil Affairs Bureau (重慶市萬州區民政局) on 15 December 2007, pursuant to which Ziqiang Muye will be regarded as a Social Welfare enterprise for the years 2007 through 2010.

ENVIRONMENT AND PRODUCTION SAFETY REGULATIONS

The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) is responsible for the overall supervision and management of environmental protection in the PRC. Pursuant to current environmental regulations in the PRC, all manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) and Law of the People's Republic of China on Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) and Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) stipulated by the State and the local environmental protection bureau. The environmental regulations contain provisions regarding the treatment and disposal of noise, pollutants and sewage and discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The maximum fine for severe violation of the environmental regulations ranges from RMB0.5 million to RMB1 million for each violation. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Other environmental protection laws applicable to the Group include Regulations of Environmental Management on Project (建設項目環境保護管理條例), Regulations of Environmental Protection Acceptance Inspection on Projects Completion (建設項目竣工環境保護驗收管理辦法), and Environmental Impact Evaluation Law of the People's Republic of China (中華人民共和國環境影響評價法).

To ensure the compliance of the applicable laws and regulation, the Group has regularly engaged legal consultants to review the Group's activities and operations. The principal operations of the Group are manufacturing and distributing of small accessories which are mainly made up of wood. As the Group's production process involves mainly the cutting and sewing of wood, certain waste disposal monitoring standard such as certain categories of smoke, liquid or chemical pollutants emission are not applicable. The Directors do not consider the Group's production activities or facilities have caused any material pollution to the environment. To minimise the possible pollution to the environment, the design of existing facilities has considered factors of environmental protection, including use of production facilities which emit less noise and installation of centralised vacuum cleaner to reduce the dust produced during cutting and sewing of wood. In addition, to ensure the production facilities are in good condition, regular maintenance and check-up are conducted.

During the Track Record Period, the Group has not been subject to any material fines or legal action involving non-compliance with any relevant environmental laws or regulations nor are the Directors aware of any threatened or pending action by any environmental regulatory authority. As confirmed by the Directors, Carpenter Tan, Little Carpenter, Ziqiang Muye and CQMY have complied with the relevant pollutants emission standard stated in their respective pollution emission permit (排放污染物許可證). In addition, the Group has obtained a certificate dated 16 March 2009 issued by Chongqing City Wanzhou District Environmental Protection Administration (重慶市萬州區環境保護局), which confirms that each of Carpenter Tan, Little Carpenter, Ziqiang Muye and CQMY (i) has complied with the applicable environmental laws and regulations since its incorporation, (ii) has not breached any environmental laws or regulations and has not been fined or financially penalised for environmental protection related matters up to the date of issue of the aforesaid permit. Besides, as confirmed by Chongqing City Wanzhou District Environmental Protection Administration, according to relevant environmental laws or regulations in the PRC, for the Group to carry out business of manufacturing and processing of wooden products, except for the application of pollutants emission permit, the Group is not required to obtain other permit or licence from environmental supervision authorities in PRC. As at the date hereof, the Group (including each of Carpenter Tan, Little Carpenter, Ziqiang Muye and CQMY) has obtained the pollutants emission permits which will be expired in September 2010.

Since the Group's production facilities have not caused any material pollution to the environment in the past and the Directors do not foresee that the Group's operation will be subject to any significant restrictions or measures with respect to environmental protection laws and regulations in the future, the Group has not formulated any detailed plans or set aside a budget to address the potential future risks in relation to environment matters.

The Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress on 29 June 2002 lays down the framework for the requirements, supervision and enforcement of safety standards in production. It imposes prime responsibility on the representative of production entities for ensuring comprehensive safety accountability within the entity, the drawing up of safety manual and operating procedures, the supervising and checking on safe work practices and the elimination of hazards in its manufacturing processes. The law safeguards certain interests of workers injured from industrial accidents and at the same time penalises not only the production entities for non-observance of its provisions, but also the relevant safety supervisory administration departments for their lack of proper supervision or for approving the production without adequate inspection of the entity's safety measures.

In addition, other PRC laws and regulations on safety requirements applicable to the Group include Measures to Punish the Illegal Action on Safety Production (安全生產違法行為行政處罰辦法), Fire Protection Law of the People's Republic of China (中華人民共和國消防法) and Work-related Injury Insurance Regulations (工傷保險條例).

In order to provide safety production environment and protection methods which are suitable for the disabled persons' physical conditions as required for social welfare enterprises, the Group, depending on the conditions of the relevant disabled workers, provides various auxiliary equipment such as specially designed chairs, trolley and motor vehicles to assist the workers to perform their duties in a more convenient manner. The workshop supervisors, plant manager and the Group's management continuously review the conditions of the production environment and tailor made supporting equipment and tools for individual disabled staff if considered appropriate.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(a) *Sales to Chongqing Three Gorges Natural Gas (Group) Company Limited (重慶三峽燃氣(集團)有限公司) ("CTGGC")*

CTGGC is a limited company established in the PRC on 21 August 1998 and owned as to 35% by Mr. Tan Chuan Rong, the elder brother of Mr. Tan and 65% by Ms. Tan Yi Nan, the niece of Mr. Tan. Mr. Tan has no interests in CTGGC. CTGGC is principally engaged in (i) the management of enterprises which are engaged in the operation of natural gas and liquefied petroleum gas, and (ii) the sale of lubricant, bitumen, rubber products, industrial chemicals and products (excluding hazardous chemicals), equipment for natural gas, hot-water heater and accessories, etc.

During the Track Record Period, CTGGC purchased the Group's products as gift to its customers. The transaction amount paid by CTGGC was approximately RMB91,000, RMB8,000, RMB36,000 and nil respectively for each of the three years ended 31 December 2008 and the six months ended 30 June 2009.

(b) *Transactions with Mr. Tan*

Mr. Tan, an executive Director, has personally engaged in the business of publication of a magazine relating to Chinese handicrafts named《Chinese Handicrafts》(《中華手工》) through Chongqing Baigong Cultural Media Company Limited (重慶百工文化傳媒有限公司) where Mr. Tan was interested as to shareholding of 39% therein. Since 2005, Mr. Tan has purchased products from the Group as gifts to his magazine buyers. For the three years ended 31 December 2008 and the six months ended 30 June 2009, the amount of sales to Mr. Tan was approximately RMB215,000, nil, nil and nil.

The Directors advised that the pricing policy to each of CTGGC and Mr. Tan is in line with those of the Group's franchisees. The Directors consider that the aforesaid continuing connected transactions between the Group, CTGGC and Mr. Tan are conducted in the ordinary course of business and on normal commercial terms and are fair, reasonable and beneficial to the Company and to the Shareholders as a whole. The Directors expect that the annual transaction values of each of the above continuing connected transactions between the Group, CTGGC and Mr. Tan would be less than HK$1,000,000 and represent less than 2.5% in each of the percentage ratios as set out in Rule 14.07 of the Listing Rules, therefore, the above continuing connected transactions are exempted from reporting, announcement and independent shareholders' approval requirement under Rule 14A.33(3) of the Listing Rules. If the transaction value of any of the aforesaid transactions represents 2.5% or more in any of the percentage ratios (except profit ratio) calculated in the Group's annual financial report, the Company will comply with the applicable requirements of the Listing Rules.

DISCONTINUED CONNECTED TRANSACTIONS

(a) ***Sales to Chongqing Wanzhou Julong Real Estate Development Co., Ltd. (重慶市萬州區巨龍房地產開發有限公司) ("Ju Long")***

Ju Long was a company owned as to 48% by Mr. Tan Chuan Rong, the elder brother of Mr. Tan and hence a connected person of the Company for the purpose of the Listing Rules. Mr. Tan has no interests in Ju Long. Ju Long is principally engaged in property development. For the year ended 31 December 2005, Ju Long lent an aggregate of RMB500,000 to Carpenter Tan as short-term financing which was unsecured, interest free and had no fixed terms of repayment. The aforesaid loan was fully repaid to Ju Long in December 2006.

In February 2007, Mr. Tan Chuan Rong transferred his interest in Ju Long to an Independent Third Party and Lu Long ceased to be the connected person of the Company.

During the Track Record Period, Ju Long purchased the Group's products as gifts to its clients and staff. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the amount of sales to Ju Long was approximately RMB15,000, nil, nil and nil respectively.

(b) ***Sales to Zhongxian Sanxiafeng Hotel Limited (忠縣三峽風大酒店有限公司) ("Sanxiafeng Hotel")***

Sanxiafeng Hotel is a company owned as to 99.5% by CTGCC and 0.5% by Ms. Tan Yao, and hence a connected person of the Company for the purpose of the Listing Rules. Sanxiafeng Hotel is principally engaged in hotel management and operation. During the Track Record Period, Sanxiafeng Hotel purchased the Group's products as gifts to its clients and staff. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the amount of sale(s) to Sanxiafeng Hotel was approximately RMB36,000, RMB26,000, nil and nil respectively.

In May 2007, each of CTGCC and Ms. Tan Yao transferred their interest in Sanxiafeng Hotel to Independent Third Parties. Since then, Sanxiafeng ceased to be the connected person of the Company.

DIRECTORS

Executive Directors

Mr. Tan Chuan Hua (譚傳華), aged 52, is an executive Director, the co-founder of the Group, the chairman and the chief executive officer of the Company. He is responsible for the overall strategic planning, formulation of the corporate policies, the corporate development and also the day-to-day management of the Group. Mr. Tan has over 15 years of experience in the industry of manufacturing small size wooden handicrafts since the establishment of Sanxia in 1993. Sanxia which was deregistered in 2003, was principally engaged in the manufacture and sale of small wooden products mainly including wooden combs; while Mr. Tan was the legal representative of Sanxia and responsible for its operation until its deregistration. Mr. Tan has been appointed as the Chairman of Chong Qing Art and Handicraft Association (重慶工藝美術行業協會) since 2004. He has been a member of the Third Political Consultative Conference Chong Qing Committee (重慶市第三屆政協委員) since January 2008 and was a member of the Second Political Consultative Conference Chong Qing Committee (重慶市第二屆政協委員) from January 2003 to December 2007. Mr. Tan was awarded by the Ministry of Personnel (人事部) of the PRC and China Disabled Persons' Federation (中國殘疾人聯合會) as a Country Self-motivated Model (全國自強模範) in 2003. He was also awarded as 2005 China Outstanding Franchise Executive (2005中國特許企業優秀管理者) by China Chain Store and Franchise Association (中國連鎖經營協會). He is the director of Lead Charm and Global Craft Collection Association (國際手工藝術集藏協會). He is the spouse of Madam Fan Cheng Qin, the elder brother of both Madam Tan Yao and Mr. Tan Cao, and the uncle of Mr. Tan Xiao Chuan. Mr. Tan was appointed as the Director on 20 June 2006.

Mr. Geng Chang Sheng (耿長生), aged 61, is an executive Director, general manager of Little Carpenter and deputy general manager of the Group and he is responsible for the Group's financial function including reviewing the Group's financial position and responsible for the strategic investment planning and corporate finance activities of the Group. Mr. Geng has 9 years of management experience in the transportation industry during the period from 1987 to 1996 when he was a deputy general manager of a motor company in Chongqing and over 3 years of management experience in the property development industry during the period from 1999 to 2002 when he was a deputy general manager of a property company in the PRC. He studied Mechanics and graduated from Sichuan Broadcasting TV University (四川廣播電視大學). He is currently the director of Fame Good. Mr. Geng joined the Group in August 2002 as the assistant general manager of Carpenter Tan and has been responsible for the general administration and human resources function since August 2002. Mr. Geng was appointed as a director of Carpenter Tan and the Company in August 2003 and on 30 August 2006 respectively.

Non-executive Directors

Mr. Tan Cao (譚操), aged 45, is a non-executive Director responsible for the corporate financial activity and legal matters of the Group. He is currently the general manager of CTGGC of which the principal business is operation and management of the gas pipelines infrastructure, the sale and distribution of piped natural gas and/or compressed natural gas in the PRC. He is also the director of

Chongqing Rui Feng Agricultural Integrated Exploitation Co., Ltd. (重慶瑞豐農業綜合開發有限公司). He has over 19 years of management experience in the government and property management industry. He holds a bachelor's degree in Law from the Southwest University of Political Science and Law (西南政法大學). He is the younger brother of Mr. Tan, the younger brother-in-law of Madam Fan Cheng Qin, the elder brother of Madam Tan Yao, and the uncle of Mr. Tan Xiao Chuan. He joined the Group in August 2003 and was appointed as the Director on 30 August 2006. As at the Latest Practicable Date, Mr. Tan Cao was interested as to 24.81% of the shareholding in Fame Good, where Fame Good will hold approximately 7.12% of the share capital of the Company immediately after completion of the Share Offer and Capitalisation Issue. The directorship of Mr. Tao Cao will be subject to rotation in accordance with the Articles of Association of the Company.

Mr. Liu Chang (劉暢), aged 35, is a non-executive Director responsible for the corporate financial activity and management of the Group. He worked for Beijing Anxintaifu Trading Company Limited (北京安信泰富商貿有限公司) of which the then principal business was trading of furniture in the PRC and was responsible for the overall strategic planning, corporate development and day-to-day management of this company. He has over 7 years of experience in investment banking. He holds a bachelor's degree in Law from the China Youth University for Political Sciences (中國青年政治學院). Mr. Liu joined the Group in September 2004 and was appointed as the Director on 30 August 2006. As at the Latest Practicable Date, Mr. Liu Chang was not interested in the share capital of the Company and did not represent any specific shareholder's interest. The directorship of Mr. Liu Chang will be subject to rotation in accordance with the Articles of Association of the Company.

Independent non-executive Directors

Madam Du Xin Li (杜新麗), aged 53, is an independent non-executive Director. Ms. Du obtained a doctorate degree in China University of Political Science and Law in 2004. She is currently the professor of law in China University of Political Science and Law. She is also an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and an attorney at law in Beacon Law Firm, the PRC. She has extensive experience in international trade law, international investment law and international commerce law. She was appointed as an independent non-executive Director on 4 September 2007.

Mr. Yu Ming Yang (余明陽), aged 45, is an independent non-executive Director. Mr. Yu graduated from Fudan University (復旦大學) with a doctorate degree in management. He is currently the professor of Shanghai Jiao Tong University (上海交通大學). He is also an independent director of Dalian Zhangzidao Fishery Group Co., Ltd (大連獐子島漁業集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange. He is also an independent non-executive director of Noble Jewellery Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He has extensive experience in branding strategy and management. He was appointed as an independent non-executive Director on 4 September 2007.

Mr. Chau Kam Wing, Donald (周錦榮), aged 46, is an independent non-executive Director. Mr. Chau is currently practising as a certified public accountant in Hong Kong and is a council member of The Society of Chinese Accountants & Auditors in Hong Kong. He has over 20 years' experience in auditing, taxation and financial management of various listed companies. Mr. Chau obtained a master's degree in business administration from the University of San Francisco, the United States and is a fellow member of the Association of Chartered Certified Accountants and a practising member of Hong Kong Institute of Certified Chartered Accountants. Mr. Chau is currently an independent non-executive director of China Water Affairs Group Limited, a company listed on the Main Board. He is also an independent non-executive director of each of Eco-Tek Holdings Limited, China Nonferrous Metals Company Limited and Zhejiang Shibao Company Limited, all of which are listed on The Growth Enterprise Market of the Stock Exchange. Mr. Chau was appointed as an independent non-executive Director on 17 November 2009.

Details on the aggregate emoluments and benefits in kind payable to each of the executive Directors, non-executive Directors and independent non-executive Directors are set out in the paragraph headed "Directors' remuneration" in Appendix V to this prospectus.

Save as disclosed above, each of the Directors (i) did not hold other positions in the Company or members of the Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of the Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as Mr. Tan's interests in the Shares which are disclosed in the sub-paragraph headed "Directors' interests and short positions in the share capital and debenture of the Company and its associated corporations" under he paragraph headed "Further information about the Directors, management, staff, substantial shareholders and experts" in Appendix V to this prospectus, each of the Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Madam Fan Cheng Qin (范成琴), aged 45, is the co-founder and quality controller of the Group. She is responsible for the quality control of the Group including supervision of the quality control team of the logistic centre. She has over 13 years' experience in the industry of manufacturing small wooden handicrafts. Madam Fan is the spouse of Mr. Tan, the elder sister-in-law of both Mr. Tan Cao and Madam Tan Yao, and the aunt of Mr. Tan Xiao Chuan.

Madam Tan Yao (譚堯), aged 40, is the deputy general manager of the Group responsible for assisting Mr. Tan to oversee the market development of high-end home accessories products. Madam Tan is responsible for research and product development, and technology teams. She joined the Group in January 2005. Prior to joining the Group, she has over 13 years of experience working for the Office for Moral, Ideological, and Political Education (精神文明辦公室) of the government of Chongqing as an officer for the period from August 1988 to March 2002 and was a deputy general manager of CTGGC during May 2002 to January 2005. Madam Tan is the younger sister of Mr. Tan and Mr. Tan Cao, the younger sister-in-law of Madam Fan Cheng Qin, and the aunt of Mr. Tan Xiao Chuan.

Mr. Tan Xiao Chuan (譚小川), aged 33, is the deputy general manager of the Group responsible for the Group's sales and marketing function including supervision of the Group's local and overseas business development, sales management and the Group's product logistics. He joined the Group since incorporation of the Group in 1997 and has over 10 years of experience in the industry of manufacturing small wooden handicrafts. He studied Marketing and graduated from the University of Chengdu (成都大學). He is the nephew of Mr. Tan, Madam Fan Cheng Qin, Mr. Tan Cao and Madam Tan Yao.

Mr. Tan Di Fu (譚棣夫), aged 24, is the assistant to the president of the Group and responsible for assisting the formulation of its business development strategy. He enrolled in Sichuan International Studies University (四川外語學院) with bachelor degree in professional English language and literature (英語語言文化專業). He joined the Group in 2005 and has worked for various functional departments of the Group to obtain basic management training including production and human resources. He was subsequently promoted to the head of Wan Zhou Factory in 2007 and is responsible for its day-to-day operational management. Mr. Tan Di Fu is the son of Mr. Tan and Madam Fan Cheng Qin, the nephew of Mr. Tan Cao and the cousin of Mr. Tan Xiao Chuan.

Madam Wang Ping (王萍), aged 45, is the managing director of CQMY. Madam Wang is responsible for the overall corporate development, production, sales and administration functions of CQMY, and the marketing and product development of high end home accessories. Madam Wang has 16 years of experience in management of training programmes and 6 years of experience in property development, in which Madam Wang was the general manager of a construction development company. She studied Politics and graduated from No. 2 Party School of Communist Party of China (CPC) Sichuan Municipal Committee (中共四川省委第二黨校). She joined the Group in March 2005.

Madam Nie Jian (聶劍), aged 38, is the deputy general manager of the Group responsible for the administration and human resources functions of the Group including supervision of the Group's general administration team, human resources management team and the Group's strategic development. Madam Nie studied management engineering and graduated from Sichuan Light Chemical Engineering College. Ms. Nie joined the Group in April 2005. Prior to joining the Group, Ms. Nie was an executive manager of a property company.

Mr. Luo Hong Ping (羅洪平), aged 41, is the general manager of Ziqiang Muye and is responsible for the operation in the Wan Zhou Factory. Mr. Luo graduated from Hefei Industrial University (合肥工業大學) in 1989. Mr. Luo has over 13 years in industrial management. Mr. Luo joined the Group in July 2003 and has been responsible for the production function of the Group since July 2003. Prior to joining the Group, Mr. Luo was the deputy factory manager of a silk factory and was the assistant of general manager of a electrical company.

Mr. Liu Nian (劉念), aged 36, is a senior accountant and the head of the Group's accounting and finance department in the PRC and responsible for PRC related accounting and finance matters. Mr. Liu graduated from Chongqing Jianzhu University (重慶建築大學) in 1995 with professional qualifications in construction finance and accounting. Mr. Liu joined the Group in 2003 and had worked as the head of the Group's date and information centre, deputy finance manager and was subsequently promoted as finance manager. Mr. Liu has accumulated more than 14 years of experience in financial management. Prior to joining the Group in 2003, Mr. Liu worked as a finance officer for an industrial equipment installation company and a finance manager for a real estate and property development company.

Mr. Huang Chao (黃超), aged 33, is the deputy finance manager of the Group's accounting and finance department in the PRC and responsible for PRC related accounting and finance matters. Mr. Huang graduated from Sichuan Broadcasting TV University (四川廣播電視大學) in 1996 with professional qualification in finance, accounts and computer application. Mr. Huang joined the Group in March 1997 and has accumulated more than 10 years experience in financial management.

Mr. Chan Hon Wan (陳漢雲), aged 49, is the financial controller and company secretary of the Company and joined the Group in June 2008. Mr. Chan graduated with a Master Degree in Accountancy from the Hong Kong Polytechnic University and a Bachelor Degree in Economics from Macquarie University in Australia. He is currently an associate member of The Hong Kong Institute of Certified Public Accountants (HKICPA), and an associate member of The Institute of Chartered Accountants in Australia. He has over 24 years of extensive experience in accounting and finance fields, gaining from one of the "Big-4" international accounting firms and various listed corporations. He is responsible for overseeing the Group's accounting and finance matters.

COMPANY SECRETARY

Mr. Chan Hon Wan (陳漢雲) is the financial controller and company secretary of the Company. Details of Mr. Chan are set out in the sub-paragraph headed "Senior management" above in this section.

DIRECTORS' REMUNERATION AND REMUNERATION POLICY

The Company's policies concerning remuneration of executive Directors are: (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group; (ii) non-cash benefits may be provided to the Directors under their remuneration package; and (iii) the executive Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Scheme, as part of their remuneration package. The aggregate remuneration (including basic salaries and other benefits and pension contributions) paid to the executive and non-executive Directors for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 were approximately RMB282,000, RMB617,000, RMB471,000 and RMB485,000 respectively. The independent non-executive Directors had served the Company by attending its various board of directors' meetings during the Track Record Period since their respective appointments. Madam Du Xin Li and Mr. Yu Ming Yang, being two of the three independent non-executive Directors are entitled to a one-off lump sum payment of RMB20,000 in compensation for their directors' duties prior to the Listing. No directors' remuneration has been paid to Mr. Chau Kam Wing, Donald, being another independent non-executive Director appointed on 17 November 2009, in view of his relatively short period of service.

Each of the Directors has entered into a service contract with the Company, further details of which are set out in the paragraph headed "Particulars of service agreements" under the sub-section headed "Directors" in the section headed "Further information about the Directors, management, staff, substantial shareholders and experts" in Appendix V to this prospectus. Under the arrangements currently in force and contemplated under the service contracts entered into by the Company with each of the Directors, the Company estimates the aggregate amount of remuneration of the executive Directors, non-executive Directors and independent non-executive Directors (excluding discretionary bonus payable to the Directors), payable for the year ending 31 December 2009 will be approximately RMB640,000, RMB80,000 and RMB340,000 respectively. The Directors confirm that the Company's remuneration policies for Directors will remain the same immediately after Listing.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 17 November 2009 with written terms of reference in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee are to formulate and make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management of the Group.

The remuneration committee currently has three members, namely Madam Du Xin Li, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald, all of whom are independent non-executive Directors. Mr. Chau Kam Wing, Donald is the chairman of the remuneration committee.

AUDIT COMMITTEE

The Company has established an audit committee on 17 November 2009 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The audit committee has three members comprising all the independent non-executive Directors. Members of the audit committee include Madam Du Xin Li, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald, in which Mr. Chau Kam Wing, Donald is the chairman of the audit committee.

COMPLIANCE ADVISER

The Company has appointed First Shanghai Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company on the following matters:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchase;
- where the Company proposes to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and

- where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the securities of the Company.

According to Rule 3A.19 of the Listing Rules, the term of the appointment shall commence on the Listing Date and ends on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date (i.e. the date of despatch of the annual report of the Company in respect of its results for the financial year ending 31 December 2010), subject to early termination.

STAFF

Overview

As at the Latest Practicable Date, the Group employed approximately 874 employees for its operations. The breakdown of the workforce by responsible function is as follows:

	Total
Management	13
Finance	18
General administration	25
Sales and marketing and logistics	101
Purchasing	7
Production	690
Design and product development technology centre	20
	874

As disclosed in the paragraph headed "Corporate culture" in the section headed "Business", the Directors consider contribution to the community as one of the Group's principal goals. To this end, the Group's employment policy is to find the right person for the post regardless of the physical disabilities of the employees. The employees should be of age 16 or above and should possess the necessary working capabilities. The Group is also active in training and development at all levels, especially to disabled employees, to ensure employees have the necessary skills and knowledge to fulfil their responsibilities. The Directors are dedicated to nurturing the development of a dynamic and loyal workforce, in particular, assisting people with disabilities to enter the labour market by providing them with working opportunities and helping them to move from welfare reliance to self-reliance. As at the Latest Practicable Date, the Group employed approximately 301 people with disabilities in the production department. The kind of disabled persons employed by the Group included persons who are deaf, dumb, crippled or suffers from slight learning disability. The Directors confirmed that the disability of the Group's employees was not caused by or related to its operations. As such, the Directors do not consider that there would be any possible future liabilities in respect of healthcare costs.

Relationship with staff

Since its establishment, the Group has not experienced any disruption of its business operations due to labour disputes. The Directors consider that the Group has a good relationship with its employees.

Staff benefits

The Group makes contributions to the following staff related plans and funds in accordance with the local regulations of the PRC, namely, pension plans, basic medical insurance (including maternity insurance), unemployment insurance and work-related injury insurance. Based on the confirmations issued by the provincial and local government offices where the Group's operations are located and as advised by the PRC legal advisers to the Company, the Group has fully complied with the applicable laws and regulations in relation to the insurance plans.

SHARE OPTION SCHEME

The Group has conditionally adopted the Share Option Scheme under which certain employees of the Group including executive Directors may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to this prospectus.

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and taking no account of any Share which may be taken up under the Share Offer or any exercise of options under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	**Name of company in which interests are held**	**Number of Shares (and approximate percentage shareholding)**
Lead Charm *(Note 1)*	The Company	169,700,000 (67.88%)
Mr. Tan *(Note 2)*	The Company	169,700,000 (67.88%)
Mrs. Tan *(Note 3)*	The Company	169,700,000 (67.88%)
Fame Good *(Note 4)*	The Company	17,800,000 (7.12%)

Notes:

1. Lead Charm is a company incorporated in BVI on 8 August 2005, and which is owned as to 51.00% by Mr. Tan and 49.00% by Mrs. Tan. Lead Charm is a controlling shareholder within the meaning of the Listing Rules.

2. Mr. Tan is deemed to be interested in 169,700,000 Shares held by Lead Charm by virtue of his 51.00% interest in Lead Charm under Part XV of the SFO. Mr. Tan is a controlling shareholder within the meaning of the Listing Rules. He is also the largest shareholder who was brought up and lived in the PRC. He has not been a full time governmental or full time employee of a state/government-owned/operated entity for a substantial period of time.

3. Mrs. Tan is deemed to be interested in the 169,700,000 Shares held by Lead Charm by virtue of her 49.00% interest in Lead Charm under Part XV of the SFO. Mrs. Tan is a controlling shareholder within the meaning of the Listing Rules.

4. Fame Good is a company incorporated in BVI on 12 August 2005, which is owned as to 24.81% by Mr. Tan Cao, the brother of Mr. Tan and a non-executive Director, 14.89% by Ms. Tan Yao, the sister of Mr. Tan and one of the senior management of the Group, and the remaining 60.30% by following 19 individuals:

	Other shareholders of Fame Good	**Approximate percentage of shareholding interests in Fame Good**
1.	Geng Chang Sheng (耿長生)	7.44%
2.	Ma Liang (馬良)	4.96%
3.	Dong Kun Shu (董坤屬)	4.47%
4.	Xia Zhi Ping (夏志平)	3.97%
5.	Kong Xiang Hui (孔祥輝)	3.97%
6.	Tan Xiao Chuan (譚小川)	3.47%
7.	Tan Song (譚松)	3.47%
8.	Yu Wen Jian (余文建)	3.23%
9.	Li Ping (李平)	2.98%
10.	Huang Chao (黃超)	2.98%
11.	Su Jian Ping (蘇建平)	2.98%
12.	Huang Ming Fen (黃明芬)	2.48%
13.	Xiong Jian Cheng (熊建成)	2.48%
14.	Zhang Xiao Yan (張曉燕)	2.48%
15.	Zhang Yao Cheng (張耀誠)	2.23%
16.	Liu Yu Ping (劉玉萍)	1.99%
17.	Wang Zhi Ming (王治明)	1.74%
18.	Li Lin (李林)	1.49%
19.	He Ping (何平)	1.49%
		60.30%

As Mr. Tan Cao and Ms. Tan Yao collectively hold more than 30% of the issued share capital in Fame Good, Mr. Tan Cao, Ms. Tan Yao, Fame Good together with Lead Charm constitute "closely allied group of shareholders" within the meanings of the Listing Rules, and thus Mr. Tan Cao, Ms. Tan Yao, Fame Good are considered as controlling shareholders of the Company.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of Shares which may be taken up under the Share Offer or any exercise of options under the Share Option Scheme or the exercise of the Over-allotment Option), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and are therefore regarded as substantial shareholders under the Listing Rules.

The authorised and issued share capital of the Company is as follows:

Authorised share capital:		*HK$*
10,000,000,000	Shares	100,000,000

Issued and to be issued, fully paid or credited as fully paid:

5,000,000	Shares in issue as at the date of this prospectus	50,000
182,500,000	Shares to be issued under the Capitalisation Issue	1,825,000
62,500,000	New Shares to be issued under the Share Offer	625,000
250,000,000	Shares	2,500,000

Assumptions

The above table assumes that the Share Offer and the Capitalisation Issue become unconditional but takes no account of any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates as described below.

Ranking

The Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) will rank pari passu in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

General mandate to issue new Shares

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the aggregate of:

1. 20% of the total amount of Shares in issue immediately following completion of the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme) and the Capitalisation Issue; and

2. the total amount of the Shares repurchased by the Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully below.

This general mandate is in addition to the powers of the Directors to allot, issue or deal with Shares under an issue by way of rights, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company or pursuant to any options granted under the Share Option Scheme, or an issue of Shares in respect of any scrip dividend or similar arrangement for the allotment and issue of Shares in lieu of the whole or part of the dividend on Shares.

This general mandate will expire:

- at the conclusion of the Company's next annual general meeting; or
- the expiration of the period within which the Company is required by the articles of association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting of the Company;

whichever occurs first.

For further details of this general mandate, please see the section headed "Further information about the Company" in Appendix V to this prospectus.

General mandate to repurchase Shares

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate amount of not more than 10% of the total amount of the Shares issued and to be issued following the completion of the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme) and the Capitalisation Issue.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all applicable laws. A summary of the relevant requirements in the Listing Rules is set out in the paragraph headed "Repurchase by the Company of its own securities" in Appendix V to this prospectus.

This general mandate will expire;

- at the conclusion of the Company's next annual general meeting; or
- the expiration of the period within which the Company is required by the articles of association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting of the Company;

whichever occurs first.

INDEBTEDNESS

Borrowings

At the close of business on 31 October 2009, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, the Group had the following borrowings:

	RMB'000	*RMB'000*
Unsecured bank loan, at floating interest rate (note i)	10,000	
Unsecured bank loans, at fixed interest rate (note ii)	40,000	
		50,000
Long-term payable (note iii)		5,994
		55,994

Notes:

(i) The amount is unsecured, interest bearing at prevailing market interest rate (i.e. at 5.31% per annum as of 31 October 2009) in the PRC and repayable within one year. The Directors, namely Mr. Tan, Geng Chang Sheng and Tan Cao and a subsidiary of the Group provided a joint guarantee of RMB10,000,000 to the bank for the bank loan granted to the Group. Subsequent to 31 October 2009, application was made to the relevant bank for the joint and several guarantees from certain Directors to be released upon the Listing. Should the said application not be accepted by the relevant bank, the Group intends to repay the unsecured bank loan of RMB10,000,000 to the bank by its internal financial resources before the Listing. On such basis, the joint and several guarantees will be released upon the full repayment for that bank loan accordingly.

(ii) The amount is unsecured, interest bearing at fixed interest rate ranging from 5.58% to 5.85% per annum and repayable within one year

(iii) The long-term payable is unsecured and interest free and repayable by annual instalment of RMB2,000,000 for each of the two years ending 31 December 2009 and 2010 and the final instalment of approximately RMB1,994,000 for the year ending 31 December 2011.

The bank loans are denominated in RMB and the Group does not have any foreign currency borrowings as at 31 October 2009.

As at 31 October 2009 and the Latest Practicable Date, the Group had aggregate banking facilities of RMB50 million, which was fully utilised. Except as set forth above, the Directors confirm that the Group currently has no material external debt financing in place and is not likely to raise any material external debt financing in the near future outside our ordinary course of business.

Capital and other commitments

The following table sets forth the Group's capital and operating lease commitments as at 31 December 2006, 2007 and 2008, 30 June 2009 and 31 October 2009.

	As at 31 December			As at 30 June	As at 31 October
	2006	**2007**	**2008**	**2009**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital commitments:					
Contracted but not provided for in respect of property, plant and equipment and prepaid lease payments	428	59	160	792	43
Operating lease commitments:					
Within one year	1,286	4,010	5,845	4,697	4,983
After one year but within five year	4,670	7,986	8,336	8,299	8,187
After five years	794	—	—	8,262	6,452
Total	6,750	11,996	14,181	21,258	19,622

Contingent liabilities and commitments

As at 31 October 2009, the Group had no material contingent liabilities. The Directors are of opinion that there has been no material change in the Group's contingent liabilities from 31 October 2009 to the Latest Practicable Date. To the best of the Directors' knowledge and belief, as at the Latest Practicable Date, the Group is not and will not be subject to any potential claims from employees/suppliers/customers etc. as a result of loss of lives or injury, breach of contracts arising from the earthquake occurred in May 2008 in Sichuan Province of the PRC.

Related party transactions

As at 31 October 2009, the amount due to ultimate holding company was approximately RMB609,000. The amount was unsecured, interest free and was fully settled on 8 December 2009.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding borrowings and indebtedness at the close of business on 31 October 2009, any loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

Save as disclosed in this sub-section headed "Indebtedness", the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 October 2009.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

The Group had net current assets of approximately RMB48.7 million, RMB56.8 million, RMB30.9 million and RMB36.2 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. The Group had been operating profitably during the four months ended 31 October 2009, the cash resources generated therefrom was mainly utilised for (i) acquisition of some new plant and equipment by approximately RMB5.8 million to cope with its business development; (ii) increasing inventory (mainly raw materials) by approximately RMB5.0 million to prepare for the anticipated increase in sales in the coming year; while the bank balances and cash increased by approximately RMB8.9 million. The amounts due from related parties of approximately RMB7.3 million were settled during the period. The Group's current liabilities as at 30 June 2009 and 31 October 2009 had basically remained unchanged at approximately RMB76.4 million and RMB76.0 million respectively. As at 31 October 2009, the Group had net current assets of approximately RMB48.5 million comprising:

	As at 31 October 2009 *RMB'000*
Current assets	
Prepaid lease payments	494
Inventories	40,928
Trade receivables	539
Other receivables, deposits and prepayments	29,269
Income tax recoverable	2,590
Bank balances and cash	50,730
	124,550

	As at 31 October 2009
	RMB'000
Current liabilities	
Amount due to ultimate holding company	609
Bank loans	50,000
Trade payables	3,568
Other payables and accruals	20,206
Income tax payable	1,649
	76,032
Net current assets	48,518

Cash flows

The Group funds its capital requirements primarily through cash from operations and borrowings from banks. The cash from operations and the Group's ability to fund its capital expenditure needs could be adversely affected by downturns in demand for the Group's products.

The following table and discussion summarised the cashflow of the Group in relation to its operating activities, investing activities and financing activities during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	(647)	37,399	18,895	(18,297)
Net cash used in investing activities	(17,509)	(25,480)	(26,132)	(729)
Net cash generated from/(used in) financing activities	30,700	(10,500)	18,000	10,000
Net increase in cash and cash equivalents	12,544	1,419	10,763	(9,026)
Cash and cash equivalents at beginning of year/period	26,608	39,157	40,434	50,883
Effect of foreign exchange rate changes, net	5	(142)	(314)	44
Cash and cash equivalents at end of year/period	39,157	40,434	50,883	41,901

Cash flow in relation to operating activities

Cash generated from operations for the year ended 31 December 2006 amounted to approximately RMB23.7 million, while dividend payment of approximately RMB16.6 million and income tax paid of approximately RMB7.6 million in 2006 resulted in net cash flow used in operating activities to approximately RMB647,000. Net cash outflow from operating activities for the year ended 31 December 2006 amounted to RMB647,000, while the Group's profit from ordinary activities before taxation for the same period was approximately RMB39.4 million. The difference was primarily due to increase in inventory of approximately RMB9.5 million and increase in other receivables, deposits and prepayments of approximately RMB12.9 million as well as dividend paid of approximately RMB16.6 million and income tax paid of approximately RMB7.6 million and partially offset by increase in other payables and accruals of approximately RMB3.4 million. The increase in inventories was due to stocking of raw materials especially woods to cater for the increasing production and higher stock level of finished goods for the increasing demand for the Group's products while the increase in other receivables, deposits and prepayments was due to (i) the increase in VAT and other non-income tax recoverable of approximately RMB4.3 million, (ii) the increase in deposit of approximately RMB7.3 for capital contribution of RMB5.0 million for establishment of Lifestyle Handicrafts Company and RMB2.3 million for its working capital in December 2006, and (iii) the increase in prepayment of listing expenses of approximately RMB3.0 million. The increase in other payables and accruals was due to the increase in other tax payable of approximately RMB1.7 million from the increase in VAT, and the longer settlement period of other payable and accrued expenses.

Net cash generated from operating activities for the year ended 31 December 2007 amounted to approximately RMB37.3 million, while the Group's profit from ordinary activities before taxation for the same period was approximately RMB48.3 million. The difference of approximately RMB11.0 million was primarily due to increase in inventory of approximately RMB15.3 million, as well as dividend paid of approximately RMB11.0 million, which was partially offset by the decrease in other receivables, deposits and prepayments of approximately RMB4.0 million, the decrease in amounts due from related parties of approximately RMB2.0 million and the income tax refund received of approximately RMB1.9 million. The increase of inventory was due to stocking of raw materials especially woods to cater for the increased production and higher stock level of finished goods for the increasing demand for the Group's products.

Cash generated from operations for the year ended 31 December 2008 amounted to approximately RMB29.1 million, while the payment of interest and increase in net income tax paid of approximately HK$1.9 million and HK$8.7 million respectively decreased the net cash flow generated from operating activities to approximately RMB18.9 million. Net cash inflow from operating activities for the year ended 31 December 2008 amounted to RMB18.9 million, while the Group's profit from ordinary activities before taxation for the same period was approximately RMB32.2 million. The difference was primarily due to increase in inventory of approximately RMB5.4 million and increase in amount due from related parties of approximately RMB4.2 million as well as net income tax paid of approximately RMB8.7 million. The increase in inventories was due to stocking of raw materials especially for woods to cater for the coming year's production while the increase in other receivables, deposit and prepayment was mainly due to the increases in prepayments of listing fee and market research fee of approximately RMB1.3 million RMB0.7 million respectively.

Cash generated from operations for the six months ended 30 June 2009 amounted to approximately RMB22.7 million, while the payment of dividends, increase in interest and net income tax paid of approximately RMB37.7 million, RMB1.1 million and RMB2.3 million respectively led to the position of net cash used in operating activities to approximately RMB18.3 million. Net cash used in operating activities for the six months ended 30 June 2009 amounted to RMB18.3 million, while the Group's profit from ordinary activities before taxation for the same period was approximately RMB26.6 million. The difference was primarily due to the payment of dividends of approximately RMB37.7 million and the increase in other receivables, deposits and prepayments of approximately RMB7.7 million mainly as a consequence of the increases in (i) prepayments of listing fee and market research fee of approximately RMB3.2 million and (ii) VAT and non-income tax recoverables of RMB3.9 million respectively.

Cash flow in relation to investing activities

The net cash used in investing activities was approximately RMB17.5 million, RMB25.5 million, RMB26.1 million and RMB0.7 million respectively for each of the three years ended 31 December 2008 and the six months ended 30 June 2009.

Net cash used in investing activities for the year ended 31 December 2006 of approximately RMB17.5 million was mainly related to cash payments in respect of purchase of fixed assets of approximately RMB8.8 million which included RMB5.0 million payment for plant and machinery to increase the production capacity to meet the demand of its products, and prepaid lease payment of land of RMB9.8 million.

Net cash used in investing activities for the year ended 31 December 2007 of approximately RMB25.5 million was mainly related to cash payments in respect of purchase of property, plant and equipment by Ziqiang Muye of approximately RMB3.7 million and purchase of the equity interest of CQMY held by Madam Wang Ping in a consideration of RMB1.2 million.

Net cash used in investing activities for the year ended 31 December 2008 of approximately RMB26.1 million was mainly related to cash payments in respect of purchase of property, plant and equipment by Ziqiang Muye of approximately RMB5.3 million and purchase of investment properties including their ancillary prepaid lease payments of approximately RMB20.0 million.

Net cash used in investing activities for the six months ended 30 June 2009 of approximately RMB0.7 million was mainly related to cash payment in respect of purchase of property, plant and equipment by Ziqiang Muye.

Cash flow in relation to financing activities

The net cash generated from financing activities of the Group was approximately RMB30.7 million for the year ended 31 December 2006. It consisted mainly of the proceeds from new bank loan of RMB30.0 million for purchase of raw material and contribution from a minority shareholder of RMB1.2 million.

The net cash used in financing activities of the Group was approximately RMB10.5 million for the year ended 31 December 2007, which was attributable to the partial repayment of a bank loan of RMB30.0 million but was offset by the introduction of new bank loans of RMB20.0 million during the period so as to reduce the financial cost of the Group as the borrowing rate in the PRC had been experiencing an upward trend.

The net cash generated from financing activities of the Group was approximately RMB18.0 million for the year ended 31 December 2008, which was attributable to the introduction of new bank loans of RMB40.0 million but was offset by partial repayment of a bank loan and long-term payable of RMB20.0 million and RMB2.0 million during the year so as to increase the Group's finance cost on borrowings correspondingly.

The net cash generated from financing activities of the Group was approximately RMB10.0 million for the six months ended 30 June 2009, which was attributable to the introduction of new bank loans of RMB20.0 million but was offset by partial repayment of a bank loan of RMB10.0 million during the period so as to increase the Group's finance cost on borrowings correspondingly.

Financial resources

The Group generally finances its operation through internal resources and borrowings from banks. The Directors note that for the three years ended 31 December 2008 and the six months ended 30 June 2009, the Group had generated a positive cash flow from its operations. During the Track Record Period, the Group had maintained a surplus of working capital sufficient for supporting its day-to-day operations. To the best of the Directors' knowledge and belief, as at the Latest Practicable Date, the Group has not experienced any potential withdrawal of any banking facilities, early payment of outstanding loans required by banks, requested by banks to increase the amount of pledge for secured borrowings, cancellation of orders, bankruptcy or default on the part of any customers and/or suppliers.

Capital structure

As at 31 October 2009, the Group had net assets of approximately RMB136.0 million, comprising non-current assets of approximately RMB95.8 million, current assets of approximately RMB124.5 million, current liabilities of approximately RMB76.0 million and non-current liabilities of RMB8.3 million.

TRADING RECORD

The table below summarises the combined audited results of the Group for each of the three financial years ended 31 December 2008 and the six months ended 30 June 2009, which are prepared on the basis of preparation as set out in the section headed "Basis of preparation" of the accountants' report in Appendix I to this prospectus. This summary should be read in conjunction with the accountants' report.

		Year ended 31 December			Six months ended 30 June	
	Notes	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	1	95,398	123,169	108,656	53,082	65,217
Cost of sales		(38,370)	(49,277)	(47,629)	(22,130)	(26,808)
Gross profit		57,028	73,892	61,027	30,952	38,409
Other revenue and net income		8,689	11,547	11,990	4,374	11,087
Administrative expenses		(15,673)	(18,587)	(17,684)	(8,991)	(9,849)
Selling and distribution expenses		(8,807)	(15,084)	(16,626)	(8,190)	(9,264)
Other operating expenses		(1,184)	(1,989)	(4,191)	(2,126)	(2,423)
Finance costs		(688)	(1,447)	(2,331)	(945)	(1,315)
Profit before taxation		39,365	48,332	32,185	15,074	26,645
Income tax		(2,528)	(6,866)	(6,311)	(3,456)	(5,318)
Profit for the year/period		36,837	41,466	25,874	11,618	21,327
Attributable to						
Equity holders of the Company		36,976	41,515	25,874	11,618	21,327
Minority interests		(139)	(49)	—	—	—
		36,837	41,466	25,874	11,618	21,327
Dividends	2	16,000	30,000	—	—	15,000

Notes:

1. Turnover represents the net invoiced value of goods sold to customers less value added tax and sale tax, returns and allowances, and franchise fee income.

2. Dividends paid for the year ended 31 December 2006 represented dividends paid by CTBVI to their then shareholders prior to the Reorganisation. The Company paid dividends to its then shareholders in 2007 and 2009.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The discussion and analysis of the Group's financial position and results of operations as included in this prospectus is based on the combined financial statements prepared in accordance with the principal accounting policies set forth in section A to the accountants' report set out in Appendix I to this prospectus, which conform with the generally accepted accounting policies in Hong Kong. Accounting methods, assumptions and estimates that underlie the preparation of a company's financial statements affect its financial position and results of operation reported. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment on property, plant and equipment and prepaid lease payments

The Group assesses annually whether property, plant and equipment and prepaid lease payments have any indication of impairment. The recoverable amounts of property, plant and equipment and prepaid lease payments have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates.

Valuation of investment properties

Investment properties are included in the statement of financial position at their open market value, which is assessed by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

Write-downs of inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

Impairment on trade and other receivables

Impairment losses for trade and other receivables are assessed and provided based on the Group's regular review of aging analysis and evaluation of collectibles.

In considering the impairment losses that may be required for current receivables, future cash flows need to be determined. One of the key assumptions that has to be adopted is about the ability of the debtors to settle the receivables. Even though the Group has used all available information to make this estimation, inherent uncertainty exists and actual uncollectable amounts may be higher than the amount estimated.

Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The Directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the Directors' judgement is required to assess the probability of future taxable profits. The Directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

SIGNIFICANT ACCOUNTING POLICIES

The selection of critical accounting policies, judgements and uncertainties affecting application of those policies and sensitivity of reported results and financial position to change in conditions and assumptions are factors to be considered when reviewing the Group's combined financial statements. The Group believes that the following critical accounting policies involve the most significant judgements and estimates used in the preparation of its combined financial statements:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discount, sale returns, value-added tax and sale tax. Sale returns are recognised when the goods are returned by the customers. Value-added tax expense and refund are accounted for on an accrual basis.

(i) *Sales of goods:* Revenue from sales of goods is recognised when the products are delivered to the customer, the customer has accepted the goods, the related risks and rewards of ownership and collectibility of the related receivables is reasonably assured.

(ii) *Franchise fee income:* Franchise fee income is recognised when the franchise agreements are entered into with the franchise shops.

(iii) *Interest income:* Interest income is recognised on a time-apportioned basis, taking into account the principal outstanding and at the effective rate applicable.

(iv) *Rental income:* Rental income is recognised on a straight line basis over the period of the relevant leases.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation is calculated to write off the cost or fair value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

Buildings	Over the unexpired lease terms
Leasehold improvement	Over the unexpired lease terms
Plant and machinery	9%-20% per annum
Furniture and equipment	15%-20% per annum
Motor vehicles	15%-20% per annum

Construction in progress represents buildings or leasehold improvements on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and available for use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the combined income statements on the date of retirement or disposal.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Income tax expense and refund are accounted for on an accrual basis.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TRADING RECORD

The following is a discussion of the results of the operations of the Group for the three years ended 31 December 2008 and the six months ended 30 June 2009. It should be read in conjunction with the financial information and related notes and other financial data in the accountants' report on the Group, the text of which is set forth in Appendix I to this prospectus.

Overview

The Group is principally engaged in (i) the design, manufacture and distribution of small size wooden accessories which are mainly made of natural wood and designed with traditional Chinese cultural features and with high artistic qualities; (ii) the operation of a franchise network primarily in the PRC; (iii) the operation of retailing shops for direct sale of its products in Hong Kong; and (iv) manufacture and sale of high-end home accessories and Chinese style furniture. The Group's products are mainly classified into four categories, namely (i) wooden or horn combs such as coloured drawing combs, grass-and-tree dyed wooden combs and carved combs; (ii) pocket-size wooden mirrors such as coloured drawing mirrors and carved mirrors; (iii) other wooden accessories and adornments such as bead bracelets (香珠手鏈), pendants (鏈墜), barrettes (髮夾), hair bobs (髮簪) and massage tools; and (iv) box sets which combine the Group's different products featured in themes for gift purpose. The Group's products are mainly sold under the brandname of "**Carpenter Tan**" (譚木匠).

The Group have established an extensive distribution network through its franchise programme in the PRC under which its franchisees purchase the products from it and in turn sell to the retail customers through the franchise shops operated by them. As at the Latest Practicable Date, the Group had 853 franchise shops in the PRC, two franchise shops each in Singapore and Malaysia and one franchise shop in the United States. The franchisees have to pay non-refundable one-off franchise fees to the Group when they open franchise shops. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sale of the Group's products to its franchisees accounted for approximately 94.2%, 91.3%, 87.9% and 88.3% of the Group's turnover respectively. For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, sale to other direct customers accounted for approximately 4.2%, 7.4%, 11.3% and 10.6% of the Group's turnover respectively.

The Group's turnover grew from approximately RMB95.4 million for the year ended 31 December 2006 to approximately RMB108.7 million for the year ended 31 December 2008, while its net profit had been fluctuating from RMB36.8 million, RMB41.5 million, RMB25.9 million and RMB21.3 million during the three years ended 31 December 2008 and the six months ended 30 June 2009.

Factors affecting the results of the Group's operations

The Group's turnover and its ability to continue to generate profits are substantially affected by a number of factors, including the following principal factors:

— the level of consumer's disposable income in the PRC;

— the level of demand for small size accessories;

— the Group's ability to manage and control operating costs;

— changes in the operating conditions in the PRC consumer market; and

— the Group's effectiveness in competing with competitors on the basis of product quality, design, brand image and price.

Turnover

The Group derives its turnover from distribution and sale of small size accessories and the one-off franchise fees. The Group's turnover represents the sales value of the products supplied to the customers who are mainly franchisees. The Group's policy on recognition of sales returns is on actual basis. As such, except for the returned products which are defective, no provision for the sales returns had been made in the financial statements during the Track Record Period. In the opinion of the Directors, the amounts of sales returns and the related cost of sales have an insignificant impact on the Group's operating and financial results. Accordingly, no provision for the Group's sales returns has been made in the financial statements during the Track Record Period. The Group experiences seasonal fluctuations in sales during the year. The Group responds to trends and shifts in consumer preferences by developing new products and modifying existing products with new designs. The following table shows the quantity sold by each category of the Group's products, the number of newly enrolled franchise shops during the Track Record Period and the number of franchise shops as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	Year ended 31 December			**Six months ended 30 June**
	2006	**2007**	**2008**	**2009**
		(in million)		
Number of quantity sold:				
Combs (pieces)	2.66	2.80	1.83	1.04
Mirrors (pieces)	0.19	0.21	0.11	0.04
Other accessories (pieces)	0.34	0.65	0.34	0.20
Box sets (pieces)	1.10	1.22	0.90	0.60

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
Number of shops at the beginning of the year/period	370	524	679	720
Number of newly enrolled shops during the year/period	169	193	109	189
Number of terminated shops during the year/period	(15)	(38)	(68)	(117)
Number of shops as at the year/period end	524	679	720	792

The considerable increase in the number of terminated shops for the three years ended 31 December 2008 and the six months ended 30 June 2009 was mainly attributable to the rapidly changing operating environment in the PRC such as increasing rental level and the removal of some shops for town planning reasons. The rental level increased along with the inflation environment in the PRC where the rental level in first tier cities increased by approximately 10% to 15% in 2008 while that of the second tier cities increased by approximately 5% to 10% in 2008. However, it is expected that such changing operating environment would not materially affect the Group's future expansion plan as the space occupied by its franchise shops is relatively small.

The following table shows a breakdown of the Group's turnover by category for each of the three years ended 31 December 2008 and the six months ended 30 June 2009:

	Year ended 31 December						Six months ended 30 June	
	2006		2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Distribution and sale of small size accessories								
Combs	38,003	39.8	47,036	38.2	44,292	40.8	25,308	38.8
Mirrors	3,174	3.3	4,230	3.4	2,568	2.4	1,137	1.8
Other accessories *(Note)*	6,071	6.4	11,909	9.7	6,404	5.9	3,665	5.6
Box sets	46,592	48.9	58,381	47.4	54,544	50.1	34,369	52.7
	93,840	98.4	121,556	98.7	107,808	99.2	64,479	98.9
Franchise fee income	1,558	1.6	1,613	1.3	848	0.8	738	1.1
	95,398	100.0	123,169	100.0	108,656	100.0	65,217	100.0

Note: Other accessories comprise small home accessories and furniture.

Cost of sales

For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, cost of sales amounted to approximately RMB38.4 million, RMB49.3 million, RMB47.6 million and RMB26.8 million respectively. The table below sets out the breakdown of the Group's cost of sales during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of materials	24,140	30,560	26,251	17,006
Direct labour	7,013	8,402	8,572	4,184
Overhead *(Note)*	3,600	6,409	7,375	3,705
Sub-contracting charges	2,752	2,934	1,743	765
Provision on/write off of obsolete stock	865	972	3,688	1,148
Total cost of sales	38,370	49,277	47,629	26,808

Note: The following table shows a breakdown of the overhead during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Delivery charges	10	5	52	23
Depreciation	967	1,380	2,486	1,119
Fuels, Electricity & water	915	951	940	502
Insurance	18	2,169	1,936	1,055
Postage and communication	14	14	14	6
Salaries & staff welfare	1,676	1,639	1,727	917
Sundry	0	251	220	83
	3,600	6,409	7,375	3,705

Gross profit and gross profit margin

The following table summarised the Group's gross profit and the gross profit margin by category for the three years ended 31 December 2008 and the six months ended 30 June 2009:

	Year ended 31 December						Six months ended 30 June	
	2006		2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
a) Distribution and/or sales of the Group's products	55,470	59.1	72,279	59.5	60,179	55.8	37,671	58.4
b) Franchise fee income	1,558	100.0	1,613	100.0	848	100.0	738	100.0
	57,028	59.8	73,892	60.0	61,027	56.2	38,409	58.9

Other revenue and net income

During the Track Record Period, other revenue and net income accounted for approximately RMB8.7 million, RMB11.5 million, RMB12.0 million and RMB11.1 million.

Other revenue mainly contributed from PRC VAT refund. VAT refund is recognised on accrual basis and VAT refund is recognised in the financial year in which the VAT is incurred or paid. The tax refund amount is generally received in the month following the payment of the VAT. During the Track Record Period, VAT refund accounted for approximately 8.1%, 8.8% and 7.1% and 7.4% of the Group's turnover.

Administrative expenses

During the Track Record Period, administrative expenses accounted for approximately RMB15.7 million, RMB18.6 million, RMB17.7 million and RMB9.8 million. Administrative expenses mainly included salaries and allowances, consultancy fee, insurance, entertainment and gifts, and travelling expenses.

Selling and distribution expenses

During the Track Record Period, selling and distribution expenses accounted for approximately RMB8.8 million, RMB15.1 million, RMB16.6 million and RMB9.3 million.

Selling and distribution expenses of the Group mainly comprised advertising charges, delivery charges and salaries and allowances. Selling and distribution expenses in general varied directly with the Group's sales and accounted for approximately 9.2%, 12.2%, 15.3% and 14.2% of the Group's turnover during the Track Record Period.

Other operating expenses

During the Track Record Period, other operating expenses amounted to approximately RMB1.2 million, RMB2.0 million, RMB4.2 million and RMB2.4 million. Other operating expenses mainly included government levy relating to education and city development, which were charged based on certain percentage of the VAT paid.

Finance costs

During the Track Record Period, finance costs amounted to approximately RMB0.7 million, RMB1.4 million, RMB2.3 and RMB1.3 million respectively. The Group's finance costs mainly comprise bank charges and interest on bank borrowings.

Income tax

During the Track Record Period, income tax of the Group amounted to approximately RMB2.5 million, RMB6.9 million and RMB6.3 million and RMB5.3 million respectively. During the Track Record Period, the effective tax rate of the Group was approximately 6.4%, 14.2%, 19.6% and 20.0%.

Dividends

The Group declared dividends for the three years ended 31 December 2008 and the six months ended 30 June 2009 of approximately RMB16.0 million, RMB30.0 million, nil and RMB15.0 million respectively to its then shareholders prior to the Reorganisation. The Directors confirm that the payment of these dividends was paid out from the Group's internal resources. The declaration and payment of dividends were made after careful consideration of the Group's retained profits, business prospects, cash requirements and availability.

Analysis of the Group's results for the year ended 31 December 2006

Turnover

For the year ended 31 December 2006, the Group's turnover was approximately RMB95.4 million, of which approximately 94.2% and 4.2% were generated from the sales of products to franchise shops and other direct customers respectively, and approximately 1.6% was collected as franchise fee.

Cost of sales

For the year ended 31 December 2006, the Group's cost of sales was approximately RMB38.4 million, which comprised cost of materials of approximately RMB24.1 million, direct labour cost of approximately RMB7.0 million, overhead of approximately RMB3.6 million, sub-contracting charges of approximately RMB2.8 million and provision for/write off of obsolete stock of approximately RMB0.9 million. The Group's cost of sales represented approximately 40.2% of the Group's turnover for the year.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2006 amounted to approximately RMB57.0 million, representing an overall gross profit margin of approximately 59.8% of the turnover and which was contributed by the change of the Group's sales mix shifting from sales of comb and mirror to gift box set.

Other revenue and net income

For the year ended 31 December 2006, other revenue and net income of the Group was approximately RMB8.7 million, which mainly comprised the refund for PRC VAT tax concessions of approximately RMB7.7 million in 2006.

Administrative expenses

For the year ended 31 December 2006, the administrative expenses of the Group amounted to approximately RMB15.7 million, which mainly comprised advertising expenses, consultancy fee, design and sample expenses, insurance, salaries and allowance and traveling expenses, the aggregate of which represented approximately 16.4% of the turnover. Consultancy fee comprised the accounting consultation services, sales and distribution system software, legal services, taxation services, information technology services, trademark and website design services, management consultancy services, ISO consultancy services paid to respective professionals which are Independent Third Parties and not professional accounting firms in Hong Kong, among which approximately RMB208,000 was paid to the former financial controller of the Group in return for his services where no consultation contract had been entered into between the Group and that former financial controller.

Selling and distribution expenses

For the year ended 31 December 2006, selling and distribution expenses of the Group amounted to approximately RMB8.8 million, which mainly comprised advertising and marketing charges, delivery charges, salaries and allowance and traveling expenses of approximately RMB1.5 million, RMB1.8 million, RMB2.6 million and RMB0.9 million respectively, the aggregate of which represented approximately 9.2% of the turnover.

Other operating expenses

For the year ended 31 December 2006, other operating expenses of the group was approximately RMB1.2 million, which mainly comprised sales and other taxes of approximately RMB1.1 million.

Finance costs

For the year ended 31 December 2006, the Group's finance costs was approximately RMB0.7 million, which were mainly due to the bank loan interest, bank charges and the imputed interest expenses on long-term payable.

Income tax

For the year ended 31 December 2006, income tax expenses of the Group was approximately RMB2.5 million. The effective tax rate of the Group was approximately 6.4% in 2006. The effective tax rate in 2006 was increased due to the decreased amount of tax refund enjoyed by the Group as a result of the change of tax concession policy in relation to social welfare enterprises in the PRC since October 2006.

Net profit and net profit margin

For the year ended 31 December 2006, the Group recorded profit attributable to equity holders of the Company of approximately RMB36.8 million with a net profit margin of approximately 38.6% of the turnover.

Comparison of the Group's results for the year ended 31 December 2007 with the year ended 31 December 2006

Turnover

For the year ended 31 December 2007, the Group's turnover was approximately RMB123.2 million, representing an increase of approximately RMB27.8 million, or approximately 29.1%, from approximately RMB95.4 million in previous financial year. The increase was mainly attributable to the increase in total number of franchise shops in the year ended 31 December 2007 (679 shops as at 31 December 2007 as compared with 524 shops as at 31 December 2006) as well as higher product selling prices. Moreover, franchise fee income increased by about 3.5% to approximately RMB1.6 million for the year ended 31 December 2007 over the same period in 2006. Such growth implies an increase in the number of new franchise shops in 2007 (193 new shops in 2007 as compared with 169 new shops in 2006).

Cost of sales

For the year ended 31 December 2007, the Group's cost of sales, which comprised cost of materials, direct labour cost, subcontracting charges, overhead and provision for/write off of obsolete stock, was approximately RMB49.3 million, representing an increase of approximately RMB10.9 million, or approximately 28.4%, from approximately RMB38.4 million in previous financial year. Cost of materials increased from approximately RMB24.1 million for the year ended 31 December 2006 to approximately RMB30.6 million in 2007. The increase was mainly due to the increased purchases of raw materials for larger production volume and increased purchases of semi-finished products resulted from higher sales volume of the Group's products. Direct labour cost rose to approximately RMB8.4 million in the year ended 31 December 2007, representing an increase of approximately 19.8% over the same period in 2006. This increase was mainly driven by the increase in the number of labour and wages. Subcontracting charges slightly increased from approximately RMB2.8 million in the year ended 31 December 2006 to approximately RMB2.9 million for the same period in 2007. The increase was due to taking up of subcontracting works undertaken by subcontractors for the products as a result of the increase in total sales. Overhead jumped to approximately RMB6.4 million in the year ended 31 December 2007, representing an increase of approximately 78.0% over that in 2006. The increase was largely attributable to the increase in insurance of approximately RMB2.2 million.

Gross profit and gross profit margin

For the year ended 31 December 2007, the Group's gross profit was approximately RMB73.9 million, representing an increase of approximately RMB16.9 million, or approximately 29.6%, from approximately RMB57.0 million in previous financial year. Such increase was mainly due to higher sales volume. The Group's overall gross profit margin maintained at the level of about 60.0%, which was mainly attributable to the better control over costing and increasing sale of box set which had higher gross profit margin.

Other revenue and net income

For the year ended 31 December 2007, other revenue and net income of the Group was approximately RMB11.5 million, representing an increase of approximately RMB2.9 million, or approximately 32.9%, from approximately RMB8.7 million in previous financial year. Such increase was mainly due to the increase in PRC VAT refund to approximately RMB10.8 million as compared to the same period of 2006 of approximately RMB7.7 million.

Administrative expenses

For the year ended 31 December 2007, general and administrative expenses of the Group, which comprised consultancy fee, insurance, design and samples expenses, salaries and allowance and travelling expenses, was approximately RMB18.6 million, representing an increase of approximately RMB2.9 million, or approximately 18.6%, from approximately RMB15.7 million in previous financial year. Consultancy fee has increased from approximately RMB0.9 million in 2006 to approximately RMB1.9 million in 2007, which was attributable to the increase in consultation services in relation to accounting, financial management and other professional matters including sales and distribution system software, legal services, taxation services, management consultancy services and property consultancy services paid to Independent Third Parties which are not professional accounting firms in Hong Kong, among which approximately RMB151,000 was paid to the former financial controller of the Group in return for his services where no consultation contract had been entered into between the Group and that former financial controller. Design and samples expenses mainly represent the research and product development costs of new products. It increased from approximately RMB1.3 million in 2006 to approximately RMB2.0 million in 2007. Salaries and allowance rose to approximately RMB6.4 million in 2007 from approximately RMB4.3 million, representing an increase of approximately 49.8% over that in 2006. This increase was mainly due to an increase in the number of staff and wages as the Group was exploiting business opportunity in other markets such as Hong Kong. Travelling expenses decreased by approximately 31.4% to approximately RMB0.9 million in 2007. This decrease was mainly due to the fact that the previous listing process had come to a stable stage where the listing working team of the Company reduced their travelling frequency. The expenses directly incurred for the application for the Listing from the beginning up to 31 December 2007 amounted to approximately RMB6.7 million and were accounted for as prepayments as at 31 December 2007. The Directors are of the view that since the Company's listing application has been ongoing, all the listing expenses shall be accumulated/capitalised as prepayment instead of being charged to the profit and loss account in the year in which they were incurred. Upon the Shares being successfully listed on the Main Board, according to the relevant accounting standards and in general, the proportion of 25% (i.e. the public float) and 75% of the listing expenses attributable to the Company will be charged to the Company's share premium account and profit and loss account respectively.

Selling and distribution expenses

For the year ended 31 December 2007, selling and distribution expenses of the Group, which comprised advertising and marketing charges, delivery charges and salaries and allowance, was approximately RMB15.1 million, representing an increase of approximately RMB6.3 million, or approximately 71.3%, from approximately RMB8.8 million in previous financial year. Bonus expense went up to approximately RMB2.0 million in 2007 from approximately RMB0.1 million in 2006. This increase was mainly due to a promotional campaign launched by the Group last year which enabled the franchisees to purchase the Group's products at special prices if they met certain criteria set by the Group. Delivery charges increased to approximately RMB2.0 million in the year ended 31 December 2007 from approximately RMB1.8 million in 2006, which was in line with the increase in sales volume and franchise shops. Salaries and allowance increased from approximately RMB2.6 million in 2006 to approximately RMB3.7 million in 2007 as a result of increase in total workforce and salary increment.

Other operating expenses

For the year ended 31 December 2007, other operating expenses of the Group was approximately RMB2.0 million, representing an increase of approximately RMB0.8 million, or approximately 68.0%, from approximately RMB1.2 million in previous financial year. Such increase was mainly caused by an increase in government levy of approximately RMB0.6 million.

Finance costs

For the year ended 31 December 2007, finance costs of the Group was approximately RMB1.4 million, representing an increase of approximately RMB0.8 million, or approximately 110.3%, from approximately RMB0.7 million in previous financial year. The increase in finance costs was mainly due to the interest incurred from a loan drawn in the middle of 2006.

Taxation

For the year ended 31 December 2007, income tax expenses of the Group was approximately RMB6.9 million, representing an increase of approximately RMB4.4 million, or approximately 171.6%, from approximately RMB2.5 million in previous financial year. The substantial increase of taxation expense and the increase of effective tax rate to approximately 14.2% for the year ended 31 December 2007 was a result of the adoption of new preferential tax policies since 1 October 2006. The major difference between tax policies before and after October 2006 is that Ziqiang Muye has to pay corporate income tax after the deduction under the policy adopted since October 2006 at the rate of 15% comparing with the refund of entire corporate income tax under the old policy adopted prior to October 2006.

Net profit and net profit margin

For the year ended 31 December 2007, the Group's net profit was approximately RMB41.5 million, representing an increase of approximately RMB4.7 million, or approximately 12.6%, from approximately RMB36.8 million in previous financial year. Such increase of net profit was mainly attributable to higher gross profit realised together with higher turnover. The Group's overall net profit margin for the year ended 31 December 2007 decreased slightly from about 38.6% for the year ended 31 December 2006 to about 33.7%, which was mainly attributable to more resources being spent on developing business in new markets.

Comparison of the Group's results for the year ended 31 December 2008 with the year ended 31 December 2007

Turnover

For the year ended 31 December 2008, the Group's turnover amounted to approximately RMB108.7 million, representing a decrease of approximately RMB14.5 million, or approximately 11.8%, from approximately RMB123.2 million in 2007. The decrease was mainly attributable to the facts that (i) the serious earthquake occurred in May 2008 in Sichuan Province, the PRC where the Group's franchisees have considerable business operations, in particular, the delivery of products to the Group's franchisees in Sichuan Province was delayed by approximately one week while six of the Group's franchisees suspended their operations due to the earthquake, three of them resumed normal operation in May, July and October 2008 respectively, two of them resumed normal operation in June 2008, while one of them had not resumed operation as at the Latest Practicable Date; and (ii) the global economic downturn as a result of the global financial tsunami, both of which had affected the overall purchasing desire of its potential customers even though there was an increase in total number of franchise shops in 2008 (720 shops as at 31 December 2008 as compared with 679 shops as at 31 December 2007) while the Group's product selling prices could basically be maintained at a similar level. Moreover, franchise fee income decreased by about 47.4% to approximately RMB848,000 for the year ended 31 December 2008 from that of about RMB1.6 million in 2007. Such decline had actually reflected a decrease in the number of new franchise shops in 2008 (109 new shops in 2008 as compared with 193 new shops in 2007).

Cost of sales

For the year ended 31 December 2008, the Group's cost of sales, which comprised cost of materials, direct labour cost, subcontracting charges, overhead and provision for/write off of obsolete stock, amounted to approximately RMB47.6 million, representing an decrease of approximately RMB1.7 million, or approximately 3.3%, from approximately RMB49.3 million in 2007. Such decrease was basically in line with the decrease in the turnover of the Group. Cost of materials decreased from approximately RMB30.6 million for the year ended 31 December 2007 to approximately RMB26.3 million in 2008. The decrease was basically due to the decreased purchases of raw materials to cope with the overall contraction of production volume during the year ended 31 December 2008. Direct labour cost slightly increased to approximately RMB8.6 million for the year ended 31 December 2008, representing a slight increase of approximately 2.0% over that in 2007, which was mainly driven by the increase in in-house production so that lesser subcontracting works were outsourced to subcontractors. As a result, subcontracting charges had also decreased from approximately RMB2.9 million for the year ended 31 December 2007 to approximately RMB1.7 million in 2008, representing a significant decrease of approximately 40.6% over that in 2007. Overhead conversely increased to approximately RMB7.4 million for the year ended 31 December 2008 from approximately RMB6.4 million in 2007, representing an increase of approximately 15.1% over that in 2007, which was largely attributable to the increase in depreciation on leasehold improvement, plant and machinery of approximately RMB1.1 million.

Gross profit and gross profit margin

For the year ended 31 December 2008, the Group's gross profit amounted to approximately RMB61.0 million, representing a decrease of approximately RMB12.9 million, or approximately 17.4%, from approximately RMB73.9 million in 2007. Such decrease was mainly due to (i) decrease in sales volume while the overall product selling prices could basically be maintained; and (ii) the considerable increase in provision for/write off of obsolete stock mainly attributable to the written off of certain finished goods remained unsold for many years in 2008. The Group's overall gross profit margin was decreased to about 56.2% of its turnover.

Other revenue and net income

For the year ended 31 December 2008, other revenue and net income of the Group amounted to approximately RMB12.0 million, representing a slight increase by approximately RMB0.5 million, or approximately 3.8%, from approximately RMB11.5 million in 2007. Such increase was mainly due to the increase in government grant and change in fair value on investment properties of approximately RMB0.9 million and RMB2.2 million respectively, which was partially offset by the decrease in PRC VAT refund to approximately RMB7.7 million as compared to that of approximately RMB10.8 million in 2007.

Administrative expenses

For the year ended 31 December 2008, administrative expenses of the Group, which mainly comprised consultancy fee, design and samples expenses, salaries and allowance, traveling expenses and legal and professional fee, amounted to approximately RMB17.7 million, representing a decrease of approximately RMB0.9 million, or approximately 4.9%, from approximately RMB18.6 million in 2007. Consultancy fee decreased from approximately RMB1.9 million in 2007 to RMB1.7 million in 2008, which was mainly attributable to the lesser scope of consultation services in relation to accounting, financial management and other professional matters including sales and distribution system software, legal services, taxation services, management consultancy services and property consultancy services provided by Independent Third Parties which are not professional accounting firms in Hong Kong during the year, among which approximately RMB290,000 was paid to the former and present financial controller of the Group in return for their services where no consultation contract had been entered into between the Group and these financial controllers. Design and samples expenses mainly represent research and product development costs of new products, which decreased from approximately RMB2.0 million in 2007 to RMB1.2 million in 2008, of which, approximately RMB0.8 million was accounted for as prepayment as at 31 December 2008 so that merely RMB0.4 million was charged to the income statement for the year ended 31 December 2008. Salaries and allowance increased to approximately RMB7.1 million in 2008 from approximately RMB6.4 million, representing an increase of approximately 10.6% over that in 2007. This increase was mainly due to (i) an overall increment in salary and wage level for the Group's employees located in the PRC; and (ii) an increase of some newly recruited staff for its self-operated lifestyle shops established in the PRC and Hong Kong. Traveling expenses significantly increased by approximately 45.9% to approximately RMB1.4 million for the year ended 31 December 2008 from that of approximately RMB0.9 million in 2007, which was mainly attributable to the more frequent travels to overseas countries by the Group's management staff in order to exploit possible business opportunities there. Moreover, legal and professional fees had also increased from approximately RMB0.3 million for the year ended 31 December 2007 to RMB1.4 million in 2008, representing a significant increase of almost 4.6 times over that in 2007, which was mainly attributable to the professional fees incurred for registration of a number of trademarks in overseas countries, such as New Zealand, Singapore and Thailand. The expenses directly incurred for the application for the Listing from the beginning up to 31 December 2008 amounted to approximately RMB11.1 million and were accounted for as prepayments as at 31 December 2008. The Directors are of the view that since the Company's listing application has been ongoing, all the listing expenses shall be accumulated/capitalised as prepayment instead of being charged to the profit and loss account in the year in which they were incurred. Upon the Shares being successfully listed on the Main Board, according to the relevant accounting standards and in general, the proportion of 25% (i.e. the public float) and 75% of the listing expenses attributable to the Company will be charged to the Company's share premium account and profit and loss account respectively.

Selling and distribution expenses

For the year ended 31 December 2008, selling and distribution expenses of the Group, which mainly comprised rental expenses, advertising and marketing expenses, delivery charges, salaries and allowance and traveling expenses, was approximately RMB16.6 million, representing an increase of approximately RMB1.5 million, or approximately 10.2%, from approximately RMB15.1 million in 2007. Advertising and marketing expenses including bonus payment significantly decreased from approximately RMB3.7 million in 2007 to merely RMB0.2 million in 2008. This significant decrease was mainly due to the fact that an aggressive promotional campaign launched by the Group in last year which enabled the franchisees to purchase the Group's products at special prices if they met certain criteria set by the Group did not repeat again in 2008 in view of (i) the overall decrease in purchasing desire following the serious earthquake occurred in May 2008 in Sichuan Province, the PRC where the Group's franchisees have considerable business operations; and (ii) the global economic downturn as a result of the global financial tsunami. Rental expenses increased to approximately RMB5.7 million for the year ended 31 December 2008 from that of approximately RMB2.2 million in 2007, which was mainly attributable to some newly opened self-operated lifestyle shops located in the PRC and Hong Kong. Delivery charges decreased to approximately RMB1.6 million for the year ended 31 December 2008 from that of approximately RMB2.0 million in 2007, which was basically in line with the decease in overall sales volume and turnover of the Group in 2008. Salaries and allowance increased from approximately RMB3.7 million in 2007 to approximately RMB4.5 million in 2008 mainly as a result of (i) an overall increment in salary and wage level for the Group's employees located in the PRC; and (ii) an increase of some newly recruited staff for its self-operated lifestyle shops established in the PRC and Hong Kong.

Other operating expenses

For the year ended 31 December 2008, other operating expenses of the Group amounted to approximately RMB4.2 million, representing a significant increase of approximately RMB2.2 million, or approximately 110.7%, from approximately RMB2.0 million in 2007. Such significant increase was mainly caused by (i) the change in fair value on long-term payable of approximately RMB1.8 million and (ii) loss on sale on raw materials of approximately RMB0.3 million.

Finance costs

For the year ended 31 December 2008, finance costs of the Group amounted to approximately RMB2.3 million, representing an increase of approximately RMB0.9 million, or approximately 61.1%, from approximately RMB1.4 million in 2007. The increase in finance costs was mainly due to additional bank loans of RMB20.0 million drawn down during the year.

Income tax

For the year ended 31 December 2008, income tax expenses of the Group amounted to approximately RMB6.3 million, representing a decrease of approximately RMB0.6 million, or approximately 8.1%, from approximately RMB6.9 million in 2007. The considerable decrease of income tax expenses with a slight decrease of effective tax rate from approximately 14.2% for the year ended 31 December 2007 to 19.6% for the year ended 31 December 2008 was mainly due to the adoption of new preferential tax policies applicable to Ziqiang Muye since 1 October 2006.

Net profit and net profit margin

For the year ended 31 December 2008, the Group's net profit amounted to approximately RMB25.9 million, representing a decrease of approximately RMB15.6 million, or approximately 37.6%, from approximately RMB41.5 million in 2007. Such decrease in net profit was mainly attributable to (i) considerable decrease in turnover and gross profit with a slight decrease in gross profit margin; and (ii) the overall increase in other operating expenses comprising the change in fair value on long-term payable, and obsolete stock. The Group's overall net profit margin for the year ended 31 December 2008 decreased from about 33.7% for the year ended 31 December 2007 to about 23.8%, which was mainly attributable to the overall decline in turnover and profitability because of (i) the serious earthquake occurred in May 2008 in Sichuan Province, the PRC where the Group's franchisees have considerable business operations; and (ii) the global economic downturn as a result of the global financial tsunami, both of which had affected the overall purchasing desire of its potential customers.

Comparison between the results for the six months ended 30 June 2009 and those for the six months ended 30 June 2008 (unaudited)

Turnover

For the six months ended 30 June 2009, the Group's turnover amounted to approximately RMB65.2 million, representing an increase of approximately RMB12.1 million, or approximately 22.9%, from approximately RMB53.1 million for the corresponding period in 2008. The increase was mainly attributable to the facts that (i) the adverse effect as a result of the serious earthquake occurred in May 2008 in Sichuan Province, the PRC has completed recovered; and (ii) the global economies have begun to gain traction during the first half of 2009 after the global economic downturn as a result of the global financial tsunami in 2008, both of which had improved the overall purchasing desire of the Group's end customers so that there was an increase in total number of franchise shops in 2009 (792 shops as at 30 June 2009 as compared with 720 shops as at 31 December 2008) while the Group's product selling prices had basically been maintained at a similar level. Moreover, franchise fee income also increased by about 122.3% to approximately RMB738,000 for the six months ended 30 June 2009 from that of about RMB332,000 for the corresponding period in 2008. Such increase had actually reflected an increase in the number of new franchise shops in 2009 (189 new shops for the six months ended 30 June 2009 as compared with 47 new shops for the corresponding period in 2008).

Cost of sales

For the six months ended 30 June 2009, the Group's cost of sales, which comprised purchase of raw materials and semi-finished goods, direct labour cost, subcontracting charges and overheads, amounted to approximately RMB26.8 million, representing an increase of approximately RMB4.7 million, or approximately 21.1%, from approximately RMB21.1 million for the corresponding period in 2008. Such increase was basically in line with the increase in the turnover of the Group by approximately 22.9% when comparing the two six-month periods.

Gross profit and gross profit margin

For the six months ended 30 June 2009, the Group's gross profit amounted to approximately RMB38.4 million, representing an increase of approximately RMB7.4 million, or approximately 24.1%, from approximately RMB31.0 million for the corresponding period in 2008. Such increase was mainly due to the increase in sales volume while the overall product selling prices had basically been maintained during the two six-month periods. The Group's overall gross profit margin had also been maintained with a slight increase from 58.3% to about 58.9% of its turnover during the two six-month periods.

Other revenue and net income

For the six months ended 30 June 2009, other revenue and net income of the Group amounted to approximately RMB11.1 million, representing a significant increase by approximately RMB6.7 million, or approximately 153.5%, from approximately RMB4.4 million for the corresponding period in 2008. Such increase was mainly due to the increase in PRC VAT tax concession and recognition of change in fair value of investment properties of approximately RMB0.8 million and RMB4.9 million respectively during the six months ended 30 June 2009.

Administrative expenses

For the six months ended 30 June 2009, administrative expenses of the Group, which mainly comprised consultancy fee, design and samples expenses, salaries and allowance, traveling expenses and legal and professional fee, amounted to approximately RMB9.8 million, representing an increase of approximately RMB0.8 million, or approximately 9.5%, from approximately RMB9.0 million for the corresponding period in 2008. Such increase was mainly attributable to the increase in the design and sample expenses by approximately RMB1.1 million incurred for widening the Group's product range during the period from approximately RMB0.2 million during the six months ended 30 June 2008 to RMB1.3 million for the six months ended 30 June 2009.

Selling and distribution expenses

For the six months ended 30 June 2009, selling and distribution expenses of the Group, which mainly comprised rental expenses, advertising and marketing expenses, delivery charges, salaries and allowance and traveling expenses, was approximately RMB9.3 million, representing an increase of approximately RMB1.1 million, or approximately 13.2%, from approximately RMB8.2 million for the corresponding period in 2008. Such increases were mainly attributable to the increase in delivery charges and rental expenses which increased by approximately RMB0.3 million and RMB0.6 million respectively when comparing the two six-month periods.

Other operating expenses

For the six months ended 30 June 2009, other operating expenses of the Group amounted to approximately RMB2.4 million, representing an increase of approximately RMB0.3 million, or approximately 14.0%, from approximately RMB2.1 million for the corresponding period in 2008. Such increase was mainly due to the increase in loss on disposal of property, plant and equipment.

Finance costs

For the six months ended 30 June 2009, finance costs of the Group amounted to approximately RMB1.3 million, representing an increase of approximately RMB0.4 million, or approximately 39.2%, from approximately RMB0.9 million for the corresponding period in 2008. The increase in finance costs was mainly due to additional bank loans of RMB10.0 million drawn down during the period.

Income tax

For the six months ended 30 June 2009, income tax expenses of the Group amounted to approximately RMB5.3 million, representing an increase of approximately RMB1.8 million, or approximately 53.9%, from approximately RMB3.5 million for the corresponding period in 2008. The considerable increase of income tax expenses with a slight decrease of effective tax rate to 20.0% for the six months ended 30 June 2009 when compared to that of approximately 22.9% for the corresponding period in 2008 was a combined result of (i) the increase in overall taxable profit (i.e. after exclusion of non-taxable income and non-deductible expenses) of the Group; and (ii) the adoption of new preferential tax policies applicable to Ziqiang Muye since 1 October 2006. The effective tax rate of 20.0% for the six months ended 30 June 2009 was almost the average of (i) the corporate income tax rate of 15% that Ziqiang Muye has to pay corporate income tax after the deduction under the policy adopted since October 2006 comparing with the refund of entire corporate income tax under the old policy adopted prior to October 2006; and (ii) the general corporate income tax rate of 25% applicable to all other operating subsidiaries of the Group.

Net profit and net profit margin

For the six months ended 30 June 2009, the Group's net profit amounted to approximately RMB21.3 million, representing a significant increase of approximately RMB9.7 million, or approximately 83.6%, from approximately RMB11.6 million for the corresponding period in 2008. Such increase in net profit was mainly attributable to (i) considerable increase in turnover and gross profit with a slight increase in gross profit margin; and (ii) the overall increase in other revenue and net income by recognition of the change in fair value of investment properties. The Group's overall net profit margin for the six months ended 30 June 2009 significantly increased from approximately 21.9% for its total turnover to about 32.7% for the corresponding period in 2008, which was mainly attributable to the overall increase in turnover and profitability because (i) the adverse effect as a result of the serious earthquake occurred in May 2008 in Sichuan Province, the PRC has completed recovered; and (ii) the global economies has begun to gain traction during the first half of 2009 after the global economic downturn as a result of the global financial tsunami in 2008, both of which had improved the overall purchasing desire of the Group's end customers. In fact, the overall net profit margin of approximately 32.7% for the six months ended 30 June 2009 was comparable to that of approximately 33.7% for the full year ended 31 December 2007 when the two aforesaid adverse events occurred in 2008 did not exist.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Non-current assets

Non-current assets increased significantly from approximately RMB41.3 million as at 31 December 2006 to approximately RMB62.4 million as at 31 December 2007. The increase was a result from the purchases of property, plant and equipment for establishment of Lifestyle Handicrafts Company and the expansion and improvement of production facilities of both Carpenter Tan and CQMY. During the year ended 31 December 2007, the Group spent about RMB2.3 million in leasehold improvement and furniture, fixture and equipment for Lifestyle Handicrafts Company at its initial stage of establishment. At the same period, Carpenter Tan and CQMY spent approximately RMB3.8 million on production facilities.

Non-current assets increased considerably from approximately RMB62.4 million as at 31 December 2007 to RMB86.7 million as at 31 December 2008. The increase was mainly a result from the purchases of investment properties with aggregate cost of approximately RMB19.9 million for the purpose of generating stable rental income in the future.

Non-current assets slightly increased from approximately RMB86.7 million as at 31 December 2008 to RMB90.2 million as at 30 June 2009 mainly due to the recognition of change in fair value of investment properties of approximately RMB4.9 million, but which was partly set off by the provision for depreciation charges for property, plant and equipment of approximately RMB1.6 million during the period.

Current assets

Current assets of approximately RMB91.6 million as at 31 December 2006 increased to approximately RMB97.6 million and RMB116.4 million as at 31 December 2007 and 2008 respectively. These increases are analysed as below:

a) *Inventories*

The inventories increased by approximately RMB14.4 million from approximately RMB24.9 million as at 31 December 2006 to approximately RMB39.3 million as at 31 December 2007. Such increase was attributable to (i) the setting up of lifestyle handicraft stores and the business development of CQMY, which require stocking of the Group's new products such as home accessories and furniture manufactured by the third parties engaged by the Group, and (ii) the increasing demand of the Group's existing products from its franchisees which lead to the increase in the stocking of raw materials and finished goods during the period.

The inventories increased by approximately RMB1.6 million from approximately RMB39.3 million as at 31 December 2007 to RMB40.9 million as at 31 December 2008. Such slight increase was mainly attributable to the increase in the stocking of raw materials for coming year's production.

The inventories decreased by approximately RMB5.0 million from approximately RMB40.9 million as at 31 December 2008 to RMB35.9 million as at 30 June 2009 mainly due to the net utilisation of raw materials for production and subsequent sale of finished goods of approximately RMB1.0 million and RMB3.8 million respectively during the period.

The table below illustrates the aging analysis for major categories of inventories as of 30 June 2009:

	Raw Materials	Work in progress	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	4,582	1,886	5,032	11,500
91-180 days	2,733	31	942	3,706
181-365 days	2,082	46	1,361	3,489
Over 1 year	15,909	286	3,805	20,000
	25,306	2,249	11,140	38,695
Write-down on inventories	(1,199)	(22)	(1,562)	(2,783)
	24,107	2,227	9,578	35,912
Subsequent usage up to 31 October 2009	(6,035)	(1,878)	—	(7,913)
Subsequent sales up to 31 October 2009	—	—	(6,821)	(6,821)
	18,072	349	2,757	21,178

Since the price of woods is gradually increasing, the Group purchases the woods in bulk and stores the woods for a longer period and raw materials of approximately RMB21.6 million with age over 90 days were stored as at 31 December 2008. The Group maintained the quality of woods through a good ventilation and dry condition storage.

b) *Trade receivables*

During the Track Record Period, trade receivables of the Group was approximately RMB0.6 million, RMB0.7 million, RMB0.4 million and RMB0.3 million as at 31 December 2006, 2007 and 2008 and as at 30 June 2009 respectively.

Set out below is the analysis by age group of the Group's trade receivables:

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009	Subsequent settlement of amount up to 31 October 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	511	525	262	252	141
31-60 days	46	33	20	17	10
61-90 days	10	8	19	35	28
91-180 days	14	87	111	19	18
181-365 days	3	22	8	4	2
Over 365 days	51	21	3	9	4
	635	696	423	336	203
Provision for impairment	(28)	(6)	(3)	(4)	—
	607	690	420	332	203

Generally, franchisees are required to settle the payments for the products prior to delivery. The credit term ranging from 0 to 30 days to those franchisees was due to their better sales performance.

As at 31 December 2007, the Group benefited from a tighter credit control initially implemented in the year of 2006, which was evidenced by the minimal increase of trade receivables in 0 to 30 days category from approximately RMB511,000 as at 31 December 2006 to approximately RMB525,000 as at 31 December 2007 and the slight increase of trade receivables from approximately RMB607,000 as at 31 December 2006 to approximately RMB690,000 as at 31 December 2007 which implied an increase of 13.7%, while turnover of the Group rose by 29.1% compared with the year 2006.

As at 31 December 2008, the Group further benefited from a tighter credit control initially implemented in 2006, which was evidenced by (i) the considerable decrease of trade receivables in 0 to 30 days category from approximately RMB525,000 as at 31 December 2007 to RMB262,000 as at 31 December 2008; and (ii) the decrease of overall trade receivables from approximately RMB690,000 as at 31 December 2007 to RMB420,000 as at 31 December 2008. Such position had also reflected a decrease in overall trade receivable balance by approximately 39.1%, while turnover of the Group decreased by about 11.8% when compared with that of 2007.

As at 30 June 2009, the Group's trade receivable position was further improved, which was evidenced by (i) the slight decrease of trade receivables in 0 to 30 days category from approximately RMB262,000 as at 31 December 2008 to RMB252,000 as at 30 June 2009; and (ii) the decrease of overall trade receivables from approximately RMB420,000 as at 31 December 2008 to RMB332,000 as at 30 June 2009. Such position had also reflected a decrease in overall trade receivable balance from 31 December 2008 to 30 June 2009 by approximately 21.0%, while turnover of the Group increased by about 22.9% when comparing the two six-month periods.

However, among those direct sales customers, some of them had longer unsettled balance over one year and the Group has assessed and made adequate provision for impairment and closely monitored their credit status regularly. Approximately RMB203,000 out of the rest trade receivable of approximately RMB332,000 was settled and the Group has achieved its objective of credit management.

c) *Other receivables, deposit and prepayment*

The balance consists of other receivables, loans and receivables, trade and other deposits, prepayments and VAT and other non-income tax recoverables. During the Track Record Period, other receivables, deposit and prepayment were approximately RMB20.2 million, RMB16.3 million and RMB19.0 million as at 31 December 2006, 2007 and 2008 respectively.

The increase in the balance in 2006 was due to the increase in sales leading to the increase in both VAT and other non-income tax recoverables to approximately RMB4.3 million. Moreover, there were a deposit and other receivables of approximately RMB7.3 million for capital contribution of RMB5.0 million for the establishment of Lifestyle Handicrafts Company and RMB2.3 million for its working capital in December 2006. Since the incorporation documents of Lifestyle Handicrafts Company were issued by the PRC regulatory authorities in 2007, the aforesaid contribution of approximately RMB7.3 million was recognised as deposit and accounted for as other receivable as at 31 December 2006.

The amount of other receivable, deposit and prepayment decreased by approximately RMB3.9 million from approximately RMB20.2 million as at 31 December 2006 to RMB16.3 million as at 31 December 2007. The decrease is mainly due to the fact that Lifestyle Handicrafts Company was recognised as a wholly owned subsidiary of the group in the year 2007 and the RMB7.3 million deposit recorded in the year of 2006 was therefore eliminated.

The amount of other receivables, deposits and prepayments increased by approximately RMB2.7 million from approximately RMB16.3 million as at 31 December 2007 to RMB19.0 million as at 31 December 2008. The increase was mainly due to (i) an account receivable of approximately RMB2.1 million attributable to an excessive payment of consideration when acquiring a parcel of land by the Group at Wanzhou, Chongqing, the PRC, pending for refund from 重慶市萬州工業園區管理委員會 (Chongqing Wanzhou Industrial Park Management committee); and (ii) increase in prepayments of approximately RMB5.2 million which was offset by the decrease in trade and other deposits by approximately RMB4.4 million as a result of the reduction in trade deposits to suppliers as there was no major purchase of raw materials as at 31 December 2008. The prepayment mainly comprised payment in relation to the listing exercise of the Company and the service fees for market researches and study for market development in the PRC; which increased by approximately RMB5.2 million from approximately RMB7.7 million as at 31 December 2007 to approximately RMB12.9 million as at 31 December 2008 mainly attributable to the payment in relation to unfinished market research projects and the listing exercise.

The balance of other receivables, deposits and prepayments increased by approximately RMB7.6 million from approximately RMB19.0 million as at 31 December 2008 to RMB26.6 million as at 30 June 2009. The increase was mainly due to (i) increase in prepayments of approximately RMB2.4 million mainly comprised payment in relation to the listing exercise of the Company and the service fees for market researches and study for market development in the PRC; and (ii) increase in VAT and other non-income tax recoverables by approximately RMB3.9 million from approximately RMB1.0 million as at 31 December 2008 to approximately RMB4.9 million as at 30 June 2009 which are generally refunded from the relevant tax authorities in the second half of a financial year.

d) *Bank balances and cash*

Bank balances and cash represent cash on hand and at banks. Bank balances and cash increased slightly by approximately RMB1.2 million from approximately RMB39.2 million as at 31 December 2006 to RMB40.4 million as at 31 December 2007. Net cash generated from operating activities of approximately RMB37.1 million was partially offset by net cash used in investing activities of approximately RMB25.5 million and the net cash used in financing activities of approximately RMB10.2 million.

Bank balances and cash increased by approximately RMB10.5 million from approximately RMB40.4 million as at 31 December 2007 to RMB50.9 million as at 31 December 2008. Net cash generated from operating activities of approximate RMB18.9 million and net cash generated from financing activities of approximately RMB18.0 million was partially offset by net cash used in investing activities of approximately RMB26.1 million.

Bank balances and cash decreased by approximately RMB9.0 million from approximately RMB50.9 million as at 31 December 2008 to RMB41.9 million as at 30 June 2009. Net cash used in operating activities amounted to approximately RMB18.3 million during the six months ended 30 June 2009; while net cash generated from financing activities was approximately RMB10.0 million during the same period.

Current liabilities

Current liabilities decreased slightly from approximately RMB42.9 million as at 31 December 2006 to approximately RMB40.8 million as at 31 December 2007, and then increased to approximately RMB85.6 million as at 31 December 2008. These fluctuations are analysed as below:

a) *Bank loans*

During the Track Record Period, bank loans were RMB30 million, RMB20 million and RMB40 million. The decrease in 2007 was primarily due to repayment of RMB10 million bank borrowing in 2007. The Group raised new bank loans of RMB40 million while repaid RMB20 million for the previous one during the year ended 31 December 2008. During the six months ended 30 June 2009, the Group raised new bank loans of RMB20 million while repaid RMB10 million for the previous one during the period.

b) *Trade payables*

During the Track Record Period, trade payables were approximately RMB2.4 million, RMB3.9 million and RMB2.6 million. The sudden increase in 2007 was caused by the substantial purchase of raw materials by the Group during the year to cope with its increased production, while the average payment period had been delayed from 22.9 days in 2006 to 28.8 days in 2007. In 2008 and 2009, the Group's average payment period had basically backed to normal of 20.0 days and 22.4 days respectively.

Set out below is the analysis by age group of the Group's trade payables:

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009	Subsequent settlement of amount up to 31 October 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	1,288	2,029	818	1,409	1,409
31-60 days	164	599	205	1,555	1,555
61-90 days	226	32	553	96	96
91-180 days	641	132	18	24	6
181-365 days	36	106	75	70	—
Over 1 year	51	995	947	157	157
	2,406	3,893	2,616	3,311	3,223

The Group has generally been offered by its suppliers credit terms up to approximately 30 days.

As at 31 December 2006, the Group had higher amounts of cash and cash equivalents to repay its longer outstanding suppliers through short-term borrowing from the bank leading to dramatically decrease in age group over 1 year. The age group between 61 to 180 days increased because the Group purchased in bulk to obtain a longer credit term.

As at 31 December 2007, trade payables increased to approximately RMB3.9 million. Such increase was caused by the substantial purchase of raw materials by the Group, which led to an increase in trade payables in the age group of 0 to 30 days from approximately RMB1.3 million as at 31 December 2006 to RMB2.0 million as at 31 December 2007. In addition, an increase in the purchase of production materials to cope with the higher demand for the Group's products for the coming year also led to the increase of trade payables.

As at 31 December 2008, trade payables decreased to approximately RMB2.6 million. Such decrease was basically in line with the Group's decrease in turnover and contraction of production volume because of the global economic downturn as a result of the global financial tsunami, including the domestic market in the PRC, which led to a decrease in trade payables in the age group of 0 to

30 days from approximately RMB2.0 million as at 31 December 2007 to RMB0.8 million as at 31 December 2008; while the total balance of which had also decreased from RMB3.9 million to RMB2.6 million, representing a decrease of about 32.8%.

As at 30 June 2009, trade payables increased to approximately RMB3.3 million from RMB2.6 million as at 31 December 2008, representing an increase of about 26.6%. Such increase was basically in line with the Group's increase in turnover and cost of sales following the slight recovery of economy from the global economic downturn as a result of the global financial tsunami in late 2008, which led to an increase in trade payables in the age group of 0 to 60 days from approximately RMB1.0 million as at 31 December 2008 to RMB3.0 million as at 30 June 2009; while the total balance of which had also increased from RMB2.6 million to RMB3.3 million.

Out of total trade payables of approximately RMB3.3 million, approximately RMB3.2 million had been settled as at 31 October 2009. The Group has adequate working capital to settle the trade payables to build up a good relationship with suppliers.

c) *Other payables and accruals*

The balance consists of other payables and accruals, dividend payable, trade deposits received and VAT and other non-income tax payables. During the Track Record Period, other payables and accruals was approximately RMB9.8 million, RMB11.4 million and RMB41.7 million.

Other payables and accruals increased slightly by approximately RMB1.6 million from approximately RMB9.8 million as at 31 December 2006 to approximately RMB11.4 million as at 31 December 2007. The dividend payable as at 31 December 2007 was nil. The final dividend for year 2006 of approximately RMB16.0 million was declared and fully paid in 2007. In addition, the Group launched a promotional campaign last year which enabled the franchisees to purchase the Group's products at special prices if they met certain criteria set by the Group, leading to the increase of other payable by approximately 1.9 million as at 31 December 2007.

Other payables and accruals increased significantly by approximately RMB30.3 million from RMB11.4 million as at 31 December 2007 to RMB41.7 million as at 31 December 2008, which was mainly attributable to the declaration of dividend by the Company but not yet been paid as at 31 December 2008.

Other payables and accruals decreased significantly by approximately RMB20.6 million from RMB41.7 million as at 31 December 2008 to RMB21.1 million as at 30 June 2009, which was mainly as a consequence of the partial settlement of dividends payable by approximately RMB22.7 million by the Company during the six months ended 30 June 2009.

d) *Income tax payable*

The income tax payable increased from nil as at 31 December 2006 to approximately RMB4.9 million as at 31 December 2007. Such increase was largely attributable to the change of tax concession policies on VAT and corporate income tax since October 2006. Under new tax concession policies, Ziqiang Muye, a social welfare enterprise, was no longer entitled to entire corporate income tax refund but entitled to tax reduction. The Group was then subject to higher corporate income tax payment and aggregated by the effect of increased taxable profit under increased sales, the amount of income tax payable as at 31 December 2007 was therefore increased.

The income tax payable substantially decreased from approximately RMB4.8 million as at 31 December 2007 to merely RMB0.6 million as at 31 December 2008. Such decrease was largely attributable to the change of corporate income tax policy applicable to Ziqiang Muye since October 2006. Under new tax concession policies, Ziqiang Muye, being a social welfare enterprise, was no longer entitled to entire corporate income tax refund but entitled to tax reduction. On such basis, Ziqiang Muye has been subject to a concessionary income tax rate reduced from 33% to 15% for the five years from 1 January 2006 to 31 December 2010, while the Group had actually paid income tax of approximately RMB8.7 million in 2008 which was much more than the current provision of corporate income tax of approximately RMB4.5 million made for the year ended 31 December 2008.

The income tax payable increased from approximately RMB0.6 million as at 31 December 2008 to RMB1.3 million as at 30 June 2009. Such increase was largely attributable to the provision for PRC corporate income tax for the six months ended 30 June 2009, which is generally to be settled after the relevant year end date.

Non-current liabilities — long-term payable

The long-term payable is unsecured and interest free. On 16 November 2001, the Group's subsidiary Carpenter Tan entered into an agreement (the "Agreement") with Wanzhou District Asset Operation Company (萬州區資產經營公司) (the "Creditor"), an Independent Third Party, to acquire certain buildings and land use rights in Chongqing, the PRC, for a consideration of approximately RMB15.8 million, which included an unsecured and interest-free amount of RMB10 million provided by the Creditor repayable by twenty annual instalments, with the first instalment commencing from 2002 and the final instalment in 2021.

On 21 July 2008, Carpenter Tan and the Creditor entered into a supplementary repayment agreement (the "Supplementary Repayment Agreement"). Pursuant to the Supplementary Repayment Agreement, the outstanding long-term payable as at 21 July 2008 of approximately RMB8.0 million will be repaid by annual instalment of RMB2 million for each of the four years ending 31 December 2011.

Treasury policies and foreign exchange exposure

The Group's treasury policies are conservative. The Group has regularly performed the cost budgeting and sales forecast to maintain the working capital of the Group and has been implementing tight control on expenditures. The main source of financing of the Group was through short term bank borrowings by pledging the properties and prepaid lease payments on land use rights to obtain a favourable interest rate.

Most of the Group's monetary assets and liabilities are denominated in RMB. Although the Group carries out overseas sales and has foreign exchange exposure, the Group conducted its business transactions principally in RMB. Therefore, the Group currently does not have any foreign currency hedging policy. The management will monitor foreign exchange exposure and consider hedging significant foreign currency exposure if necessary.

SELECTED FINANCIAL RATIOS DISCUSSION

	Year ended 31 December			Six month ended 30 June
	2006	**2007**	**2008**	**2009**
Current ratio [1]	2.1	2.4	1.4	1.5
Gearing ratio [2]	26.3%	15.0%	26.6%	29.9%
Debtors' turnover period [3]	2.3	2.0	1.4	0.9
Creditors' turnover period [4]	22.9	28.8	20.0	22.4
Inventory turnover period [5]	237.1	290.8	313.8	242.5

Notes:

1. The current ratio is calculated by dividing current assets with current liabilities as at the respective period end.
2. The gearing ratio is calculated by dividing interest-bearing loans with the sum of interest-bearing loans and net assets as at the respective period end, multiplied by 100%.
3. The debtors' turnover period is calculated by dividing the trade receivable as at end of the period with turnover of the period, multiplied by the number of days in the respective period.
4. The creditors' turnover period is calculated by dividing the trade payable as at end of the period with the cost of sales of the period, multiplied by the number of days in the respective period.
5. The inventory turnover period is calculated by dividing the inventory as at the end of the period with the cost of sales of the period, multiplied by the number of days in the respective period.

Current ratio

The Group's current ratio as at 31 December 2007 increased to approximately 2.4 times as compared with that as at 31 December 2006 of approximately 2.1 times mainly due to the increase in inventories of approximately RMB14.3 million and the decrease in short term bank borrowing of RMB10 million.

The Group's current ratio as at 31 December 2008 decreased from approximately 2.4 times as at 31 December 2007 to 1.4 times as at 31 December 2008 mainly because of the declaration of dividend payment of RMB30.0 million by the Company pending for settlement subsequent to the year end date.

The Group's current ratio as at 30 June 2009 slightly improved from approximately 1.4 times as at 31 December 2008 to 1.5 times as at 30 June 2009 mainly as a consequence of the partial settlement of dividends payable by approximately RMB22.7 million by the Company during the period.

Gearing ratio

As at 31 December 2007, the Group's gearing ratio decreased to approximately 15.0% from 26.3% as at 31 December 2006, which was attributable to the repayment of bank loan of RMB10 million.

As at 31 December 2008, the Group's gearing ratio increased to approximately 26.6% from 15.0% as at 31 December 2007, which was mainly attributable to the net increase in bank loans of RMB20 million.

As at 30 June 2009, the Group's gearing ratio increased to approximately 29.9% from 26.6% as at 31 December 2008, which was mainly attributable to the net increase in bank loans of RMB10 million during the period.

Debtors' turnover period

During the Track Record Period, franchisees are generally required to settle the payments for the products prior to delivery. Credit terms of up to 30 days in certain cases were granted to franchisees and direct customers based on creditworthiness of the customers; and performance of the customers such as amount of sales contributed to the Group, etc. For further details please refer to the sub-paragraph headed "Credit policy" under paragraph headed "Sales and distribution" in the section headed "Business" to this prospectus.

During the Track Record Period, the debtors' turnover period maintained at a similar level and was approximately 2.3 days, 2.0 days, 1.4 days and 0.9 day respectively.

In 2006, the debtors' turnover period was 2.3 days because it implemented a tighter credit control to the customers.

In 2007, the debtors' turnover period slightly decreased to approximately 2.0 days because of the positive results of tighter credit control initially implemented in 2006. Trade receivables as at 31 December 2007 increased by approximately 13.7% while turnover improved by 29.1% compared with 2006, resulting in a shorter debt collection period.

In 2008, the debtors' turnover period decreased from approximately 2.0 days to 1.4 days because of the positive results of tighter credit control initially implemented in 2006. Trade receivables as at 31 December 2008 decreased by approximately 39.1% when compared with that as at 31 December 2007 while the Group's turnover decreased by approximately 11.8% when compared with that for the year ended 31 December 2007, resulting in a shorter debt collection period.

For the six months ended 30 June 2009, the debtors' turnover period persistently decreased from approximately 1.4 days as at 31 December 2008 to 0.9 day as at 30 June 2009 because of the positive results of tighter credit control implemented. Trade receivables as at 30 June 2009 decreased by approximately 20.9% when compared with that as at 31 December 2008, while the Group's turnover conversely increased by approximately 22.9% when compared with that for the corresponding period in 2008, resulting in a shorter debt collection period.

Creditors' turnover period

During the Track Record Period, the creditors' turnover periods were approximately 22.9 days, 28.8 days, 20.0 days and 22.4 days respectively. The increase in creditors' turnover period from approximately 22.9 days in 2006 to 28.8 days in 2007 was due to increased bulk purchases which granted a longer credit period, which subsequently decreased to 20.0 days and 22.4 days in 2008 and 2009 respectively mainly due to the reduced bulk purchases of raw materials by the Group.

During the Track Record Period, the Group's purchases were mainly settled by open credit with credit terms of approximately 30 days. The creditors' turnover periods during the Track Record Period were all within the credit period offered by the Group's suppliers.

Inventory turnover period

The long inventory turnover period ranging from approximately 237.1 days to 313.8 days during the three years ended 31 December 2008 and the six months ended 30 June 2009 was primarily attributable to the stocking up of woods, especially stocking up of rare woods which price had increased a lot during the period.

The inventory turnover period increased from approximately 237.1 days in 2006 to approximately 290.8 days in 2007 as a result of the increase in the purchases and stocking of raw materials and finished goods to cater for the opening of the Group's self-operated lifestyle handicraft stores and the introduction of new products, home accessories, as well as to cope with the increasing demand of its existing products.

The inventory turnover period increased from approximately 290.8 days in 2007 to 313.8 days in 2008 as a result of the increase in the stocking of raw materials to cater for the coming year's production.

As at 30 June 2009, the major inventory of the Group was raw materials and finished goods, which accounted for approximately 67.1% and 26.7% of its total inventory. However, the raw materials (mainly wood) stored by the Group do not have any obsolete problem. Accordingly, the write-down on inventories as at 30 June 2009 of approximately RMB2.8 million was mainly related to the write-down on the Group's certain finished products. Nevertheless, the Directors have confidence to sell those outstanding finished products to the market through the franchisees or wholesalers/distributors. This was evidenced by the subsequent four month's sales of finished goods as at 31 October 2009 of approximately RMB6.8 million, which already represented approximately 71.2% of the Group's finished goods inventory as at 30 June 2009. Therefore, the Directors consider that the provision is sufficient.

TAXATION

Preferential tax policies to social welfare enterprise

Policies from April 1994 to September 2006

Under the item 9 of the article 1 of the notice for several preferential policy on corporate tax launched by the State Administration of Taxation, Ministry of Finance of the PRC, Cai Shui Zi [94] No.001 (財政部國家稅務總局關於企業所得稅若干優惠政策的通知 (財稅字[94]001號)) effective from 1 April 1994, to enjoy the preferential tax policy, social welfare enterprise must fulfill the following conditions:

(1) meet the requirements of the enterprise establishment by the PRC government;

(2) the number of the four kinds of disabled staff (including those who suffer from visual, audio, verbal, intellectual and physical disability) reaches the required proportion, that is the welfare enterprise with the number of four kinds of disabled staff accounts for 35% or above of the total production staff can be refund of entire corporate income tax;

(3) the production and operation projects comply with national industry policy and are suitable for the disabled person to engage in;

(4) each disabled staff has an assigned position or job;

(5) has necessary and safety production environments and protection methods which are suitable for the disabled person's physical condition; and

(6) has strict and completed management system and established "four schedules and one list", including form of welfare enterprise's basic information, schedule of disabled staff's position, schedule of staff's salary, schedule of the use of tax refund (schedule shows the profit, tax paid, tax refund amount and the percentage of tax refund transferred to enterprise development), and name list of disabled staff.

Policies from October 2006 to June 2007

According to the notice of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by the State Administration of Taxation, Ministry of finance of the PRC, Cai Shui (2006) No.111 (財政部稅務總局關於調整完善現行福利企業稅收優惠政策試點工作的通知 (財稅(2006)111號)) effective on 1 July 2006, the notice of the implementation of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by China Disabled Persons' Federation, the State Administration Taxation, Ministry of Finance of the PRC, Ministry of Civil Affairs of the PRC, Guo Shui Fa (2006) No.112 (國家稅務總局財政部民政部中國殘疾人聯合會關於調整完善現行福利企業稅收優惠政策試點實施辦法的通知 (國稅發 (2006) 112號)) effective on 1 July 2006, the notice of a pilot project on further adjusting practicable preferential tax policy to welfare enterprise launched by the State Administration Taxation, Ministry of Finance of the PRC, Cai Shui (2006) No.135 (財政部國家稅務總局關於進一步做好調整現行福利企業稅收優惠政策

試點工作的通知 (財稅(2006)135號)) effective on 25 September 2006 and the implementation of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by Chongqing Municipal Office, the State Administration of Taxation (重慶市國家稅務局關於印發《調整完善現行福利企業稅收優惠政策試點具體實施辦法》的通知) issued on 17 October 2006, to enjoy the preferential tax policy, social welfare enterprise must fulfill the following conditions: (1) the actual number of the disabled persons appointed by the enterprise accounts for over 25% of the total on-the-job staff; (2) according to the PRC law the enterprise enters into work agreement with a term of above one year with each disabled person appointed; (3) according to the PRC law, the enterprise contributes social insurance including basic pension insurance, basic medical insurance, unemployment insurance and industrial injury insurance to each disabled person appointed; and (4) the enterprise pays through financial institutions such as a bank not lower than the minimum salary restricted in the relevant province or city to each disabled person appointed.

Policies from July 2007

According to the notice on the enhancement of preferential tax policy for the employment of disabled persons by the Ministry of Finance of the PRC, State Administration of Taxation (財政部國家稅務、國家稅務總局關於促進殘疾人就業稅收優惠政策的通知) ("Notice of New Preferential Tax Policy") effective on 1 July 2007, social welfare enterprise must fulfill the following conditions to enjoy the preferential tax policy:

(a) the enterprise shall enter into work agreement with the disabled employee with a term of not less than one year (including one year), and the enterprise shall assign actual duties for each disabled employee;

(b) the average number of employees with disabilities employed by the enterprise accounts for 25% (including 25%) or above of the total on-the-job staff, with a minimum requirement of not less than 10 disabled employees.

If the average number of employees with disabilities employed by the enterprise is less than 25% (excluding 25%) but more than 1.5% (including 1.5%) and the actual number of disabled persons employed is more than 5 (including 5 persons), the company would be able to enjoy the preferential corporate income tax as set out in section one of article two of the Notice of New Preferential Tax Policy, but not entitle to the preferential tax treatment in respect of VAT and business tax as set out under article 1 of the Notice of New Preferential Tax Policy;

(c) the enterprise shall have contributed local applicable social insurance including basic pension insurance, basic medical insurance, unemployment insurance and industrial injury insurance for each disabled person appointed according to the PRC law;

(d) the salary paid to each disabled person appointed by the enterprise is not below the minimum salary fixed by the jurisdictions where it operates; and

(e) the enterprise should possess basic infrastructure that suitable for disabled employees.

The Group has conformed to the criteria to enjoy the concession in relation to corporate income tax and VAT as disclosed above. During the Track Record Period, the number of the disabled staff reached 40% or above of the Group's total production staff. The following table sets out the actual number of production staff and the number of disabled staff employed by Carpenter Tan (for the period from 1997 to June 2004) and Ziqiang Muye (for the period from July 2004 to the Latest Practicable Date):

As at the end of	Number of production staff	Number of disabled staff	% of disabled staff to the total number of production staff
Carpenter Tan			
December 1997	67	34	50.7%
December 1998	64	37	57.8%
December 1999	106	54	50.9%
December 2000	100	51	51.0%
December 2001	148	74	50.0%
December 2002	152	79	52.0%
December 2003	229	122	53.3%
June 2004	336	220	65.5%
Ziqiang Muye			
December 2004	331	200	60.4%
December 2005	459	249	54.2%
December 2006	555	302	54.4%
December 2007	605	342	56.5%
December 2008	563	320	56.8%
June 2009	525	302	57.5%
Latest Practicable Date	530	301	56.8%

Corporate income tax

No provision for Hong Kong tax was made as the Group had no taxable profits arising in Hong Kong for the two years ended 31 December 2007 and 2008 and the six months ended 30 June 2009. For the year 2006, CTHK recorded a taxable profit of approximately RMB491,000 and was subject to a profit tax of approximately RMB86,000.

Carpenter Tan had been regarded as a social welfare enterprise in the PRC since its incorporation in June 2004 and therefore it was entitled to refund the entire corporate income tax according to the notice of the State Administration of Taxation, Ministry of Finance of the PRC on several preferential tax policies to corporate income tax (財政部國家稅務總局關於企業所得稅若干優惠政策的通知). On 1 July 2004, Carpenter Tan's qualification of social welfare enterprise ceased and accordingly it has been subject to a corporate income tax rate of 33% commencing from 1 July 2004 to 31 December 2007.

Ziqiang Muye obtained a social welfare enterprise permit on 29 April 2004 and therefore it was entitled to refund entire corporate income tax paid since its incorporation on 26 February 2004 up to 30 September 2006. Under the notice of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by the State Administration of Taxation, Ministry of Finance of the PRC (財政部稅務總局關於調整完善現行福利企業稅收優惠政策試點工作的通知), the notice of the implementation of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by China Disabled Persons' Federation, the State Administration Taxation, Ministry of Finance of the PRC, Ministry of Civil Affairs of the PRC (國家稅務總局財政部民政部中國殘疾人聯合會關於調整完善現行福利企業稅收優惠政策試點實施辦法的通知), the notice of a pilot project on further adjusting practicable preferential tax policy to welfare enterprise launched by the State Administration Taxation, Ministry of Finance of the PRC (財務部國家稅務總局關於進一步做好調整現行福利企業稅收優惠政策試點工作的通知) and the implementation of a pilot project on adjusting practicable preferential tax policy to welfare enterprise launched by Chongqing Municipal Office, the State Administration of Taxation (重慶市國家稅務局關於調整完善現行福利企業稅收優惠政策試點具體實施辦法) (collectively, the "2006 Policy"), the mode of preferential tax policy has been adjusted with effect from 1 October 2006. The adjusted mode of allowance in relation to corporate income tax adopts reduction by increased cost (成本加計扣除), where the allowance is equal to two times of the actual salaries paid to employees with disabilities. According to the notice on the enhancement of preferential tax policy for the employment of disabled persons by the Ministry of Finance of the PRC, State Administration of Taxation (財政部、國家稅務總局關於促進殘疾人就業稅收優惠政策的通知) and the notice on the enhancement, administration, and regulation on the preferential tax policy for the employment of disabled persons by the State Administration Taxation, Ministry of Finance of the PRC, Ministry of Civil Affairs of the PRC, China Disabled Persons' Federation (國家稅務總局、民政部、中國殘疾人聯合會關於促進殘疾人就業稅收優惠政策徵管辦法的通知) (collectively, the "2007 Policy"), the mode of preferential tax policy has been further adjusted with effective from 1 July 2007. For a qualified social welfare enterprise, the new mode of allowance in relation to corporate income tax adopts reduction by increased cost (成本加計扣除), the allowance is equal to two times of the actual salaries paid to employees with disabilities. The 2007 Policy, as the formal nationwide preferential tax policy, is generally the same as the 2006 Policy, which is a pilot policy implemented in certain areas (including Chongqing) of PRC. The major differences between the two policies are: (i) there is a new condition for the enterprises applying for the qualification of social welfare enterprises under 2007 Policy, which is that the enterprise shall have the basic facilities for the disabled employees; and (ii) the specific annual cap amount for calculating the monthly refundable VAT under 2007 Policy is different from the 2006 Policy.

Pursuant to the notice of implementation of the State Administration of Taxation on relevant tax policies on western development (國家稅務局關於落實西部大開發有關稅收政策具體實施意見的通知), a company located in western PRC and principally engaged in the national encouraged business activities which generate a turnover accounting for over 70% of total turnover is entitled to enjoy a reduced tax rate at 15% if it has obtained an approval from local tax bureau. On 2 November 2006, Ziqiang Muye obtained a certificate of approval in relation to reduction/exemption of taxation

(減、免稅批准證書) issued by Chongqing Wanzhou Office, the State Administration of Taxation (重慶市萬州區國家稅務局), pursuant to which Ziqiang Muye is entitled to enjoy a reduced tax rate at 15% for the period from 2006 to 2010. The major difference between the corporate income tax policies before and after October 2006 is that Ziqiang Muye has to pay corporate income tax after the deduction under the policy adopted since October 2006 at the rate of 15% comparing with the refund of entire corporate income tax under the old policy adopted prior to October 2006. The Group's profitability will be affected by the increasing corporate income tax expenses under the new mode of corporate income tax policy. For the period from 1 October 2006 to 31 December 2006, based on the tax reduction with reference to the average monthly salaries paid to the disabled employees and the tax rate of 15%, the amount of corporate income tax paid by Ziqiang Muye under the revised tax policy and confirmed by the relevant tax authorities was RMB1.49 million for the three months period ended 31 December 2006.

Little Carpenter is subject to corporate income tax rate of 25%.

In practice, the Group filed the corporate income tax return (which prepared by tax professional engaged by the Group) and paid the corporate income tax to the tax authorities quarterly and the amount of corporate income tax refund was accrued when the tax authorities confirmed the amount of refunds to the Group. In general, corporate income tax was normally refunded within one year after corporate income tax paid. During the Track Record Period, the amount of income tax refunded accrued was approximately RMB4.8 million, nil, nil and nil.

According to article 57 of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) which will be effective on 1 January 2008, those companies that were established before the effective date of the PRC Enterprise Income Tax Law have already been entitled to preferential tax treatments under existing tax rules and administrative regulations could continue to enjoy the preferential tax treatment after the implementation of the PRC Enterprise Income Tax Law until the end of the tax concession period originally granted. As disclosed above, Ziqiang Muye is already entitled to enjoy a reduced corporate income tax rate at 15% from 2006 to 2010 pursuant to a certificate of approval in relation to reduction/ exemption of taxation issued by Chongqing Wanzhou Office, the State Administration of Taxation on 2 November 2006. As such, Ziqiang Muye could continue to enjoy the preferential tax rate of 15% in respect of corporate income tax up to year 2010. Pursuant to article 30 of the PRC Enterprise Income Tax Law, salaries to disabled persons or other persons encouraged by the government employed by an enterprise can enjoy tax allowance when assessing the corporate income tax by reduction. As advised by the PRC legal advisers to the Company, considering that Ziqiang Muye (being a qualified social welfare enterprise) has already enjoyed income tax allowance by reduction which equal to two times of actual salaries paid to employees with disabilities under the prior preferential tax policy adopted since 1 October 2006, Ziqiang Muye could continue to enjoy the aforesaid tax reduction after the implementation of the PRC Enterprise Income Tax Law. Since Carpenter Tan, Little Carpenter, CQMY and Lifestyle Handicraft Company did not enjoy any preferential tax treatment before the effective date of the PRC Enterprise Income Tax Law on 1 January 2008, they are subject to a corporate income tax rate of 25%.

PRC Value Added Tax ("VAT")

Under item 1 of article 2 of the notice of the State Administration of Taxation on levying turnover tax from civil welfare enterprise, Guo Shui Fa [1994] No.155 (國家稅務總局關於民政福利企業徵收流轉稅問題的通知 (國稅發[1994]155號)) effective from 1 January 1994, the social welfare industrial enterprise whose disabled staff account for 50% or above of its total production staff can obtain refund for the entire VAT paid for the VAT taxable products (excluding the items disclosed in article 3 of the aforesaid notice) after the review of the taxation authority, by the method of tax payment followed by tax refund.

Carpenter Tan had been regarded as a social welfare enterprise in the PRC since its incorporation in June 2004 and therefore it was entitled to refund entire VAT according to the notice of the State Administration of Taxation on levying turnover tax from civil welfare enterprise (國家稅務總局關於民政福利企業徵收流轉稅問題的通知). On 1 July 2004, Carpenter Tan's qualification of social welfare enterprise ceased and accordingly it is subject to a VAT rate of 17% commencing from 1 July 2004.

Ziqiang Muye, being a social welfare enterprise, was entitled to the tax concessions for refund of the VAT paid since its incorporation on 26 February 2004 up to 30 September 2006. Prior to 1 October 2006, Ziqiang Muye was entitled to refund entire VAT in relation to its self-manufactured products and was subject to a VAT rate of 17% in relation to non self-manufactured products.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the actual number of employees with disabilities employed by the Group's social welfare enterprise was 302, 342, 320 and 302 respectively. For the three years ended 31 December 2008 and the six months ended 30 June 2009, the actual salaries paid to employees with disabilities employed by the Group's social welfare enterprise were approximately RMB2.8 million, RMB3.6 million, RMB4.2 million and RMB2.2 million respectively. With reference to the actual number of disabled employees employed by the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and the actual salaries paid to disabled employees during the respective period, the average annual salaries paid to employee with disabilities was approximately RMB9,272, RMB10,526, RMB13,125 and RMB7,285 per head respectively during the Track Record Period.

Under the 2006 Policy, the mode of preferential tax policy has been adjusted with effect from 1 October 2006. The adjusted mode in relation to VAT adopts a monthly refund policy, which is equivalent to the actual number of employees with disabilities multiplied by a specific annual cap amount (as determined by the tax authorities of the pilot provinces or cities, based on two times of the local average wages of all the on-the-job staff of last year as released by the statistics authorities of the same level with a maximum limit of RMB35,000 per year per disabled person). According to the 2007 Policy, the mode of preferential tax policy has been further adjusted with effective from 1 July 2007. For a qualified social welfare enterprise, the new mode in relation to VAT adopts monthly refund, which is equivalent to the actual number of employees with disabilities multiplied by a specific annual cap amount (as provided by the tax authorities of county level or above, based on six times of the local provincial government's authorised minimum wages with a maximum limit of RMB35,000 per year per disabled person). The major difference between the new and old VAT refund policy is the Group may not be able to enjoy full refund given that the refund amount is calculated by a formula. Should the refundable VAT be less than the VAT paid by the Group, the Group will face higher expenses on VAT which in turn will affect its profitability. For the period from 1 October 2006 to 31 December 2006, based on the number of disabled employees and the annual cap amount of refundable VAT by each disabled person in 2006 as disclosed by Chongqing Municipal Office, the State Administration of Taxation (重慶市國家稅務局), Ziqiang Muye was entitled to the refund of the entire VAT paid under new VAT policy for the period from 1 October 2006 to 31 December 2006. According to the notices of tax refund to Ziqiang Muye (關於重慶市萬州區自強木業有限公司退(抵)稅的通知) issued by Chongqing City, Wanzhou District of State Administration of Taxation (重慶市萬州區國家稅務局) on 11 December 2006, 29 December 2006, 12 February 2007, 22 October 2007, 10 December 2007, 25 December 2007 and 17 March 2008, 29 October 2008, 5 December 2008, 24 December 2008 and 12 February 2009, Chongqing City, Wanzhou District of State Administration of Taxation confirmed that Ziqiang Muye can enjoy the preferential treatment of tax refund of the entire amount of VAT paid by Ziqiang Muye for October, November, December 2006, and the whole year of 2007 and 2008 respectively under the new tax policy.

Little Carpenter is subject to a VAT rate of 3% as it is regarded as a small-scale taxpayer.

Ziqiang Muye is subject to a VAT rate of 17%.

According to the confirmations issued by the State Administration of Taxation of Wanzhou District, Chongqing City (重慶市萬州區國家稅務局) and the Wanzhou District, Chongqing Municipal Office of Taxation (重慶市萬州區地方稅務局) on 3 March 2009 and 2 March 2009 respectively and as confirmed by the PRC legal advisers to the Company, Carpenter Tan and its subsidiaries, including CQMY, Little Carpenter and Ziqiang Muye have made all the required tax filings and has paid all outstanding tax liabilities with the relevant tax authorities in accordance with relevant rules and regulation. As at the date of the issuance of the aforesaid confirmations, Carpenter Tan and its subsidiaries, including CQMY, Little Carpenter and Ziqiang Muye, have not been subjected to any dispute or potential dispute with the tax affairs.

During the Track Record Period, in practice, the Group paid the VAT monthly and the amount of VAT refund was accrued when the tax authorities confirmed the amount of VAT refund for the month. The VAT was normally refunded by the relevant authorities within one month after VAT paid. During the three years ended 31 December 2008 and the six months ended 30 June 2009, the amount of VAT refund accrued and recognised as other revenue was approximately RMB7.7 million, RMB10.8 million, RMB7.7 million and RMB4.9 million respectively, and the amount of VAT refund received was approximately RMB3.9 million, RMB14.1 million, RMB7.7 million and RMB0.1 million during the respective period.

PROPERTY INTERESTS AND PROPERTY VALUATION

Property valuation

Debenham Tie Leung Limited, an independent property valuer, has valued the Group's property interests as at 30 September 2009 and is of the opinion that the value of its property interests in aggregate was approximately RMB104 million as at 30 September 2009. There is a net revaluation surplus, representing the excess market value of the properties over their book value as of 30 June 2009. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set forth in Appendix III to this prospectus.

Reconciliation of appraised property values with net book values

Disclosure of the reconciliation between the valuation of the interests in properties attributable to the Group and such property interests in the Group's combined balance sheets as of 30 June 2009 contained in the Accountants' Report as required under Rule 5.07 of Listing Rules is set forth below:

	RMB'000
Buildings included in property, plant and equipment	15,898
Prepaid lease payment *(Note)*	20,422
Investment properties	34,240
Net book value as of 30 June 2009	70,560
Movement from 1 January 2009 to 30 September 2009	
Add: Addition during the period	—
Less: Depreciation during the period	(218)
Net book value as at 30 September 2009	70,342
Valuation surplus	33,198
Valuation as at 30 September 2009	103,540

Note: Included in prepaid lease payment of approximately RMB21,146,000 as of June 2009 is an amount of land deposit of RMB724,000, which is excluded from the valuation in Appendix III to this prospectus and is therefore also excluded from this reconciliation.

Absence of building ownership certificates for properties in the Wan Zhou Factory and Bazu, Bianjia Village, Wanzhou District, Chongqing, the PRC

The Group holds the building ownership certificates for all of its owned properties except the property with gross floor area of 340 sq.m. ("Property A") situated in Bazu, Bianjia Village, Wanzhou District, Chongqing, the PRC (property numbered 2 in Appendix III in this prospectus). Such plot of land is pending for development by the Group and the buildings in Property A will be removed when development or construction commence. The Directors expect that the construction development of the land will be commenced in end of 2010.

The aggregate gross floor area for Property A is approximately 340 sq.m., representing approximately 0.9% of the total area of properties held/occupied by the Group. In view of the current usage of Property A, the Directors and the Sponsor consider that Property A is not crucial to the Group's operation, and the absence of relevant permits or building ownership certificate for Property A will not have material adverse effect on the Group's business. Given Property A will be removed when the development or construction of the land commence, the PRC legal advisers to the Company consider that the Group is not in breach of the relevant laws and regulations in the PRC in relation to its use of Property A before obtaining the relevant building ownership certificate.

By a deed of indemnity entered into by the indemnifiers on 14 December 2009, namely, Mr. Tan, Mrs. Tan, Lead Charm, Fame Good, Ms. Tan Yao and Mr. Tan Cao, whereby the indemnifiers agreed to indemnify the Group, among other things, against any expenses or liabilities which may be incurred or suffered by the Group as a result of the failure to obtain relevant permit/the building ownership certificate in respect of the property numbered 2 in Appendix III to the Prospectus. Property A in property numbered 2 in Appendix III is consequently indemnified against any events caused by the failure to renew the Planning Permit for Construction Works or failure to obtain relevant permit/building ownership certificate.

Possible repayment of the difference between the lowest standard price and the purchase price of property numbered 3 in Appendix III and the relevant social welfare overall planning fee to the relevant department of the PRC Government

According to the Notice of the State Council regarding the issue of strengthening the control of land (《國務院關於加強土地調控有關問題的通知》(國發(2006)31號)) issued by the State Council of the PRC dated 31st August 2006, the sale price of industrial land must not be lower than the officially published lowest standard price. According to the regulations of the approval of the local government of the Wanzhou District (《邊家村五社出讓土地批覆》), the lowest standard price per square metre for a parcel of land situated in Wanzhou District Industrial Park, Shuanghekou, Wanzhou District, Chongqing, the PRC (property numbered 3 of Appendix III of this Prospectus) is RMB 144 (which means RMB 96,000 per mu). Therefore, the management committee of the Wanzhou District Industrial Park (萬州工業園區管委會) which bore the difference of RMB 31,000 per mu between the lowest standard price of RMB 96,000 per mu and the Group's purchase price of RMB 65,000 per mu and the social welfare overall planning fee (社會保障統籌費) of around RMB 800,000 to assist the Group to purchase the said land at a price lower than the lowest standard price commits an illegal behaviour of selling the stated-owned land below the lowest standard price.

As advised by the PRC legal advisers to the Company, the Group has no legal liability with respect to this transaction and the property concerned would never be subject to forfeiture to the relevant government authority for the reason of selling such stated-owned land below the lowest standard price by the management committee of the Wanzhou District Industrial Park, but the Group cannot guarantee that the Group will not be requested by any relevant department of the PRC Government to pay back the difference and the social welfare overall planning fee. The maximum amount of shortfall in the purchase price which the Group may be required to pay would not be more than RMB4,500,000.

By a deed of indemnity to be entered by Mr. Tan, Mrs. Tan, Lead Charm, Fame Good, Ms. Tan Yao and Mr. Tan Cao as indemnifiers, whereby the indemnifiers agree to indemnify the Group, among other things, against any expenses which may be incurred or suffered by the Group if any relevant department of the PRC Government requested the Group to pay back the difference and the social welfare overall planning fee. Property numbered 3 of Appendix III of this prospectus has been given an indemnity against any expenses which may be incurred or suffered by the Group if any relevant department of the PRC Government requested the Group to pay back the difference and the social welfare overall planning fee.

Non-registered leases

As disclosed in Appendix III to this prospectus, leases for properties numbered 9 to 16 have not been duly registered with the relevant government authorities. The aggregate gross floor area for the non-registered properties accounted for approximately 8,041.28 sq.m., representing approximately 20.6% of the total area of properties held/occupied by the Group. Considering that the key production facilities of the Group are situated in areas that have proper land use title, the Directors are of the view that these properties are not crucial to the Group's operation and the activities conducted in these unregistered properties were mainly for supporting purpose such as offices of certain subsidiaries, logistic centres and the lifestyle handicraft store. As advised by the PRC legal advisers to the Company, based on the Implementation of City's Property Leasing Management (城市房屋租賃管理辦法) and the verbal consultation from the real estate officers of the Ministry of Construction of the PRC, that if the lessors does not register the leases properly or apply for leased property certificate (房屋租賃證), the lessors shall re-comply with the regulation and register the leases within the required timeframe and the lessors are subjected to penalty of fine. According to the Implementation of City's Property Leasing Management (城市房屋租賃管理辦法) which has become effective on 1 June 1995, non-registration of the lease arrangements would not affect the legality of the relevant lease agreements. As such, the PRC legal advisers to the Company are of the opinion that the lease arrangements, which have not been duly registered, would remain enforceable against third parties. In addition, the non-registration of the lease arrangements for abovementioned properties rented by the Group would not affect the legality of the relevant lease agreements, and would not incur any unfavourable legal impact against the Group.

Based on the Directors' understanding, the individual or non-professional lessors are usually unwilling to assist the lessees to implement leasing registration procedures in the PRC in order to avoid complication of the said procedures. To the best of the Directors' knowledge and belief, in accordance with the PRC laws and regulations, the fine/penalty for the failure of the leasing registration will only be imposed on the lessors, but not on the Group as a lessee. In particular, based on the legal opinion provided by the Company's legal advisers on the PRC laws and regulations, each of the lessors of the non-registered properties (except property 9) has properly obtained the relevant building ownership certificates, whereby the lessors have the legal rights and capacities to lease the properties to lessees (i.e. the Group). The non-registration of the lease agreements would not affect the legality of the relevant lease agreements, and would not incur any unfavourable legal impact against the Group. The Group are urging its lessors to cooperate with the Group to complete the required leasing registrations, since lessee alone cannot effect such registrations under the applicable PRC regulations. However, if the required leasing registrations are not effected, the relevant government authorities have the right to request both the Group's lessors and the Group to complete such registrations. As far as the Directors understand, the relevant government authority in the PRC has not compulsorily enforced such registration so far. In an unlikely event that the Group's non-registered leases are compelled to be registered by the relevant government authority in the PRC, the Directors believe that it would take one month to complete the proper registration for all of the Group's non-registered leases provided that the relevant lessors fully co-operate to do so. If there is any dispute as to the ownership rights or the validity of the leases of these properties, the Group may have to move out from these properties.

The Directors are of the view that the non-registered properties are not crucial to the current operations of the Group. The non-registered properties merely accommodate spaces for office, logistic centres and lifestyle stores, and therefore are not crucial to business operations of the Group. The Directors consider that they do not foresee and would not encounter any difficulties for relocation of the Group's lifestyle stores to new areas in the vicinity of the existing ones, where necessary; while the estimated rental costs attributable thereto shall be in line with the market rate. In an unlikely event that the Group is compelled to move from the existing areas occupied by its lifestyle stores, the Directors would seek alternative suitable locations mainly through property advertisements, property agents and/or introduction by its staff and/or their friends. Relocation is not considered complicated as the Group does not have any production equipment thereat. The Directors estimate that the timing for re-location of each of such office, logistic centres and lifestyle stores would not be more than one week, since the Group will be able to move its existing personnel, equipment, furniture and fixtures to another property with minimal disruption of business. As such, the Directors do not foresee there will be material disruption to the Group's business operation, and therefore they are of the view that the potential costs for relocating any of its office, logistic centres and lifestyle stores would not be significant to the financial position of the Group.

DIVIDEND POLICY AND WORKING CAPITAL

Dividend policy

The Directors are of the view that the amount of any dividends to be declared in the future will depend on, among other things, the Group's results of operations, cash flows and financial condition, operating and capital requirements, the applicable laws and regulations and all other relevant factors. The Directors currently intends to pay annual cash dividends of not less than 50% of the consolidated profit attributable to equity holders of the Company for the applicable year after the Share Offer in the foreseeable future. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

The Company declared dividends to its then shareholders of RMB30.0 million, nil and RMB15.0 million in 2007, 2008 and 2009 respectively. In addition, during the Track Record Period, a subsidiary namely, CTBVI declared dividends in 2006 of RMB16.0 million to its then shareholders prior to the Reorganisation, which were financed by internal resources of the Group. The dividend distribution record during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

Working capital

The Directors are of the opinion that, taking into account the present available banking facilities and internal resources of the Group and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this prospectus.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009 was nil, nil, RMB98,000 and RMB98,000 respectively.

NON-DISTRIBUTABLE RESERVES

As at 30 June 2009, the balance of the statutory and discretionary reserves applicable to the Group was RMB61.4 million, which was contributed by the Group's PRC subsidiaries and comprise the following reserves:

Statutory surplus reserve

According to the articles of association of the respective PRC subsidiaries of the Group, the Group's PRC subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserve fund until the fund balance reaches 50% of the registered capital. The transfer to this fund must be made before distributing dividends to shareholders. The fund can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Enterprise development and staff welfare funds

Under article 6 of the Notice of Further Requirements to development of Social Welfare Enterprises issued by Chongqing City Civil Affairs Bureau, Chongqing City Work and Social Security Bureau, State Tax Bureau of Chongqing City, Municipal Tax Bureau of Chongqing City (重慶市民政局、重慶市勞動和社會保障局、重慶市國家税務局、 重慶市地方税務局關於進一步規範社會福利企業發展的通知) which has become effective on 6 September 2004, Ziqiang Muye, which is registered as a social welfare enterprise in the PRC, is required to transfer 50% and 20% on its tax concessions of refund of income tax and VAT to the enterprise development fund (for production/operation or expanding production capacity) and staff welfare fund (for payments of various employee insurance) respectively. The transfer to these funds must be made before distributing dividends to shareholders. The funds can only be used for the enterprise development and the staff welfare and are not available for distribution to shareholders. In general, the transfers of tax refund to relevant funds were made in the same year when the tax refund is accrued and recorded by the Group.

Since the original regulations relating to the use of the concessionary tax of social welfares enterprises as stipulated in Document no. Chongfufa [1996]57 (重府發[1996]57號文件) was abolished on 2 June 2000 pursuant to the Decision in Relation to Suspension or Termination on the Municipal Policies and Regulations enacting by the Government of the Chongqing City 《重慶市人民政府關於停止適用或廢止一批地方性政策和規章的決定》 and the Notice of Further Requirements to development of Social Welfare Enterprises issued by Chongqing City Civil Affairs Bureau, Chongqing City Work and Social Security Bureau, State Tax Bureau of Chongqing City, Municipal Tax Bureau of Chongqing City (重慶市民政局、重慶市勞動和社會保障局、重慶市國家税務局、 重慶市地方税務局關於進一步規範社會福利企業發展的通知) was only become effective on 6 September 2004, Chongqing Civil Affairs Bureau (重慶市民政局) thus agreed that Carpenter Tan was not required to transfer 50% and 20% of the concessionary tax refund to the enterprise development fund and to the staff welfare fund respectively for the period from 2 June 2000 to 6 September 2004. As such, no transfer of concessionary tax refunds to respective funds was made by Carpenter Tan when it was a social welfare enterprise.

For each of the three years ended 31 December 2008 and the six months ended 30 June 2009, the Group transferred an aggregate of approximately RMB7.9 million, RMB6.4 million, RMB5.5 million and RMB3.4 million of its net profit to the enterprise development and staff welfare funds respectively.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company which has been prepared for the purpose of illustrating the effect of the Share Offer and the Capitalisation Issue as if it had been taken place on 30 June 2009 and based on the audited combined net assets of the Group as at 30 June 2009 as shown in the accountants' report, the text of which is set out in appendix I to this prospectus and is adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009	Add: Estimated proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on an Offer Price of HK$2.15 per Share	117,057	100,862	217,919	0.872	0.991
Based on an Offer Price of HK$2.93 per Share	117,057	142,689	259,746	1.039	1.181

This statement has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group following the Share Offer.

Notes:

1. The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009 is extracted from the accountants' report as set out in appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$2.15 and HK$2.93 per Share, being the lowest point and the highest point in the estimated offer price range of HK$2.15 per Share to HK$2.93 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further information about the Company" in Appendix V to this prospectus.

3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at based on the 250,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or, any shares which may be issued upon exercise of the options which may be granted under the Share Option

Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Further information about the Company" in Appendix V of this prospectus.

4. By comparing the valuation of the Group's property interests of RMB103,540,000 as set out in Appendix III to this prospectus and the unaudited net book value of these properties including buildings held for own use, investment properties and prepaid lease payments (excluding land deposits), of RMB70,342,000 as of 30 September 2009 as set out on page 204 in this prospectus, the net valuation surplus is approximately RMB33,198,000, which has not been included in the above net tangible assets attributable to equity holders of the Company as of June 30, 2009. The revaluation of the Group's property interests other than investment properties will not be incorporated in the Group's financial statements. If the revaluation surplus is to be included in the Group's financial statements, an additional depreciation and amortisation charge for the year of approximately RMB664,000 related to buildings held for own use and prepaid lease payments would be recorded.

5. The unaudited pro forma adjusted net tangible asset per share is translated into HK$ at exchange rate of RMB0.88 to HK$1 as of the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that since 30 June 2009 (being the date to which the latest audited combined financial statements of the Group were made up), there has been no material adverse change in the financial or trading position or prospects of the Group.

FUTURE PLANS AND PROSPECTS

The Directors aim to build the Group's brand "Carpenter Tan" as a century brand, that is long lasting with good reputation and well known, and the Group as a long-lasting enterprise in wooden accessories industry and in home accessories industry. To attain the Group's vision, it will leverage on its expertise and competitive strengths to develop the following plans with a view to achieving sustainable growth in operations and revenues:

1. **Continue to expand the sales network and launch of modern shops**

Leverage on the established reputation of the Group's brandname "Carpenter Tan", the Directors intend to consolidate its position in the PRC and expand its market presence to overseas markets by expanding its franchise network under the name of "Carpenter Tan" in overseas markets. As at the Latest Practicable Date, the Group had 853 franchise shops in the PRC, two franchise shops each in Singapore and Malaysia and one franchise shop in the United States and the Group had established four overseas self-operated retail shops under the name of "Carpenter Tan" in Hong Kong.

Having leveraged on the growth of the Group's sales and the reputation of its brandname "Carpenter Tan" in the PRC, the Directors intend to launch modern shops which, unlike the existing franchise shops, have an outlook characterised by contemporary decoration mixed with traditional Chinese cultural elements and the size of the modern shops will be larger than existing franchise shops. The modern shops are dedicated to selling a series of high-end combs, mirrors, box sets and small accessories which are of modern and stylish designs and mainly made of natural wood. These newly designed products will be sold under the brandname of "Carpenter Tan" and are expected to sell at a price higher than the products sold in existing franchise shops considering the premium design of the products to be sold at modern shops and such modern shops target at customers of higher income groups who have a higher purchasing power.

The Directors currently intend that these modern shops will be operated by its franchisees. Up to the Latest Practicable Date, the Group has not opened any modern shops. The Directors intend to open these shops in metropolitan cities in the PRC, such as Chongqing, Beijing and Shanghai. The existing franchisees who are interested to operate modern shops are required to open new shops rather than redecorating/renovating their existing shops. The Directors expect that a total of approximately 60 modern shops will be opened and operated by its franchisees in the PRC by the end of 2010. On the overseas market front, the Directors expect that a total of approximately 25 new international shops will be opened and operated by the Group by the end of 2010.

The Group has put years of effort in establishing and maintaining its brand "Carpenter Tan" in the PRC. The Directors consider reputation of the brand to be critical to the success of the Group, and it is important to strengthen its brand image by increasing marketing efforts with the purpose to maintain its market position in the PRC. To this end, the Group is planning to further strengthen the brand image of "Carpenter Tan" and promote its modern shops to enhance public awareness towards the Group in the PRC.

2. **Establishment of high-end home accessories shops and building of new brandname "Tan's" in the PRC**

With the improvement of living standard and economic environment in the PRC, the Directors believe that more people would like to pursue a higher quality of life which leads to an increasing demand of quality lifestyle products such as high-end and stylish home accessories such as fruit plates, flower vases, photo frames and candle stands with attractive and appealing designs.

In order to expand and penetrate into the high-end home accessories market in the PRC, the Group commenced to establish high-end home accessories shops under the name of "Tan's". These shops will have gross floor area ranging from approximately 50 sq.m. to 100 sq.m. and are dedicated to selling and marketing the high-end home accessories and decorative articles under the brandname of "Tan's". As at the Latest Practicable Date, the Group has opened four Tan's shop in Chongqing, the PRC. In addition, the Group has engaged a number of European designers to design a series of high-end home accessories. The high-end home accessories would be primarily made up of wood mixed with selected secondary materials such as crystal, stainless steel, porcelain and leather. The designs and style of the new products will be contemporary and modern.

The Group has engaged an European design house to design the outlook and interior decoration of such new high-end home accessories shops and these shops would be characterised by a contemporary theme. The Directors plan that these high-end home accessories shops would be opened in high-end shopping malls in metropolitan cities such as Shanghai and Beijing. These high-end home accessories target at customers of high-income who pursue high living standard and demand products of quality and style. In order to capture the business opportunities derived from the coming 2010 Shanghai World Expo, the Directors are planning to establish about 30 "Tan's" shops by the end of 2011 in metropolitan cities in the PRC such as Shanghai and Beijing. Considering the relatively high capital investment required in the operation of high-end home accessories shops which the franchisees may not be able to commit, and with the purpose to know the market feedback towards the Group's wooden home accessories products, the Directors currently intend that "Tan's" shops will be operated by the Group.

The Group has engaged professional designers to design the logo and trademark of "Tan's" and the Group is registering the trademark of "Tan's" in various regions including Hong Kong and the United States. With the expansion of overseas sales network, the Directors intend to build up the brandname of "Tan's" as one of the international renowned wooden home accessories brand.

3. **Establishment of lifestyle handicraft stores**

In order to enhance the Group's sales channel and to further promote its brandname, the Group plans to invest and establish lifestyle handicraft stores in large metropolitan cities in the PRC. As at the Latest Practicable Date, two lifestyle handicraft stores were opened in Chongqing in January and April 2007, each occupies a gross floor area of over 600 sq.m.. The Directors plan to establish the lifestyle handicraft stores in different regions of the PRC as flagship stores and showrooms. Each lifestyle handicraft store will be around 800 sq.m. and will be divided into several showrooms including the Group's history gallery, handicraftsman workshops, cultural and commercial centres, art performance stages, and leisure areas. These mega stores will display and sell most of the Group's products under the brandnames of "Carpenter Tan" and "Tan's", including combs, mirrors, box sets and high-end home accessories as well as traditional Chinese style furniture which the Group purchases from third parties engaged by it for resale. The Directors consider that franchise programme will remain as the Group's principal sales channel, but the Group will operate the flagship stores on its own. The Directors plan to establish approximately 3 additional lifestyle handicraft stores by the end of year 2010. In addition, to further strengthen the management of the flagship stores operated by the Group, the Directors plan to employ additional retail experts to manage these flagship stores operated by the Group.

Comparing with the high-end home accessories shops under the name of "Tan's" as disclosed in sub-paragraph headed "Establishment of high-end home accessories shops and building of new brandname "Tan's" in the PRC" above in this section, "Tan's" shops are primarily for the sale of the Group's high-end home accessories under the brandname of "Tan's" with gross floor area ranging from about 50 sq.m. to 100 sq.m., while lifestyle handicraft stores refer to the mega stores operated by the Group, in which all of the Group's products are sold and displayed and those mega stores will generally occupy a larger area (over 600 sq.m.).

4. **Further enhancement in design and product development capability and enhancement of operation efficiency**

The Directors believe that the Group's design and product development capability is one of its principal strengths. In order to further strengthen the Group's innovation capability, it plans to increase its investment in design and product development and also co-operates with domestic and overseas well-known design houses and development companies for improving and innovating its products and packaging. In addition, the Group also plans to acquire new production equipment and apply new manufacturing techniques to the production of wooden handicrafts and high-end home accessories, which are different from the existing ones that have been used for existing products in particular combs and mirrors. The Directors expect that such new equipment and techniques would improve the Group's product quality and outlook.

In order to facilitate the operation and improve the management efficiency of the large number of franchise shops, the Group developed its own point-of-sales (POS) system which allows it to access the sales and inventories of the franchisees in an orderly and organised manner. For better planning of the Group's resources, the Group planned to integrate the point-of-sales system with its enterprise resources planning (ERP) system to be installed. After the successful installation of the enterprise resources planning system, it is expected that the Group can plan its production, sales, delivery, logistic, and raw material purchase in a more effective manner through an organised database in relation to franchisees' sales and inventories as well as its inventory, sales, purchase and production records.

5. **Construction of production base for home accessories**

To expand and penetrate into the high-end accessories market, the Group established CQMY with the business scope of manufacturing, processing and sale of household products or accessories which are mainly made up of wood. At the stage of trial production, CQMY currently carried out its production in property located in the Wan Zhou Factory with limited production capacity. In addition, in conjunction with the Group's plans of expansion and to cope with the construction of new production base, it will purchase and install new and advanced equipment and machinery in order to expand and upgrade the production facilities for home accessories.

6. **Enhancement of sales network and sales support services**

The Directors plan to expand the Group's sales and marketing network in the PRC to better capture market opportunities. The Group currently plans to set up a sales team with additional five to eight sales staff to pursue corporate customers for placing bulk orders, as well as an online procurement and sales platform for the sale of its products.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds from the issue of the New Shares will strengthen the Group's capital base and will provide fundings to better execute the Group's business strategy and to implement its future plans as set out in this section. In terms of shop opening plan, the Directors expect that a total of approximately 60 modern shops will be opened and operated by the Group's franchisees in the PRC by the end of 2010; while the Group plans to open and self-operate 25 modern shops in the overseas market and 3 lifestyle stores in the PRC by the end of 2010 and 30 "Tan's" shops in the PRC by the end of 2011.

Assuming the Offer Price to be HK$2.54 (being the mid-point of the indicative Offer Price range stated in this prospectus), the net proceeds of the Share Offer, after deducting the related expenses payable by the Group, are estimated to be approximately HK$138.0 million (without taking into account the proceeds that may be derived from the exercise of, whether in full or in part, the Over-allotment Option). The Directors presently intend to apply such net proceeds of the Share Offer as follows:

1. as to approximately HK$15.0 million will be used for setting up new international shops in the overseas market. The Directors expect the average initial set up cost of each international shop in the overseas market to be around HK$600,000, and subject to the prevailing market conditions, the Group targets to set up approximately 25 new international shops in the overseas market by the end of 2010;

2. as to approximately HK$24.0 million will be used for setting up high-end home accessories shops in the PRC under the brandname of "Tan's" in order to develop the high-end accessories market in the PRC. The Directors expect the initial set up cost of each Tan's shop to be around HK$800,000 and, subject to the prevailing market conditions, the Group targets to set up approximately 30 new high-end home accessories shops under the name of "Tan's" by the end of 2011;

3. as to approximately HK$6.0 million will be used for setting up lifestyle handicraft stores. The Directors expect the initial set up cost of each lifestyle handicraft store to be around HK$2.0 million, and subject to the prevailing market conditions, the Group targets to set up 3 new lifestyle handicraft stores by the end of 2010;

4. as to approximately HK$30.0 million will be used for further enhancement of the Group's design and product development and enhancement of operation efficiency;

5. as to approximately HK$35.0 million for construction of production base, purchase of new and advanced equipment and machinery for manufacturing of high-end home accessories;

6. as to approximately HK$15.0 million for enhancing sales network and sales support services through Internet and group sales to corporate customers; and

7. as to the balance of approximately HK$13.0 million for general working capital of the Group.

Should the Offer Price be fixed at HK$2.15 or HK$2.93, being respectively the lowest and highest point of the indicative Offer Price range as stated in this prospectus, the net proceeds of the Share Offer, after deduction of all expenses paid and payable by the Company, are estimated to be approximately HK$114.6 million and HK$162.1 million respectively (without taking into account the proceeds that may be derived from the exercise of, whether in full or in part, the Over-allotment Option). The Directors currently intend to apply the aforesaid net proceeds in the same manner and in the same proportions as shown above. In the event that the Over-allotment Option is exercised in full or in part, the Directors intend to apply the additional net proceeds raised upon exercise of the Over-allotment Option in the same manner and in the same proportion as shown above.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, the Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions or used to purchase money-market instruments.

UNDERWRITERS

Placing Underwriters

First Shanghai Securities Limited
Cinda International Capital Limited
Oriental Patron Securities Limited

Public Offer Underwriters

First Shanghai Securities Limited
Cinda International Capital Limited
Oriental Patron Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the obligations of the Public Offer Underwriters are subject to, amongst other conditions, (a) the listing of, and permission to deal in, all the Shares being granted by the Listing Committee at or before 8:00 a.m. on the Listing Date (or such later date as the Lead Manager, on behalf of the Public Offer Underwriters, may agree) and dealings in the Shares being allowed by the Stock Exchange to commence on the Stock Exchange (and such listing and permission not subsequently being revoked prior 8:00 a.m. on the Listing Date), (b) the Placing Underwriting Agreement being executed no later than the Price Determination Date (or such later time and/or date as may be agreed by the Company and the Lead Manager (for itself and on behalf of the Placing Underwriters)), (c) the obligations of the Placing Underwriters under the Placing Underwriting Agreement having become unconditional in accordance with its terms (including if relevant as a result of the waiver of any conditions by the Lead Manager for and on behalf of the Placing Underwriters) (save as regards any condition relating to the Public Offer Underwriting Agreement having become unconditional) and not having been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, and (d) the Offer Price having been duly fixed at the Price Determination Date and the Price Determination Agreement having been executed by the Sponsor, the Company and the Bookrunner (for itself and on behalf of the Underwriters). In addition, in the event that any of the conditions set forth are not fulfilled by the 30th day from the date of this prospectus, the Underwriting Agreements will also be terminated.

Grounds for termination

The Lead Manager is entitled to terminate the Underwriting Agreements (for itself and on behalf of the Underwriters) by notice in writing to the Company given at any time up to 8:00 a.m. on the Listing Date under the Share Offer if:

(a) there shall develop, occur or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreements and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC or any of the jurisdiction in which the Group operates, which in the reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters) has or could reasonably be expected to have a material adverse effect on the business or financial conditions or prospects of the Group taken as a whole; or

(ii) any material change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong, the PRC, the United States, Europe, the BVI, the Cayman Islands, Asia, national, regional or international financial, political, military, industrial, fiscal, regulatory, economic, currency, exchange control, stock or other financial market conditions, prospects, circumstances or matters; or

(iii) any material change in the conditions of Hong Kong or international securities or other financial markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or

(iv) without prejudice to sub-paragraph (ii) or (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any material change or development involving a prospective change in Hong Kong, the BVI, the PRC or the Cayman Islands or any jurisdictions in which the Group operates, taxation or exchange controls which will or can reasonably be expected to materially and adversely affect the Group as a whole or the present or prospective shareholders of the Company in their capacity as such; or

(vi) the imposition of economic sanctions, withdrawal of trading privileges, embargo, restraint or prohibition of import and export, in whatever form, by the United States or the European Union (or any member thereof) on Hong Kong or the PRC; or

(vii) any investigation or litigation or claim being threatened or instituted against any Director or any member of the Group; or

(viii) any event, act or omission which gives rise or is likely to give rise to any material liability of the Group pursuant to the indemnities contained in the Underwriting Agreements; or

(ix) a material change in the system under which the value of Hong Kong currency is linked to that of the United States currency; or

(x) a material change in the exchange rate between the United States dollars and the Renminbi or between Hong Kong dollars and the Renminbi; or

(xi) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lockout shall have occurred, happened or come into effect;

and any such event, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters), is or will have or is likely to be materially adverse or prejudicial to the business, financial conditions or prospects of any member of the Group has or could reasonably be expected to have a material adverse effect on the success of, or makes it inadvisable or inexpedient to proceed with the Share Offer; or

(b) there comes to the notice of the Lead Manager (for itself and on behalf of the Underwriters) any matter or event showing any of the representations and warranties contained in the Underwriting Agreements to be untrue or inaccurate or misleading in any material respect or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect reasonably considered by the Lead Manager (for itself and on behalf of the Underwriters) to be material or showing any of the undertakings contained in the Underwriting Agreements or other obligations or undertakings expressed to be assumed by or imposed on the Company, the executive Directors, Lead Charm and Fame Good under the Underwriting Agreements not to have been complied with in any respect considered by the Lead Manager (for itself and on behalf of the Underwriters) to be material; or

(c) any statement contained in this prospectus or the application forms relating hereto, other reports, documents and legal opinions connected with the Share Offer or the application for listing of the Shares on the Stock Exchange has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(d) matters have arisen or have been discovered or alleged which would, if this prospectus was to be issued at that time, constitute a material omission therefrom; or

(e) there is any adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters) is material in the context of the Share Offer; or

(f) there comes to the notice of the Lead Manager or the Underwriters any breach on the part of the Company, the Executive Directors or any of the parties to the Underwriting Agreements (except the Lead Manager and the Underwriters) of any provisions of the Underwriting Agreements in any material respect or which is considered by the Lead Manager (on behalf of the Underwriters) to be material in the context of the Share Offer.

Placing Underwriting Agreement

In connection with the Placing, it is expected that the Company, the Bookrunner, the Sponsor, the Placing Underwriters, the executive Directors, Lead Charm and Fame Good will enter into the Placing Underwriting Agreement. Subject to the conditions set out therein, the Placing Underwriters would severally agree to procure applicants to subscribe for or, failing which, to subscribe for by themselves as principal Placing Shares being offered but not taken up under the Placing. It is expected that upon the entering into of the Placing Underwriting Agreement, the Placing will be fully underwritten. It is also expected that the Placing Underwriting Agreement may be terminated upon similar grounds as the Public Offer Underwriting Agreement described above.

Undertakings

Each of the executive Directors jointly and severally undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that:

(i) without the prior written consent of the Sponsor and the Lead Manager (on behalf of the Underwriters), which they may withhold in their reasonable discretion regardless of whether or not the Stock Exchange shall have consented thereto, he will not, and will procure that none of his associates (as defined in the Listing Rules) or companies controlled by him will, within the period of six months commencing from the Listing Date, dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any of the Shares or any interests therein owned by him or in which he is, directly or indirectly, interested immediately after the completion of the Share Offer and the Capitalisation Issue (or any other shares or securities of or interest in the Company arising or deriving therefrom) or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by him or it which is the beneficial owner of any of such Shares provided that the foregoing restriction shall not apply to any Shares which he or any of his associates (as defined in the Listing Rules) may acquire following the Listing Date;

(ii) without the prior written consent of the Sponsor and the Lead Manager (on behalf of the Underwriters), within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, he will not, and will procure that none of his associates (as defined in the Listing Rules) or the companies controlled by him will, dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any Shares or any interests therein referred to in paragraph (i) above or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by him which is the beneficial owner of such Shares if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the

Hong Kong Code on Takeovers and Mergers (the "**Takeover Code**") as being the level for triggering a mandatory general offer) in any of the companies controlled by him which owns any such Shares; and

(iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

The Company undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters that, and each of the executive Directors jointly and severally undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters to procure that, without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) (such consent will not be the unreasonably withheld or delayed), the Company will not, save for the Share Offer, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the exercise of any option granted under the Share Option Scheme or any scrip dividend schemes or similar schemes providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the articles of association of the Company (a) within the period of six months from the Listing Date, allot and issue or agree to allot and issue any shares or securities in the Company or any of its major subsidiaries (as defined in paragraph 17(2) of Appendix 7b to the Listing Rules) or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of the Company or any of its subsidiaries (as defined aforesaid); and (b) within a further six months following the six-month period referred to in (a) above, issue or agree to issue any shares or securities in the Company or any of its subsidiaries (as defined aforesaid) or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for, any Shares or securities in the Company or any of its major subsidiaries (as defined aforesaid) so as to result in Lead Charm and Fame Good, either taken individually or taken together, cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeover Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or it which owns any Shares.

Each of the Company and the executive Directors undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters that save with prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), no company in the Group will within the period of six months from the Listing Date purchase any securities of the Company.

Each of Lead Charm and Fame Good undertakes and covenants with the Sponsor, the Lead Manager and the Underwriters not to and shall procure that none of its associates or the companies controlled by him or it will, within the period of 12 months from the Listing Date, pledge, charge, encumber or create any third-party rights in respect of any of the Shares owned or held by any of them or the relevant company (whether directly or indirectly) save with the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters).

Each of Lead Charm and Fame Good undertakes and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that in the event that consent is granted by the Sponsor and the Lead Manager pursuant to the paragraph above to pledge, charge, encumber or create any third-party rights in respect of any of the Shares owned or held by any of them or the relevant company (whether directly or indirectly), it shall:

(i) immediately inform the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange details of such arrangement in writing prior to entering into such arrangement; and

(ii) immediately inform the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange when it receives indications, either verbal or written, from the relevant pledgee or chargee that it shall enforce right in respect of any of the pledged or charged Shares.

The Company undertakes and covenants with the Sponsor and the Lead Manager and the Underwriters that the Company shall forthwith inform the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraphs (i) and (ii) above and the Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

The Company must inform the Stock Exchange as soon as it has been informed of matters referred to in paragraphs (i) and (ii) above by any of Lead Charm and Fame Good and disclose such matters by way of a press notice which is published in the newspapers as soon as possible.

Commission

The Public Offer Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Public Offer Shares and the Placing Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions. First Shanghai Capital will, in addition, receive documentation fee. Such underwriting commissions, documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK$20.4 million in aggregate (based on an Offer Price of HK$2.54 per Share, being the mid-point of the stated range of the Offer Price of between HK$2.15 and HK$2.93 per Share and the assumption that the Over-allotment Option is not exercised), and will be payable by the Company.

Underwriters' interests in the Company

Save for its obligations the Over-allotment Option granted to the Lead Manager under the Placing Underwriting Agreement and the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

PRICE PAYABLE ON APPLICATION

The Offer Price will be not more than HK$2.93 per Offer Share and is expected to be not less than HK$2.15 per Offer Share. You must pay the maximum Offer Price of HK$2.93 per Share plus brokerage of 1%, a SFC transaction levy of 0.004% and a Stock Exchange trading fee of 0.005%. This means that for every 2,000 Offer Shares you will pay HK$5,919.12. The application forms have tables showing the exact amount payable for multiples of Offer Shares.

If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum Offer Price of HK$2.93 per Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details in this regard are set out in the section headed "How to apply for the Public Offer Shares" of this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price will be fixed by agreement between the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) on or before the Price Determination Date, when market demand for the Share Offer will be determined. The Price Determination Date is expected to be on or around 5:00 p.m. on Friday, 18 December 2009 but in any event, no later than 12:00 noon on Tuesday, 22 December 2009. If the Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before such date, the Share Offer will not proceed and will lapse.

The Offer Price will not be more than HK$2.93 per Share and is currently expected to be not less than HK$2.15 per Share. If, based on the level of interest expressed by prospective investors during the book-building process, the Lead Manager (for itself and on behalf of the Underwriters) and with the consent of the Company and the Sponsor thinks it appropriate (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range as stated in this prospectus), the indicative Offer Price range may be reduced below that as stated in this prospectus at any time not later than the morning of the day which is the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.ctans.com notice of such a change. **Applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.** Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics, as currently set out in the paragraph headed "Summary" of this prospectus and any other financial information which may change materially as a result of any such change. **Applicants under the Public Offer should note that, even if the indicative Offer Price is so reduced, in no circumstances can applications be withdrawn once submitted, except where a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section before the expiration of the fifth day after the time of the opening of**

the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which limits the responsibility of that person for this prospectus, in which case applications made may be revoked before the said fifth day.

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.ctans.com of a reduction of the indicative Offer Price range in the manner set out above, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

An announcement of, among other matters, the Offer Price and the results of application and the basis of allotment of the Public Offer Shares are expected to be published on Monday, 28 December 2009.

CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Offer Shares is conditional upon:

1. **Listing**

   The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued under the Share Offer (including Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option) and the Capitalisation Issue and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme; and

2. **Underwriting Agreements**

   The obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated, on or before 8:00 a.m. on the Listing Date. Details of the Underwriting Agreements and its conditions and grounds for termination are set out in the section headed "Underwriting" in this prospectus.

If any of these conditions is not fulfilled on or before 8:00 a.m. on Tuesday, 29 December 2009 (or such later date as the Lead Manager may agree in writing for itself and on behalf of the other Underwriters with the Company), your application money will be returned to you, without interest. The terms on which your money will be returned to you are set out in the paragraph headed "Refund of your money" on the application forms. In the meantime, your money will be held in one or more separate bank accounts with the receiving bankers or other licensed bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

OFFER MECHANISM

This prospectus is published in connection with the Share Offer, which comprises the Placing and the Public Offer. Initially, 56,250,000 Shares, representing 90% of the Offer Shares available under the Share Offer, are to be offered pursuant to the Placing to professional, institutional and other investors and 6,250,000 New Shares, representing 10% of the Offer Shares available under the Share Offer, are to be offered to the public in Hong Kong under the Public Offer, subject to reallocation as mentioned below. References herein to applications, application forms, application monies or to the procedure for application relate solely to the Public Offer.

The Offer Shares will represent 25% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option.

The Placing is fully underwritten by the Placing Underwriters and the Public Offer is fully underwritten by the Public Offer Underwriters, in each case, on a several basis. Information relating to the underwriting arrangements in respect of the Share Offer is set out in the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" in this prospectus. The Share Offer is sponsored by the Sponsor and managed by the Lead Manager.

Investors may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

Investors who have not received Shares in the Public Offer tranche may receive Shares in the Placing tranche.

PLACING

The Company is initially offering, subject to possible reallocation on the basis discussed below, 56,250,000 New Shares, representing 90% of the total number of Shares being offered under the Share Offer, for subscription by way of the Placing.

Under the Placing, the Underwriters, on behalf of the Company, will conditionally place the Placing Shares with professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its Shareholders as a whole. Investors allocated with the Placing Shares cannot apply for the Public Offer Shares under the Public Offer.

The Placing is conditional on the fulfillment of all the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

PUBLIC OFFER

The Company is initially offering 6,250,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to reallocation as mentioned in this section. The Public Offer is managed by the Lead Manager and is fully underwritten by the Public Offer Underwriters.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of initially 3,125,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes;

— Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

— Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. Where there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

If the Public Offer is not fully subscribed, the Lead Manager will have the discretion to reallocate all or any unsubscribed Public Offer Shares to the Placing in such proportion and manner as it considers appropriate.

OVERSUBSCRIPTION

Allocation of Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro rata basis. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

(a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from Placing so that, the total number of Shares available for subscription under the Public Offer will be increased to 18,750,000 Shares, representing 30% of the Offer Shares;

(b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from Placing so that, the number of Shares available for subscription under the Public Offer will be increased to 25,000,000 Shares, representing 40% of the Offer Shares; and

(c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from Placing so that, the number of Shares available for subscription under the Public Offer will be increased to 31,250,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Public Offer will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced subject to the exercise of the Over-allotment Option.

If either the Public Offer or the Placing is not fully subscribed, the Lead Manager has the authority to reallocate all or any of the unsubscribed Public Offer Shares initially available for subscription in the Public Offer to the Placing (or vice versa, as appropriate) in such proportions and manner as it considers appropriate.

OVER-ALLOTMENT OPTION

Under the Placing Underwriting Agreement, the Company has granted to the Lead Manager the right but not the obligation to exercise the Over-allotment Option, exercisable at any time within 30 days of the date of this prospectus. Under the Over-allotment Option, the Lead Manager will have the right to require the Company to issue up to 9,375,000 additional new Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, on the same terms as those applicable to the Placing and the Public Offer, as the case may be, to cover over-allocations in the Placing, if any. These Shares will be issued at the Offer Price. In connection with the Share Offer, the Lead Manager may, at its option, also cover any over-allocations by, among other means, stock borrowing and/or the purchase of Shares in the secondary market. Any such secondary market purchases will be made at price not higher than the final Offer Price and in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the Placing shall not exceed the number of Shares that may be allotted and issued under the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares to be allotted and issued under the Share Offer will represent approximately 27.7% of the enlarged issued share capital of the Company immediately after completion of the Capitalisation Issue and the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in English in South China Morning Post and in Chinese in Hong Kong Economic Times, and on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.ctans.com.

In order to facilitate settlement of over-allocations in connection with the Placing, the Stock Borrowing Agreement has been entered into between Lead Charm, being a controlling Shareholder, and the Lead Manager whereby Lead Charm has agreed with the Lead Manager that, if requested by the Lead Manager, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Lead Manager up to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option from Lead Charm, by way of share lending, in order to cover over-allocations in connection with the Placing, if any. Rule 10.07(1) of the Listing Rules restricts the disposal of Shares by the controlling shareholders following a new listing. However, pursuant to Rule 10.07(3) of the Listing Rules, such share lending arrangement entered into by Lead Charm, a controlling Shareholder, pursuant to the Stock Borrowing Agreement to facilitate settlement of over-allocations will not be subject to the restrictions of Rule 10.07(1) of the Listing Rules, given that the following requirements as stated in Rule 10.07(3) of the Listing Rules have been complied with:

(a) the share lending arrangement is fully described in the initial listing public offering document and must be for the sole purpose of covering any short position prior to the exercise of the underwriter's over-allotment option in the initial public offering placing;

(b) the maximum number of shares to be borrowed from the controlling shareholder by the underwriter is the maximum number of shares that may be issued upon full exercise of the over-allotment option;

(c) the same number of shares so borrowed is returned to the controlling shareholder or its nominee (as the case may be) within 3 business days after the last day on which the over-allotment option may be exercised or, if earlier, the date on which the over-allotment option is exercised in full;

(d) borrowing of shares pursuant to the share lending arrangement will be effected in compliance with applicable listing rules, laws and other regulatory requirements; and

(e) no payments will be made to the controlling shareholder by the underwriter in relation to the share lending arrangement.

STABILISATION

As explained above, in connection with the Share Offer, the Lead Manager may cover any over-allocations in the Placing up to an aggregate of 9,375,000 new Shares by exercising the Over-allotment Option at any time up to 30 days from the date of this prospectus, or by making purchases in the secondary market or as described above. A press announcement will be made in the event that the Over-allotment Option is exercised in part or in full.

In connection with the Share Offer, the Lead Manager, as stabilising manager, or any person acting for them, may also over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions may be effected in all jurisdictions where they are permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Lead Manager to do this. Such stabilisation action, if begun, may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or purchase the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong, the stabilisation price will not exceed the initial public offer price.

During the stabilisation period, as detailed below, the Lead Manager as stabilising manager, or any person acting for them, may offer or agree to purchase, or purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with any such stabilisation transactions, the Lead Manager as stabilising manager, or any person acting for them, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired in the closure of any stabilisation transactions in order to liquidate any position that has been established by such action. Investors are warned that the Lead Manager may, in connection with the stabilising action, maintain a long position in the Shares. In such an event, there is no certainty regarding the extent to which and the time period for which the Lead Manager would maintain such a position, and investors are warned as to the possible impact in the case of liquidation of such a long position by the Lead Manager. Stabilising action cannot be taken to support the price of any Shares for longer than the stabilising period, which will begin on the commencement of dealings in the Shares on the Stock Exchange, and end on the 30th day after the last day for lodging applications under the Public Offer. The stabilisation period is expected to end on 17 January 2010.

Investors should be aware that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilisation action. Investors should further note that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price which the investor has paid for the Shares.

WHICH APPLICATION FORM TO USE

1. **WHITE application form**

Use a **WHITE** application form if you want the Public Offer Shares to be issued in your own name.

2. **YELLOW application form**

Use a **YELLOW** application form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS investor participant stock account or the stock account of your designated CCASS participant.

WHERE TO COLLECT THE APPLICATION FORMS

1. You can collect a **WHITE** application form and a prospectus from:

Any participant of the Stock Exchange

or

First Shanghai Securities Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

or

Cinda International Capital Limited
45/F COSCO Tower
183 Queen's Road Central
Hong Kong

or

Oriental Patron Securities Limited
Suite 2701-3 & 2705-8
27/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

Branches	Address
Hong Kong Island	
Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong
88 Des Voeux Road Branch	88 Des Voeux Road Central, Hong Kong
Central Branch	Shop No. 16, G/F, New World Tower, 16-18 Queen's Road Central, Hong Kong
Hennessy Road Branch	399 Hennessy Road, Wanchai, Hong Kong
Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay, Hong Kong
North Point Centre Branch	North Point Centre, 284 King's Road, North Point, Hong Kong
Kowloon	
Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok, Kowloon
Kwun Tong Branch	1A Yue Man Square, Kwun Tong, Kowloon
Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui, Kowloon
Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon
Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kowloon
New Territories	
Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin, New Territories
Tsuen Wan Branch	Shop C, G/F, 1/F, Jade Plaza, No. 298 Sha Tsui Road, Tsuen Wan, New Territories
Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Fong, New Territories
Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O, New Territories

2. You can collect a **YELLOW** application form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 15 December 2009 until 12:00 noon on Friday, 18 December 2009 from:

   - the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong;

   or your stockbroker may also have **YELLOW** application forms and prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each application form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the application form.

If your application is made through a duly authorised attorney, the Sponsor and the Lead Manager, in consultation with the Company, or its agent, may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney.

HOW MANY APPLICATIONS MAY YOU MAKE

There are only two situations where you may make more than one application for the Public Offer Shares:

1. If you are a **nominee**, you may lodge more than one application in your own name on behalf of different beneficial owners. In the box on the application form marked "For nominees" you must include:

   - an account number; or

   - some other identification code,

   for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

All of your applications will be rejected as multiple applications if you, or you and joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** application form;

- apply (whether individually or jointly with others) on one **WHITE** application form and one **YELLOW** application form;

- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** application form for more than 100% of the Public Offer Shares initially available in either Pool A and Pool B as referred in the section headed "Structure of the Share Offer";
- apply for, take up or receive any Placing Shares under the Placing or otherwise participate in the Placing; and/or
- indicate any interest in any Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit**. If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company,

then that application will be treated as being for your benefit.

Unlisted company *means a company with no equity securities listed on the Stock Exchange.*

Statutory control *means you:*

- *control the composition of the board of directors of that company; or*
- *control more than half of the voting power of that company; or*
- *hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price of the Public Offer Shares is HK$2.93 each. You must also pay the brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Public Offer Shares you will pay HK$5,919.12. The application forms have tables showing the exact amount payable for multiples of the Public Offer Shares.

You must pay the maximum Offer Price, the brokerage, the SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. Your payment must be by cheque or banker's cashier order and must comply with the terms of the application forms. Your cheque or banker's cashier order will not be presented for payment before Friday, 18 December 2009.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, the SFC transaction levy will be paid to the SFC and the Stock Exchange trading fee will be paid to the Stock Exchange.

MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

1. WHITE or YELLOW application forms

Completed **WHITE** or **YELLOW** application forms, with payment attached, must be lodged **by 12:00 noon on Friday, 18 December 2009**, or, if the application lists are not open on that day, then by 12:00 noon on the day on which the lists are open.

Your completed application form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited listed in this section at the following times:

Tuesday, 15 December 2009	:	**9:00 a.m. to 5:00 p.m.**
Wednesday, 16 December 2009	:	**9:00 a.m. to 5:00 p.m.**
Thursday, 17 December 2009	:	**9:00 a.m. to 5:00 p.m.**
Friday, 18 December 2009	:	**9:00 a.m. to 12:00 noon**

2. Application lists

The application lists will open **from 11:45 a.m. to 12:00 noon on Friday, 18 December 2009, except as provided in the paragraph headed "Effect of bad weather on the opening of the application lists" below. No proceedings will be taken on applications for the Public Offer Shares and no allotment of any such Shares will be made until after the closing of the application lists.**

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 18 December 2009. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

Business day *means a day that is not a Saturday, Sunday or public holiday in Hong Kong.*

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Public Offer Shares are set out in the notes attached to the application forms, and you should read them carefully. You should note in particular the following two situations in which Shares will not be allocated to you:

- **If your application is revoked:**

  By completing and submitting an application form, you agree that you cannot revoke your application before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday, or public holiday in Hong Kong) unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If your application has been accepted, it cannot be revoked.

- **If the allocation of Public Offer Shares is void:**

  Your allotment or transfer of Shares will be void if the Listing Committee does not grant permission to list the Shares either:

  - within three weeks from the closing of the application lists; or
  - within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

- **At the discretion of the Company or its agents:**

  The Company, the Sponsor and the Lead Manager and their respective agents and nominees (as the Company's agents) have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

- **Your application may be rejected if:**

  - you make multiple or suspected multiple applications;
  - your application form has not been completed correctly;
  - you or the person(s) for whose benefit you are applying have applied for or been allotted Placing Shares;
  - you apply on an application form for more than 3,125,000 Public Offer Shares;
  - the Company believes that acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which the application is completed and/or signed;

- your payment is not in the correct form; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation.

- **If the Public Offer do not become unconditional:**

  Your application will not be accepted if:

  - the Underwriting Agreements do not become unconditional in accordance with its terms; or
  - the Underwriting Agreements are terminated in accordance with its terms.
  - The price Determination Agreement is not reached.

PUBLICATION OF RESULTS

The Company expects to release the final Offer Price, the level of indication of interests in the Placing, the basis of allocation of the Public Offer Shares, results of applications and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer on Monday, 28 December 2009 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.ctans.com.

The website of the Company of www.ctans.com, and all of the information contained on the website, do not form part of this prospectus.

COLLECTION/POSTING OF SHARE CERTIFICATES/REFUND CHEQUES AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

1. **WHITE application form:**

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your application form that you will collect your share certificate(s) and/or refund cheque(s) (if any) personally, you may collect them in person from:

Tricor Investor Services Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of despatch of share certificates. This is expected to be Monday, 28 December 2009.

You must show your identification document to collect your share certificate(s) and/or refund cheque(s).

Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporations stamped with the corporations' chops. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited.

If you do not collect your share certificate(s) and/or refund cheque(s) (if any) within the time specified for this collection, they will be sent to the address on your application form, by ordinary post and at your own risk.

If you have applied for 1,000,000 Public Offer Shares or more and have not indicated on your application form that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, then your certificate(s) and/or refund cheque(s) (if any) will be sent to the address on your application form on the date of despatch, by ordinary post and at your own risk.

2. **YELLOW application form:**

Your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant as instructed by you at the close of business on Monday, 28 December 2009, or any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS participant (other than a CCASS investor participant):

- for Public Offer Shares credited to the stock account of your designated CCASS participant (other than a CCASS investor participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant:

- the Company will publish the results of CCASS investor participants' applications together with the results of the Share Offer in the newspapers as stated in the paragraph headed "Publication of results" below on Monday, 28 December 2009. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 December 2009, or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your application form that you will collect your refund cheque(s) (if any) in person, please follow the instructions as detailed under the section headed "**WHITE** application form" above.

3. **Refund of your application monies**

If you do not receive any Public Offer Shares for any of, but not limited to, the reasons set out in the above paragraph headed ''Circumstances in which you will not be allocated Public Offer Shares'', the Company will refund your application money together with brokerage, SFC transaction levy and Stock Exchange trading fee to you without interest. If your application is accepted only in part, the Company will refund the appropriate portion of your application money, brokerage, SFC transaction levy and Stock Exchange trading fee to you, without interest. All such interest accrued prior to the date of despatch of refund cheques will be retained for the benefit of the Company.

If the Offer Price, as finally determined, is less than the maximum Offer Price of HK$2.93 per Share paid on application, the surplus subscription monies (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) will be refunded to you without interest.

All refunds will be made by cheque(s) crossed ''Account Payee Only'', made out to you, or, if you are joint applicants, to the first-named applicant on your application form. Part of your Hong Kong Identity Card number/passport number or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque(s), if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong Identity Card number/passport number in the application form may lead to delay in encashment of or may invalidate your refund cheque(s).

Share certificates for the Offer Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with its terms, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date, as further described in the section headed ''Underwriting'' in this prospectus.

No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange is expected to commence on Tuesday, 29 December 2009.

Shares will be traded in board lots of 2,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

15 December 2009

The Directors
Carpenter Tan Holdings Limited
First Shanghai Capital Limited

Dear Sirs

We set out below our report on the financial information relating to Carpenter Tan Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for each of the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Periods") and the combined statements of financial position of the Group and the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009 together with a summary of significant accounting policies and other explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 15 December 2009 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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. Pursuant to a group reorganisation, as more fully explained in the section "Corporate Reorganisation" in appendix V to the Prospectus (the "Corporate Reorganisation"), which was completed on 30 August 2007, the Company became the holding company of the subsidiaries now comprising the Group.

All companies comprising the Group have adopted 31 December as their financial year end date. The audited financial statements of the companies now comprising the Group for which there is a statutory audit requirement have been prepared in accordance with the relevant accounting principles generally accepted in the place of incorporation/establishment of those companies. Particulars of the subsidiaries comprising the Group and their respective statutory auditors are set out in note 1 of Section A in the Financial Information. For the purpose of this report, we have carried out independent audit procedures as we considered necessary for inclusion of the Financial Information relating to those companies which we are not the statutory auditors for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). For the other companies, including the Company, where there is no statutory audit requirement or there have not been any significant business transactions entered into since their respective dates of incorporation/establishment, we have reviewed all significant transactions of those companies for the Relevant Periods or since their respective dates of incorporation/establishment, where this is a shorter period, and carried out such procedures as we considered necessary for inclusion of the Financial Information relating to these companies in the Prospectus.

For the purpose of this report, the directors of the Company have prepared the Financial Information of the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements of the Group for each of the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section A in the Financial Information after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company, who approve their issue. The directors of the Company are responsible to compile the Financial Information set out in this report from the Underlying Financial Statements and for the contents of the Prospectus in which this report is included. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section A in the Financial Information, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the combined results and combined cash flows of the Group for the Relevant Periods.

The comparative combined income statement, combined statement of comprehensive income, combined cash flow statement and combined statement of changes in equity of the Group for the six months ended 30 June 2008 together with the notes thereon (the "30 June 2008 Financial Information") have been extracted from the Group's unaudited combined financial information for same period which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquires of the Group management personnel and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

A. FINANCIAL INFORMATION

Combined Income Statements

		Year ended 31 December			Six months ended 30 June	
	Notes	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Turnover	8	95,398	123,169	108,656	53,082	65,217
Cost of sales		(38,370)	(49,277)	(47,629)	(22,130)	(26,808)
Gross profit		57,028	73,892	61,027	30,952	38,409
Other revenue and net income	9	8,689	11,547	11,990	4,374	11,087
Administrative expenses		(15,673)	(18,587)	(17,684)	(8,991)	(9,849)
Selling and distribution expenses		(8,807)	(15,084)	(16,626)	(8,190)	(9,264)
Other operating expenses		(1,184)	(1,989)	(4,191)	(2,126)	(2,423)
Finance costs	10	(688)	(1,447)	(2,331)	(945)	(1,315)
Profit before taxation	11	39,365	48,332	32,185	15,074	26,645
Income tax	12	(2,528)	(6,866)	(6,311)	(3,456)	(5,318)
Profit for the year/period		36,837	41,466	25,874	11,618	21,327
Attributable to						
Equity holders of the Company		36,976	41,515	25,874	11,618	21,327
Minority interests		(139)	(49)	—	—	—
		36,837	41,466	25,874	11,618	21,327
Dividends	16	16,000	30,000	—	—	15,000
Earnings per share						
Basic and diluted (RMB cents)	17	20	22	14	6	11

Combined Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	36,837	41,466	25,874	11,618	21,327
Other comprehensive income for the year/period (after tax)					
Exchange differences on translation of financial statements of foreign operations	5	(89)	(294)	(75)	104
Surplus on revaluation of land and buildings held for own use	—	—	2,297	1,166	—
Tax expense	—	—	(574)	(292)	—
Surplus on revaluation of land and buildings held for own use, net of tax	—	—	1,723	874	—
Other comprehensive income for the year/period	5	(89)	1,429	799	104
Total comprehensive income for the year/period	36,842	41,377	27,303	12,417	21,431
Attributable to:					
Equity holders of the Company	36,981	41,426	27,303	12,417	21,431
Minority interests	(139)	(49)	—	—	—
Total comprehensive income for the year/period	36,842	41,377	27,303	12,417	21,431

Combined Statements of Financial Position

		The Group			
		As at 31 December			As at 30 June
	Notes	**2006**	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	18	23,911	38,042	36,481	35,342
Prepaid lease payments	19	17,296	24,329	20,950	20,652
Investment properties	20	—	—	29,300	34,240
Intangible asset	21	120	16	—	—
		41,327	62,387	86,731	90,234
Current assets					
Prepaid lease payments	19	182	377	444	494
Inventories	22	24,923	39,261	40,944	35,912
Amounts due from related parties	37(b)	2,513	555	4,759	7,341
Trade receivables	23	607	690	420	332
Other receivables, deposits and prepayments	24	20,235	16,269	18,986	26,621
Income tax recoverable	25(a)	3,941	—	—	—
Bank balances and cash	26	39,157	40,434	50,883	41,901
		91,558	97,586	116,436	112,601
Current liabilities					
Amount due to ultimate holding company	27	692	643	607	609
Bank loans	28	30,000	20,000	40,000	50,000
Trade payables	29	2,406	3,893	2,616	3,311
Other payables and accruals	30	9,802	11,427	41,746	21,128
Income tax payable	25(a)	—	4,850	614	1,310
		42,900	40,813	85,583	76,358
Net current assets		48,658	56,773	30,853	36,243
Total assets less current liabilities		89,985	119,160	117,584	126,477

		The Group			
		As at 31 December			As at 30 June
	Notes	**2006**	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Deferred tax liabilities	25(b)	—	—	2,384	4,720
Long-term payable	31	5,027	4,837	3,574	3,711
Deferred income	32	1,000	1,000	1,000	989
		6,027	5,837	6,958	9,420
NET ASSETS		83,958	113,323	110,626	117,057
Capital and reserves					
Share capital	33	406	47	47	47
Reserves	34	82,491	113,276	110,579	117,010
Equity attributable to equity holders of the Company		82,897	113,323	110,626	117,057
Minority interests		1,061	—	—	—
Total equity		83,958	113,323	110,626	117,057

Combined Statements of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital	**Capital reserve**	**Statutory reserves**	**Other reserve**	**Property revaluation reserve**	**Currency translation reserve**	**Retained profits**	**Total**	**Minority interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note a)	*(note b)*	*(note c)*	*(note d)*	*(note e)*				
At 1 January 2006	406	2,767	24,447	17,379	—	(1)	5,918	50,916	—	50,916
Capital contribution from a minority shareholder	—	—	—	—	—	—	—	—	1,200	1,200
Dividends	—	—	—	—	—	—	(5,000)	(5,000)	—	(5,000)
Transfer	—	—	13,536	—	—	—	(13,536)	—	—	—
Total comprehensive income for the year	—	—	—	—	—	5	36,976	36,981	(139)	36,842
At 31 December 2006	406	2,767	37,983	17,379	—	4	24,358	82,897	1,061	83,958
At 1 January 2007	406	2,767	37,983	17,379	—	4	24,358	82,897	1,061	83,958
Reduction in minority interests on acquisition of additional interest in a subsidiary by the Group	—	—	—	—	—	—	—	—	(1,012)	(1,012)
Dividends	—	—	—	—	—	—	(11,000)	(11,000)	—	(11,000)
Transfer	—	—	14,497	—	—	—	(14,497)	—	—	—
Reserve arising from Corporate Reorganisation	(359)	—	—	359	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	(89)	41,515	41,426	(49)	41,377
At 31 December 2007	47	2,767	52,480	17,738	—	(85)	40,376	113,323	—	113,323

	Attributable to owners of the Company									
	Share capital	Capital reserve	Statutory reserves	Other reserve	Property revaluation reserve	Currency translation reserve	Retained profits	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note a)	*(note b)*	*(note c)*	*(note d)*	*(note e)*				
At 1 January 2008	47	2,767	52,480	17,738	—	(85)	40,376	113,323	—	113,323
Dividends	—	—	—	—	—	—	(30,000)	(30,000)	—	(30,000)
Transfer	—	—	5,494	—	—	—	(5,494)	—	—	—
Total comprehensive income for the year	—	—	—	—	1,723	(294)	25,874	27,303	—	27,303
At 31 December 2008	47	2,767	57,974	17,738	1,723	(379)	30,756	110,626	—	110,626
At 1 January 2009	47	2,767	57,974	17,738	1,723	(379)	30,756	110,626	—	110,626
Dividends	—	—	—	—	—	—	(15,000)	(15,000)	—	(15,000)
Transfer	—	—	3,400	—	—	—	(3,400)	—	—	—
Total comprehensive income for the period	—	—	—	—	—	104	21,327	21,431	—	21,431
At 30 June 2009	47	2,767	61,374	17,738	1,723	(275)	33,683	117,057	—	117,057
Unaudited										
At 1 January 2008	47	2,767	52,480	17,738	—	(85)	40,376	113,323	—	113,323
Transfer	—	—	2,807	—	—	—	(2,807)	—	—	—
Total comprehensive income for the period	—	—	—	—	874	(75)	11,618	12,417	—	12,417
At 30 June 2008	47	2,767	55,287	17,738	874	(160)	49,187	125,740	—	125,740

Notes:

(a) **Capital reserve**

Capital reserve represents the excess of paid-up capital over the registered capital of the companies comprising the Group.

(b) **Statutory reserves**

The statutory reserves include the following reserves in the PRC:

(i) *Statutory surplus reserve*

The PRC subsidiaries of the Group are required to transfer 10% of the profit after tax, as determined under the PRC accounting rules and according to their articles of association, to the statutory surplus reserve until the balance reaches 50% of their registered capital. The transfer to this reserve must be made before distributing dividends to shareholders. The reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries. The Group transferred approximately RMB5,618,000, RMB8,077,000 of its net profit to this reserve for the years ended 31 December 2006 and 2007 respectively. The PRC subsidiaries of the Group either had a loss for the year ended 31 December 2008 and six months ended 30 June 2008 and 2009 or their respective statutory surplus reserves reached 50% of their respective registered capital, the PRC subsidiaries did not make transfer of their profit to this reserve for the year ended 31 December 2008 and the six months ended 30 June 2008 and 2009 accordingly.

(ii) *Enterprise development and staff welfare funds*

Pursuant to regulations in the PRC, a subsidiary Ziqiang Muye, which is registered as a social welfare enterprise in the PRC, is required to transfer 50% and 20% of its tax concessions of income tax and value-added tax, as further detailed in note 12a(i), to the enterprise development fund and staff welfare fund respectively. The transfer to these funds must be made before distributing dividends to shareholders. The funds can be used for the enterprise development and the staff welfare only and are not available for distribution to shareholders. The Group transferred approximately RMB7,918,000, RMB6,420,000, RMB5,494,000, RMB2,807,000 and RMB3,400,000 of its net profit to these funds for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009 respectively.

(c) Other reserve represents the difference between the consideration for acquisition of the subsidiaries paid by the Group, which were acquired pursuant to the Corporate Reorganisation as further detailed in note 1, and the nominal value of the paid-up capital of the subsidiaries. The details of other reserve during the Relevant Periods are as follows:

(i) Other reserve balance of RMB17,379,000 as at 1 January 2006 represents that the Group acquired the entire equity interest of a subsidiary Carpenter Tan, of which the nominal value of the paid-up capital was RMB17,379,000, with a consideration of HK$25,250,000 (equivalent to approximately RMB26,260,000) during the year ended 31 December 2005. The consideration paid by the Group was RMBnil. Lead Charm Investments Limited ("Lead Charm") and Fame Good Investments Limited ("Fame Good"), the ultimate holding company and a shareholder of the Company, borne and paid the entire consideration and injected Carpenter Tan to the Group for a nil consideration. The Group recognised other reserve of approximately RMB17,379,000 accordingly.

(ii) On 30 August 2007, the Company issued 5,000,000 ordinary shares with a nominal value of HK$0.01 each to the then equity holders of a subsidiary CTBVI, Lead Charm and Fame Good, in exchange for all of the 5,000,000 issued ordinary shares of CTBVI with a nominal value of US$0.01 each (the "Share Swap") held by Lead Charm and Fame Good. The Group recognised other reserve of approximately RMB359,000 on the Share Swap during the year ended 31 December 2007.

(d) **Property revaluation reserve**

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in notes 4(e) and (f).

(e) Currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(l).

(f) **Distributable reserves**

Distributable reserves of the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009 was RMB nil, RMB nil, RMB98,000 and RMB98,000 respectively.

On the basis set out in note 1 of Section A, the aggregate amount of distributable reserves of the companies comprising the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 was RMB24,358,000, RMB40,376,000, RMB30,756,000 and RMB33,683,000 respectively.

Combined Cash Flow Statements

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	39,365	48,332	32,185	15,074	26,645
Adjustments for:					
Interest expenses	688	1,447	2,331	945	1,315
Interest income	(132)	(220)	(413)	(281)	(67)
Change in fair value of investment properties	—	—	(2,230)	—	(4,940)
Change in fair value of long-term payable	—	—	1,783	—	—
Loss on disposal of property, plant and equipment	2	9	128	115	279
Depreciation	2,016	2,734	3,551	1,767	1,591
Amortisation of prepaid lease payments	142	182	465	187	248
Amortisation of intangible assets	104	104	16	16	—
Impairment/(Written back of impairment) on trade receivables	13	(22)	(3)	(3)	1
Impairment/(Written back of impairment) on other receivables	25	(75)	17	51	35
Write-down on inventories	865	972	3,688	458	1,148
Written off of trade payable	—	—	—	—	(189)
Government grant released from deferred income	—	—	—	—	(11)
Impairment loss on goodwill	—	188	—	—	—
Operating profit before working capital changes	43,088	53,651	41,518	18,329	26,055
(Increase)/decrease in inventories	(9,509)	(15,310)	(5,371)	(7,446)	3,884
(Increase)/decrease in amounts due from related parties	(1,773)	1,958	(4,204)	(12)	(2,582)
(Increase)/decrease in trade receivables	206	(61)	273	(100)	87
(Increase)/decrease in other receivables, deposits and prepayments	(12,946)	4,041	(662)	(1,959)	(7,670)
Decrease in amounts due to related parties	(396)	—	—	—	—
Increase in amount due to ultimate holding company	692	—	—	—	—
Increase/(decrease) in trade payables	1,013	1,487	(1,277)	(1,147)	884
Increase/(decrease) in other payables and accruals	3,393	1,614	(1,092)	(1,343)	2,097

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash generated from operations	23,768	47,380	29,185	6,322	22,755
Dividends paid	(16,599)	(11,000)	—	—	(37,715)
Interest received	132	220	413	281	67
Interest paid	(356)	(1,126)	(1,966)	(828)	(1,118)
Income tax refund/(paid), net	(7,592)	1,925	(8,737)	(6,461)	(2,286)
Net cash generated from/(used in) operating activities	(647)	37,399	18,895	(686)	(18,297)
Investing activities					
Purchase of property, plant and equipment	(8,838)	(16,879)	(5,305)	(3,016)	(827)
Prepaid lease payments	(9,824)	(7,410)	(1,088)	(364)	—
Proceeds from disposal of property, plant and equipment	153	9	131	1	98
Purchase of investment properties	—	—	(19,870)	—	—
Government grants received	1,000	—	—	—	—
Acquisition of additional interest in a subsidiary	—	(1,200)	—	—	—
Net cash used in investing activities	(17,509)	(25,480)	(26,132)	(3,379)	(729)
Financing activities					
New bank loans raised	30,000	20,000	40,000	10,000	20,000
Repayment of bank loans	—	(30,000)	(20,000)	—	(10,000)
Repayment of long-term payable	(500)	(500)	(2,000)	—	—
Capital contribution from a minority shareholder	1,200	—	—	—	—
Net cash generated from/(used in) financing activities	30,700	(10,500)	18,000	10,000	10,000
Net increase/(decrease) in cash and cash equivalents	12,544	1,419	10,763	5,935	(9,026)
Cash and cash equivalents at beginning of year/period	26,608	39,157	40,434	40,434	50,883
Effect of foreign exchange rate changes, net	5	(142)	(314)	(90)	44
Cash and cash equivalents at end of year/period	39,157	40,434	50,883	46,279	41,901
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	39,157	40,434	50,883	46,279	41,901

NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION AND PRINCIPAL ACTIVITIES

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. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-111, Cayman Islands and at 43rd Floor, Future International Building, Guanyinqiao, Jiangbei District, Chongqing the PRC respectively.

The Group is 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 network primarily in the People's Republic of China (the "PRC") and it distributes the products to the customers primarily located in the PRC; (iii) the operation of retailing shops for direct sale of the Group's products in Hong Kong; and (iv) manufacture and sale of high-end home accessories and Chinese style furniture.

Pursuant to the Corporate Reorganisation, which was completed on 30 August 2007, the Company acquired the entire share capital of CTBVI, as further detailed in note c(ii) in the combined statements of changes in equity. CTBVI holds all of the equity interests in the following subsidiaries. Following the Corporate Reorganisation, the Company has become the holding company of the Group. A list of the subsidiaries comprising the Group for the Relevant Periods is set out below.

Name of subsidiary	Place and date of incorporation	Attributable equity interest held by the Company		Issued and fully paid-up capital	Principal activities	Legal form	Statutory auditors		
		Directly	Indirectly				2006	2007	2008
Carpenter Tan (BVI) Holdings Group Co., Ltd ("CTBVI")	British Virgin Islands 2 July 2004	100%	—	USD50,000	Investment holding	Private limited liability company	(f)	(f)	(f)
Hong Kong Carpenter Tan Co., Limited ("CTHK")	Hong Kong 10 September 2004	—	100%	HK$1	Investment holding	Private limited liability company	(e)	(e)	(e)
Carpenter Tan Development Company Limited ("CT Development")	Hong Kong 18 March 2008	—	100%	HK$10,000	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company	N/A	N/A	(e)
Chongqing Carpenter Tan Handicrafts Company Limited ("Carpenter Tan")	The PRC 6 March 1997	—	100%	RMB17,379,150	Design, manufacture and distribution of small size wooden handicrafts and accessories and the operation of a franchise network	Wholly foreign-owned enterprise	(d)	(d)	(d)
Chongqing Little Carpenter Handicrafts Company Limited ("Little Carpenter")	The PRC 6 August 2003	—	100%	RMB1,000,000	Manufacture and distribution of small size wooden handicrafts and accessories	Sino-foreign equity joint venture company	(d)	(d)	(d)

Name of subsidiary	Place and date of incorporation	Attributable equity interest held by the Company		Issued and fully paid-up capital	Principal activities	Legal form	Statutory auditors		
		Directly	Indirectly				2006	2007	2008
Chongqing City Wan Zhou Qu Ziqiang Muye Limited ("Ziqiang Muye")	The PRC 26 February 2004	—	100%	RMB2,000,000	Manufacture of small size wooden handicrafts and accessories	Private limited liability company	(d)	(d)	(d)
Chongqing Meiyu Accessories Company Limited ("CQMY") *(note a)*	The PRC 25 April 2006	—	100%	RMB12,000,000	Manufacturing, processing and sale of wooden household products and accessories	Private limited liability company	(d)	(d)	(d)
Chongqing Carpenter Tan Lifestyle Handicrafts Store Company Limited ("Lifestyle Handicrafts Company")	The PRC 10 January 2007	—	100%	RMB5,000,000	Manufacturing and sale of high-end home accessories and Chinese style furniture	Private limited liability company	N/A	(d)	(d)
Chongqing Carpenter Tan Munan Lifestyle Handicrafts Company Limited ("Munan Handicrafts")	The PRC 25 August 2007	—	100%	RMB100,000	Sale of high-end home accessories and Chinese style furniture	Private limited liability company	N/A	(d)	(d)
Chongqing Carpenter Tan Chennan Lifestyle Handicrafts Company Limited ("Chennan Handicrafts")	The PRC 25 August 2007	—	100%	RMB100,000	Sale of high-end home accessories and Chinese style furniture	Private limited liability company	N/A	(d)	(d)
Chongqing Carpenter Tan Xiangnan Lifestyle Handicrafts Company Limited ("Xiangnan Handicrafts")	The PRC 25 August 2007	—	100%	RMB100,000	Sale of high-end home accessories and Chinese style furniture	Private limited liability company	N/A	(d)	(d)
Chengdu Carpenter Tan Handicrafts Sales Company Limited ("Chengdu Carpenter Sales") *(note b)*	The PRC 14 April 2008	—	100%	RMB1,000,000	Not commenced business	Private limited liability company	N/A	N/A	N/A
Chongqing Carpenter Tan Handicrafts Sales Company Limited ("Chongqing Carpenter Sales") *(note c)*	The PRC 7 April 2008	—	100%	RMB3,000,000	Not commenced business	Private limited liability company	N/A	N/A	N/A
Beijing Carpenter Tan Handicrafts Co., Ltd. ("Beijing Carpenter Tan")	The PRC 12 November 2008	—	100%	RMB10,000,000	Property investment	Private limited liabilities company	N/A	N/A	(d)

Name of subsidiary	Place and date of incorporation	Attributable equity interest held by the Company		Issued and fully paid-up capital	Principal activities	Legal form	Statutory auditors		
		Directly	Indirectly				2006	2007	2008
Chongqing Hao Yu Handicrafts Co., Ltd. ("Hao Yu Handicrafts")	The PRC 6 August 2008	—	100%	RMB100,000	Sale of high-end home accessories and Chinese style furniture	Private limited liabilities company	N/A	N/A	(d)

Notes:

(a) CQMY was incorporated as a limited liability company on 25 April 2006, of which 90% equity interest was held by Carpenter Tan and 10% equity interest was held by Ms. Wang Ping, a management staff of CQMY. On 8 June 2007, Carpenter Tan acquired the 10% equity interest of CQMY from Ms. Wang Ping for a consideration of RMB1,200,000 and incurred a goodwill of approximately RMB188,000, as further detailed in note 11(ii).

(b) Chengdu Carpenter Sales was deregistered on 12 December 2008.

(c) Chongqing Carpenter Sales was deregistered on 23 October 2008.

(d) Chongqing Jinhui Certified Public Accountants Company Limited.

(e) CCIF CPA Limited.

(f) No statutory audited financial statements have been prepared and issued for CTBVI since its date of incorporation as there is no requirements, statutory or otherwise, to issue statutory audited financial statements.

2. BASIS OF PRESENTATION

For the purpose of this report, the Financial Information of the Group throughout the Relevant Periods has been prepared using the principles of merger accounting as set out in Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA. The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for the Relevant Periods have been prepared on a combined basis and include the Financial Information of the companies now comprising the Group, as further detailed in note 1, as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment of the relevant entity, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 have been prepared to present the assets and liabilities of the companies now comprising the Group as at those dates as if the current group structure had been in existence at those dates or since their respective dates of incorporation/establishment of the relevant entity, where this is a shorter period.

The Group's principal operations are conducted in the PRC. The Financial Information is presented in Renminbi ("RMB") which is the functional currency of the group entities and rounded to the nearest thousand except for per share data.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted all of the new and revised standards, amendments and interpretation (hereinafter collectively referred to as "HKFRSs") issued by the HKICPA, which are effective for the accounting periods beginning on 1 January 2009 in the preparation of Financial Information throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations which are not yet effective for the Relevant Periods.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRS 1 (Revised)	First-time adoption of HKFRSs[1]
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combination[1]
HKFRS 9	Financial instruments[6]
HKAS 24 (Revised)	Related party disclosures[5]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 39 (Amendments)	Eligible hedged items[1]
HK (IFRIC) - Int 17	Distributions of non-cash assets to owners[1]
HK (IFRIC) - Int 18	Transfers of assets from customers[4]

Notes:

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for transfers of assets from customers received on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these new and revised standards, amendments and interpretations is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below. The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

(a) Business combination

(i) *Business combination involving entities under common control*

The combined financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party.

The net assets of combining entities or businesses are combined using the existing carrying values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, where this is a shorter period.

(ii) *Business combination for acquisition of subsidiaries not involving entities under common control*

Apart from the Corporate Reorganisation referred to in note 1 above which had been accounted for by regarding the Company as being the holding company of the subsidiaries from the beginning of the earliest period presented, or since the date when the combining companies first came under the control of the Group, where this is a shorter period, the purchase method of accounting is used to account for the acquisition of subsidiaries not involving entities for common control by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discount, sale returns, value-added tax and sale tax. Sale returns are recognised when the goods are returned by the customers. Value-added tax expense and refund are accounted for on an accrual basis.

(i) Revenue from sales of goods is recognised when the products are delivered to the customer, the customer has accepted the goods, the related risks and rewards of ownership and collectibility of the related receivables is reasonably assured.

(ii) Franchise fee income is recognised when the franchise agreements are entered into with franchise shops.

(iii) Interest income is recognised on a time-apportioned basis, taking into account the principal outstanding and at the effective rate applicable.

(iv) Rental income is recognised on a straight line basis over the period of the relevant leases.

(c) **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the combined statement of financial position and statement of change in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statement as an allocation of total profit or loss for the year/period between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the combined statement of financial position in accordance with notes 4(n) depending on the nature of the liability.

(d) **Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is stated at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the combined statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in each reporting year/period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that each reporting period. When the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the combined income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(e) **Property, plant and equipment**

Property, plant and equipment are stated at cost or fair value less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation is calculated to write off the cost or fair value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

Buildings	Over the unexpired lease terms
Leasehold improvements	Over the unexpired lease terms
Plant and machinery	9%-20% per annum
Furniture and equipment	15%-20% per annum
Motor vehicles	15%-20% per annum

Construction in progress represents buildings or leasehold improvements on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and available for use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the combined income statements on the date of retirement or disposal.

(f) **Prepaid lease payments**

Payments for obtaining rights for using land use rights are accounted as prepaid lease payments and charged to the income statement on a straight-line basis over the lease terms, except where the property is classified as an investment property. Rights for using land use rights which are to be charged to the income statement in the next twelve months or less are classified as current assets.

(g) **Investment properties**

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the combined income statement in the year/period in which the item is derecognised.

(h) **Intangible asset (other than goodwill)**

Intangible asset represents a trademark with finite useful life, which is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Trademark is amortised over its estimated useful life on a straight line basis of ten years.

(i) **Impairment (other than goodwill)**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) **Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Income tax expense and refund are accounted for on an accrual basis.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group, i.e. RMB at the rate of exchange prevailing at the end of each reporting period and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the currency translation reserve). Such exchange differences are recognised in profit or loss in the year/period in which the foreign operation is disposed of.

(m) **Borrowing costs**

All borrowing costs are recognised as and included in finance costs in the combined income statement in the year/period in which they are incurred.

(n) **Financial instruments**

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting year/period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial asset that are assessed not to be impaired individually, such as receivables, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to ultimate holding company, bank loans and long-term payable) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(o) **Retirement benefits scheme**

Contributions to retirement benefit schemes, state-managed retirement benefit schemes and the Mandatory Provident Fund Schemes are charged to the combined income statements when incurred.

(p) **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of each reporting year/period, and are discounted to present value where the effect is material.

(q) **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental payments applicable to such operating leases are charged to the combined income statement on the straight-line basis over the lease periods.

(r) **Government grants**

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the combined income statement and are reported separately as other income. Government grants shall not be recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them.

(s) **Related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party's financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are to the benefit of employees of the Group or of any entity that is a related party of the Group.

(t) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks with original maturities of three months or less.

u) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) **Impairment on property, plant and equipment and prepaid lease payments**

The Group assesses annually whether property, plant and equipment and prepaid lease payments have any indication of impairment. The recoverable amounts of property, plant and equipment and prepaid lease payments have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates.

(b) **Valuation of investment properties**

Investment properties are included in the statement of financial position at their open market value, which is assessed by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

(c) **Write-downs of inventories**

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(d) **Impairment on trade and other receivables**

Impairment losses for trade and other receivables are assessed and provided based on the Group's regular review of aging analysis and evaluation of collectibles.

In considering the impairment losses that may be required for current receivables, future cash flows need to be determined. One of the key assumptions that has to be adopted is about the ability of the debtors to settle the receivables. Even though the Group has used all available information to make this estimation, inherent uncertainty exists and actual uncollectable amounts may be higher than the amount estimated.

(e) **Income tax**

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the directors' judgement is required to assess the probability of future taxable profits. The directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged over the Relevant Periods.

The capital structure of the Group consists of (i) debts, comprising bank loans and long-term payable, add proposed final dividends and less cash and cash equivalents; and (ii) equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings, less proposed final dividends.

The directors of the Company review the capital structure periodically. The Group considers the cost of capital and risks associated with the capital and will balance its overall capital structure through the new share issues of the Company as well as the raising of bank borrowings.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The details of the net debt to equity ratio of the Group is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Bank loans	30,000	20,000	40,000	50,000
Non-current liabilities				
Long-term payable	5,027	4,837	3,574	3,711
Total debt	35,027	24,837	43,574	53,711
Add: Proposed final dividends	11,000	30,000	—	—
Less: Cash and cash equivalents	(39,157)	(40,434)	(50,883)	(41,901)
Net debt	6,870	14,403	N/A	11,810
Total equity	83,958	113,323	110,626	117,057
Less: Proposed final dividends	(11,000)	(30,000)	—	—
Adjusted equity	72,958	83,323	110,626	117,057
Net debt to equity ratio	9%	17%	0%	10%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amounts due from related parties	2,513	555	4,759	7,341
Trade receivables	607	690	420	332
Other receivables	4,151	1,323	3,318	3,239
Bank balances and cash	39,157	40,434	50,883	41,901
Loans and receivables (including cash and cash equivalent)	46,428	43,002	59,380	52,813
Financial liabilities				
Amount due to ultimate holding company	692	643	607	609
Bank loans	30,000	20,000	40,000	50,000
Trade payables	2,406	3,893	2,616	3,311
Other payables	4,502	6,033	35,404	13,639
Long-term payable	5,027	4,837	3,574	3,711
Financial liabilities at amortised cost	42,627	35,406	82,201	71,270

(b) Financial risk management objectives and policies

Details of the Group's financial instruments as stated in note 7(a) are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

Certain subsidiaries of the Group have foreign currency bank balances and cash, trade and other receivables and payables, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
HK$	260	1,669	3,266	6,267
US$	1,545	1,211	551	383
Euro	144	255	247	14
	1,949	3,135	4,064	6,664
Liabilities				
HK$	843	725	724	1,399
US$	—	—	—	—
Euro	—	—	—	—
	843	725	724	1,399

Sensitivity analysis

The Group is mainly exposed to Hong Kong Dollars ("HK$"), United States Dollars ("US$") and Euro Dollars ("Euro").

The following table details of the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation of the year/period and for a 5% change in foreign currency rate. A positive number indicates an increase in profit where RMB strengthen against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit and other equity, and the balance below would be negative.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year				
HK$	(29)	47	127	243
US$	77	60	28	19
Euro	7	13	12	1
	55	120	167	263
Other equity	—	—	—	—

(ii) ***Interest rate risk***

The Group is exposed to interest rate risk mainly from bank deposits and bank borrowings (see notes 26 and 28) of the Group. Bank deposits and bank borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates of bank deposits and bank borrowings of the Group. The analysis is prepared assuming the bank balances and bank borrowings outstanding at the balance sheet date were outstanding for the whole year. A 100 basis point increase or decrease is used, which represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 100 basis point higher and all other variables were held constant, the Group's profit for the years ended 31 December 2006, 31 December 2007, 31 December 2008 and the six months ended 30 June 2009 would increase by approximately RMB91,000, RMB197,000, RMB107,000 and decreased by approximately RMB84,000. An equal and opposite impact on the Group's profit for the respective years would be resulted if the interest rates had been 100 basis points lower.

(iii) ***Credit risk***

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in note 7(a).

The management considers the credit risk exposure of the Group's trade receivables is low as the sales are generally settled before delivery of products or within 30 days. The directors of the Company reviews the recoverable amount of each individual debt regularly, if any, to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk of the Group's trade and other receivables, with exposure spread over a large number of counterparties and customers. The credit risk on liquid funds are limited because the counterparties are banks with high credit rankings assigned.

The Group has concentration of credit risk of the Group's amounts due from related parties. In order to minimise the credit risk, the management continuously monitor the level of exposure to ensure that follow up action and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances.

(iv) ***Liquidity Risk***

The Group's liquidity position is monitored closely by the directors of the Company. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the utilisation of banking facilities and ensures compliance with loan covenants. The Group mainly relies on internal generated funds and banking facilities as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	**Within 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total contractual undiscounted cash flows**	**Total carrying amount**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2006							
Amount due to ultimate holding company	—	692	—	—	—	692	692
Bank loans	5.99%	30,000	—	—	—	30,000	30,000
Trade payables	—	2,406	—	—	—	2,406	2,406
Other payables (excluding current portion on long-term payable)	—	4,324	—	—	—	4,324	4,324
Long-term payable (including current portion on long-term payable)	6.2%	500	500	1,500	5,994	8,494	5,205
		37,922	500	1,500	5,994	45,916	42,627
At 31 December 2007							
Amount due to ultimate holding company	—	643	—	—	—	643	643
Bank loans	7.38%	20,000	—	—	—	20,000	20,000
Trade payables	—	3,893	—	—	—	3,893	3,893
Other payables (excluding current portion on long-term payable)	—	5,844	—	—	—	5,844	5,844
Long-term payable (including current portion on long-term payable)	6.2%	500	500	1,500	5,494	7,994	5,026
		30,880	500	1,500	5,494	38,374	35,406

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008							
Amount due to ultimate holding company	—	607	—	—	—	607	607
Bank loans	6.96%	40,000	—	—	—	40,000	40,000
Trade payables	—	2,616	—	—	—	2,616	2,616
Other payables (excluding current portion on long-term payable)	—	33,804	—	—	—	33,804	33,804
Long-term payable (including current portion on long-term payable)	7.74%	2,000	2,000	1,994	—	5,994	5,174
		79,027	2,000	1,994	—	83,021	82,201
At 30 June 2009							
Amount due to ultimate holding company	—	609	—	—	—	609	609
Bank loans	5.58%	50,000	—	—	—	50,000	50,000
Trade payables	—	3,311	—	—	—	3,311	3,311
Other payables (excluding current portion on long-term payable)	—	11,979	—	—	—	11,979	11,979
Long-term payable (including current portion on long-term payable)	7.74%	2,000	2,000	1,994	—	5,994	5,371
		67,899	2,000	1,994	—	71,893	71,270

(c) **Fair value**

The fair value of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

8. TURNOVER

Turnover represents the net invoiced value of goods sold to customers, less value added tax and sale tax, returns and allowances, and franchisee fee income. An analysis of the Group's turnover for the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Sales of goods	93,840	121,556	107,808	52,750	64,479
Franchise fee income	1,558	1,613	848	332	738
	95,398	123,169	108,656	53,082	65,217

9. OTHER REVENUE AND NET INCOME

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Other revenue					
Government grant	450	78	900	—	11
Bank interest income	132	220	413	281	67
PRC VAT tax concession *(note 12a(i))*	7,687	10,790	7,697	4,010	4,854
Rental income from operating leases	105	—	195	38	295
Trademark fee income	36	18	—	—	—
Written back of impairment on trade receivables	—	22	3	3	—
Written back of impairment on other receivables	—	75	—	—	—
Written off of trade payable	—	—	—	—	189
Others	279	344	552	42	731
	8,689	11,547	9,760	4,374	6,147
Other net income					
Change in fair value of investment properties	—	—	2,230	—	4,940
	8,689	11,547	11,990	4,374	11,087

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank and other borrowings wholly repayable within five years	356	1,126	1,966	828	1,118
Imputed interest expense on long-term payable	332	321	365	117	197
Total interest expense on financial liabilities not at fair value through profit or loss	688	1,447	2,331	945	1,315

11. PROFIT BEFORE TAXATION

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

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Auditors' remuneration	15	32	44	32	52
Amortisation of prepaid lease payments	142	182	465	187	248
Amortisation of intangible assets	104	104	16	16	—
Bad debts written off	5	—	—	—	—
Change in fair value on long-term payable	—	—	1,783	—	—
Cost of inventories *(notes 11(i) and 22)*	38,370	49,277	47,629	22,130	26,808
Depreciation	2,016	2,734	3,551	1,767	1,591
Impairment loss on goodwill *(note 11(ii))*	—	188	—	—	—
Impairment on trade receivables	13	—	—	—	1
Impairment on other receivables	25	—	17	51	35
Loss on disposal of property, plant and equipment	2	9	128	115	279
Operating lease rentals in respect of land and buildings	441	2,472	5,908	2,565	3,797
Staff costs (including directors' remuneration)					
— Salaries and other allowances	15,808	20,231	21,858	11,749	11,566
— Contribution to retirement scheme	357	435	503	326	264
Total staff costs	16,165	20,666	22,361	12,075	11,830
Gross rental income from investment properties	—	—	(195)	(38)	(295)
Less: direct outgoings	—	—	6	6	139
	—	—	(189)	(32)	(156)

Notes:

(i) Cost of inventories includes RMB9,655,000, RMB11,330,000, RMB12,737,000, RMB6,995,000 and RMB6,871,000 relating to staff costs, depreciation and operating lease rentals for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009 respectively, which are included in the respective total amounts disclosed separately above.

(ii) On 8 June 2007, the Group acquired an additional interest of a subsidiary CQMY by increasing its equity interest from 90% to 100% for a consideration of approximately RMB1,200,000 and incurred a goodwill of RMB188,000. The Group held the 90% equity interest of CQMY since its incorporation on 25 April 2006. In the opinion of the Company's directors, the recoverable amount of the goodwill on CQMY was less than its carrying amount, an impairment loss of RMB188,000 was recognised during the year ended 31 December 2007. In the opinion of the Company's directors, the carrying amount of the net assets of CQMY acquired approximated its fair value at the date of acquisition.

12. INCOME TAX IN THE COMBINED INCOME STATEMENTS

(a) Taxation in the combined income statements represents:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Current tax					
PRC income tax *(notes 12a(i) and (ii))*	2,442	6,804	4,501	2,902	2,701
Hong Kong profits tax *(note 12a(iv))*	86	—	—	—	—
	2,528	6,804	4,501	2,902	2,701
Underprovision in prior years					
PRC income tax	—	62	—	—	281
Hong Kong profits tax	—	—	—	—	—
	—	62	—	—	281
Deferred tax					
Current year *(note 25(b))*	—	—	1,810	554	2,336
Total	2,528	6,866	6,311	3,456	5,318

Notes:

(i) Pursuant to the notice of the State Administration of Taxation (the "SAT"), Ministry of Finance of the PRC on preferential tax policies to social welfare enterprise and the legal opinion issued by the Company's solicitors in the PRC, Ziqiang Muye was registered as a social welfare enterprise in the PRC on 29 April 2004 and was entitled to the tax concessions for refund of the entire income tax and value added tax ("VAT") paid since its incorporation on 26 February 2004 up to 30 September 2006. According to the preferential tax policies on social welfare enterprise issued by the SAT effective from 1 October 2006, Ziqiang Muye is entitled to income tax concession on a double deduction of salaries paid for its employees with disabilities, and VAT concession on tax refund which is equivalent to its employees with disabilities multiplied by a specified annual cap amount as determined by the SAT. In addition, on 2 November 2006, Ziqiang Muye obtained the SAT's approval for a concessionary income tax rate reduced from 33% to 15% for the five years from 1 January 2006 to 31 December 2010 according the preferential tax policies granted to the PRC companies located in western part of the PRC and the national encouraged business activities.

The Group recognised the VAT and income tax refund in the Group's combined income statements on an accrual basis. The amounts of the VAT and income tax refunded to the Group during the Relevant Periods are detailed in notes 9 and 12(b) respectively.

(ii) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 33% during the years ended 31 December 2006 and 2007 and at a statutory income tax rate of 25% during the year ended 31 December 2008 and the six months ended 30 June 2008 and 2009, except for Ziqiang Muye.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). The New Law and the Implementation Regulations would impose a single income tax rate of 25% for all the enterprises from 1 January 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa 2007 No. 39) (the "Circular"), transitional arrangement will be imposed for those entities that previously enjoyed the tax preferential treatment prior to the effective date of the New Law. All the Group's subsidiaries incorporated in the PRC will change the income tax rate from 33% to 25% from 1 January 2008 under the New Law, except for Ziqiang Muye. Ziqiang Muye will continue to be entitled to the existing income tax concessions as stated in note 12a(i) above according to the tax preferential policies of the Circular.

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

(iv) Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profit of the Company's subsidiaries incorporated in Hong Kong for the year ended 31 December 2006. No provision for Hong Kong profits tax has been provided for the years ended 31 December 2007 and 2008 and the six months ended 30 June 2008 and 2009 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for the above years and periods.

(v) Under the Corporate 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 a 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 invested 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. Deferred tax liabilities of RMB1,252,000, RMB554,000 and RMB1,101,000 in respect of the withholding income tax on dividends has been recognised by the Group for the year ended 31 December 2008 and for the six months ended 30 June 2008 and 2009 respectively.

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

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	39,365	48,332	32,185	15,074	26,645
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant places/countries	12,862	16,671	8,532	5,140	6,023
Tax effect of non-deductible expenses	1,524	1,046	1,104	815	51
Tax effect of non-taxable incomes	—	(3,383)	(1,962)	(1,003)	(242)
Effect of tax concessions granted to a subsidiary *(note 12a(i))*	(4,777)	(1,195)	(1,063)	(575)	(541)
Effect of concessionary tax rate granted to a subsidiary *(note 12a(i))*	(7,748)	(8,164)	(2,965)	(1,912)	(1,584)
Unrecognised temporary differences	586	536	635	(361)	(405)
Unrecognised tax losses	—	1,293	1,149	924	670
Utilisation of tax losses previously not recognised	—	—	(371)	(126)	(3)
Withholding tax on dividends	—	—	1,252	554	1,101
Underprovision in previous years	—	62	—	—	281
Others	81	—	—	—	(33)
Actual tax expenses	2,528	6,866	6,311	3,456	5,318

13. DIRECTORS' REMUNERATION

All the directors of the Company, except independent non-executive directors, were members of the senior management of the Group throughout the Relevant Periods and they have been disclosed in the Financial Information as if they had already been appointed at the beginning of the Relevant Periods. The independent non-executive directors are disclosed in the Financial Information from the date of their appointment of the directors of the Company. Details of the remuneration of directors during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Fee	—	94	—	—	94
Salaries and other allowances	218	326	465	392	276
Bonus	59	192	—	—	113
Contribution to retirement scheme	5	5	6	3	2
	282	617	471	395	485

The remuneration of directors during the Relevant Periods are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Tan Chuan Hua *(executive director)*					
Fee	—	—	—	—	—
Salaries and other allowances	122	206	271	231	158
Bonus	29	105	—	—	58
Contribution to retirement scheme	5	5	6	3	2
	156	316	277	234	218
Geng Chang Sheng *(executive director)*					
Fee	—	—	—	—	—
Salaries and other allowances	96	120	194	161	118
Bonus	30	87	—	—	55
Contribution to retirement scheme	—	—	—	—	—
	126	207	194	161	173
Tan Cao *(non-executive director)*					
Fee	—	47	—	—	47
Salaries and other allowances	—	—	—	—	—
Bonus	—	—	—	—	—
Contribution to retirement scheme	—	—	—	—	—
	—	47	—	—	47

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Liu Chang *(non-executive director)*					
Fee	—	47	—	—	47
Salaries and other allowances	—	—	—	—	—
Bonus	—	—	—	—	—
Contribution to retirement scheme	—	—	—	—	—
	—	47	—	—	47
Du Xin Li *(independent non-executive director appointed on 4 September 2007)*					
Fee	—	—	—	—	—
Salaries and other allowances	—	—	—	—	—
Bonus	—	—	—	—	—
Contribution to retirement scheme	—	—	—	—	—
	—	—	—	—	—
Wong Yik Chung, John *(independent non-executive director appointed on 4 September 2007 and resigned on 10 November 2009)*					
Fee	—	—	—	—	—
Salaries and other allowances	—	—	—	—	—
Bonus	—	—	—	—	—
Contribution to retirement scheme	—	—	—	—	—
	—	—	—	—	—
Yu Ming Yang *(independent non-executive director appointed on 4 September 2007)*					
Fee	—	—	—	—	—
Salaries and other allowances	—	—	—	—	—
Bonus	—	—	—	—	—
Contribution to retirement scheme	—	—	—	—	—
	—	—	—	—	—
Total	282	617	471	395	485

Save as disclosed above, no emoluments was paid by the Group to the directors or any of the five highest paid individuals (note 14) during the Relevant Periods as an inducement to join or upon joining the Group or as compensation for loss of office. No directors have waived or agreed to waive any emoluments during the Relevant Periods.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the Relevant Periods included two directors of the Company whose remuneration is disclosed in note 13 above. Details of the emoluments paid by the Group to the remaining three non-director individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Salaries and other allowances	399	578	432	371	311
Bonus	76	—	—	—	109
Retirement scheme contributions	17	18	26	9	10
	492	596	458	380	430

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008** (*unaudited*)	**2009**
Nil up to HK$1,000,000	3	3	3	3	3

15. SEGMENT REPORTING

Over 90% of the Group's turnover, results and assets are derived from a single business segment of manufacture and sales of wooden handicrafts and accessories. No business segment is presented accordingly.

The Group's turnover and results from operations mainly derived from activities in the PRC. The principal assets of the Group are located in the PRC. Accordingly, no analysis by geographical segment is provided.

16. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interim dividends declared by					
The Company	—	—	—	—	15,000
CTBVI *(note a)*	5,000	—	—	—	—
	5,000	—	—	—	15,000
Final dividend proposed after the balance sheet date by:					
The Company	—	30,000	—	—	—
CTBVI *(note a)*	11,000	—	—	—	—
	11,000	30,000	—	—	—
	16,000	30,000	—	—	15,000

Note:

(a) During the year ended 31 December 2006, the Group's subsidiary CTBVI declared dividends to its then shareholders prior to the Corporate Reorganisation.

(b) The rates of dividend and the number of shares ranking for dividends are not presented as it is not indicative of the future dividend policy of the Company.

17. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, and on the assumption that 187,500,000 ordinary shares in issue or to be issued, comprising 5,000,000 ordinary shares in issue as at the date of this report and 182,500,000 ordinary shares to be issued pursuant to the capitalisation issue as more fully explained in the section "Written Resolutions of the Shareholders of the Company" in appendix V to the Prospectus.

There were no dilutive potential shares in issue during the Relevant Periods, the diluted earnings per share is same as the basic earnings per share during the Relevant Periods accordingly.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 18a)						
Cost or valuation							
At 1 January 2006	7,434	5,889	3,415	2,115	2,271	1,002	22,126
Additions	—	948	5,081	356	602	1,851	8,838
Disposals	—	(108)	(27)	(66)	(427)	—	(628)
At 31 December 2006	7,434	6,729	8,469	2,405	2,446	2,853	30,336
At 1 January 2007	7,434	6,729	8,469	2,405	2,446	2,853	30,336
Additions	8,711	2,328	3,770	1,087	465	518	16,879
Disposals	—	—	(1)	(84)	—	—	(85)
Transfer	1,842	—	—	—	—	(1,842)	—
At 31 December 2007	17,987	9,057	12,238	3,408	2,911	1,529	47,130
At 1 January 2008	17,987	9,057	12,238	3,408	2,911	1,529	47,130
Additions	—	1,015	671	757	646	2,216	5,305
Disposals	—	(114)	(35)	(85)	—	(127)	(361)
Transfer	2,330	—	—	—	—	(2,330)	—
Surplus on revaluation *(note 18b)*	246	—	—	—	—	—	246
Reclassification to investment properties *(note 18b)*	(3,400)	—	—	—	—	—	(3,400)
Exchange adjustments	—	(31)	—	—	—	—	(31)
At 31 December 2008	17,163	9,927	12,874	4,080	3,557	1,288	48,889
At 1 January 2009	17,163	9,927	12,874	4,080	3,557	1,288	48,889
Additions	236	171	28	47	246	99	827
Disposals	—	(564)	—	(47)	(289)	—	(900)
Exchange adjustments	—	2	—	—	—	—	2
At 30 June 2009	17,399	9,536	12,902	4,080	3,514	1,387	48,818
Comprising							
At cost							
— at 31 December 2006	7,434	6,729	8,469	2,405	2,446	2,853	30,336
— at 31 December 2007	17,987	9,057	12,238	3,408	2,911	1,529	47,130
— at 31 December 2008	17,163	9,927	12,874	4,080	3,557	1,288	48,889
— at 30 June 2009	17,399	9,536	12,902	4,080	3,514	1,387	48,818

	Buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 18a)						
Accumulated depreciation							
At 1 January 2006	699	347	2,019	957	860	—	4,882
Charge for the year	145	144	918	405	404	—	2,016
Written back on disposals	—	(2)	(19)	(46)	(406)	—	(473)
At 31 December 2006	844	489	2,918	1,316	858	—	6,425
At 1 January 2007	844	489	2,918	1,316	858	—	6,425
Charge for the year	189	563	941	534	507	—	2,734
Written back on disposals	—	—	(1)	(66)	—	—	(67)
Exchange adjustments	—	(4)	—	—	—	—	(4)
At 31 December 2007	1,033	1,048	3,858	1,784	1,365	—	9,088
At 1 January 2008	1,033	1,048	3,858	1,784	1,365	—	9,088
Charge for the year	395	1,070	1,021	580	485	—	3,551
Written back on disposals	—	(12)	(36)	(54)	—	—	(102)
Eliminated on revaluation *(note 18b)*	(114)	—	—	—	—	—	(114)
Exchange adjustments	—	(15)	—	—	—	—	(15)
At 31 December 2008	1,314	2,091	4,843	2,310	1,850	—	12,408
At 1 January 2009	1,314	2,091	4,843	2,310	1,850	—	12,408
Charge for the period	187	451	478	253	222	—	1,591
Written back on disposals	—	(269)	—	(33)	(221)	—	(523)
At 30 June 2009	1,501	2,273	5,321	2,530	1,851	—	13,476

	Buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 18a)						
Net book value							
At 31 December 2006	6,590	6,240	5,551	1,089	1,588	2,853	23,911
At 31 December 2007	16,954	8,009	8,380	1,624	1,546	1,529	38,042
At 31 December 2008	15,849	7,836	8,031	1,770	1,707	1,288	36,481
At 30 June 2009	15,898	7,263	7,581	1,550	1,663	1,387	35,342

Notes:

(a) All buildings are situated in the PRC and held for the Group's own use.

(b) During the year ended 31 December 2008, certain buildings of the Group held for own use were leased out to independent third parties under operating leases. Upon the change of use, the buildings were revalued at fair value with a surplus on revaluation of RMB360,000 recognised in the Group's property revaluation reserve, and the carrying value of the buildings of RMB3,400,000 was reclassified to investment properties. The fair values were arrived at on the basis of the valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and net rental income allowing for reversionary income potential.

19. PREPAID LEASE PAYMENTS

	Land use rights	Land deposits	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 19b)	*(Note 19c(i) to (iv))*	
Cost or valuation			
At 1 January 2006	6,498	1,920	8,418
Addition	—	9,824	9,824
Transfer *(note 19c(ii))*	1,994	(1,994)	—
At 31 December 2006	8,492	9,750	18,242
At 1 January 2007	8,492	9,750	18,242
Addition	7,410	—	7,410
At 31 December 2007	15,902	9,750	25,652
At 1 January 2008	15,902	9,750	25,652
Addition	—	1,088	1,088
Transfer *(note 19c(iii))*	8,042	(10,114)	(2,072)
Surplus on revaluation *(note 19d)*	1,887	—	1,887
Reclassification to investment properties *(note 19d)*	(3,800)	—	(3,800)
At 31 December 2008	22,031	724	22,755
At 1 January 2009 and 30 June 2009	22,031	724	22,755
Accumulated amortisation			
At 1 January 2006	622	—	622
Amortisation for the year	142	—	142
At 31 December 2006	764	—	764
At 1 January 2007	764	—	764
Amortisation for the year	182	—	182
At 31 December 2007	946	—	946

	Land use rights	Land deposits	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 19b)	*(Note 19c(i) to (iv))*	
At 1 January 2008	946	—	946
Amortisation for the year	465	—	465
Eliminated on revaluation *(note 19d)*	(50)	—	(50)
At 31 December 2008	1,361	—	1,361
At 1 January 2009	1,361	—	1,361
Amortisation for the period	248	—	248
At 30 June 2009	1,609	—	1,609
Net book value			
At 31 December 2006	7,728	9,750	17,478
At 31 December 2007	14,956	9,750	24,706
At 31 December 2008	20,670	724	21,394
At 30 June 2009	20,422	724	21,146

Notes:

(a) Analysed for reporting purposes as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	182	377	444	494
Non-current portion	17,296	24,329	20,950	20,652
	17,478	24,706	21,394	21,146

(b) The Group's prepaid lease payments comprise land use rights in the PRC as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Between 10 to 50 years	7,541	14,772	20,670	20,422
Over 50 years	187	184	—	—
	7,728	14,956	20,670	20,422

(c) (i) All land deposits were included in the non-current portion of prepaid lease payments during the Relevant Periods and were made for acquisition of the land use rights in the PRC.

(ii) The Group obtained the land use right title in relation to a deposit of RMB1,994,000 in 2006 and transferred the deposit to land use right during the year ended 31 December 2006.

(iii) In relation to a deposit of RMB9,750,000, RMB9,750,000 and RMB10,114,000 paid by the Group during the years ended 31 December 2006, 2007 and 2008, the Group obtained the land use right title in May 2008 and agreed with the vendor to reduce the consideration of acquisition of land use right to RMB8,042,000 as the acquisition of land size reduced. The deposit of RMB8,042,000 was transferred to land use right during the year ended 31 December 2008. The reduced consideration of RMB2,072,000 has been included in other receivables as at 31 December 2008 and 30 June 2009. In the opinion of the Company's directors, the amount will be settled before 31 December 2009.

(iv) In relation to a deposit of RMB724,000 as at 31 December 2008 and 30 June 2009, the Group is still in the process of applying the land use right title as at the date of this report. Pursuant to an agreement entered into between the Group and the vendor in October 2009, the vendor agreed to transfer the land to the Group for a consideration of RMB767,000.

(d) During the year ended 31 December 2008, certain lands of the Group held for own use were leased out to independent third parties under operating leases. Upon the change of use, the lands were revalued at fair value with a surplus on revaluation of RMB1,937,000 and was recognised in the Group's property revaluation reserve, and the carrying value of the lands of RMB3,800,000 was reclassified to investment properties. The fair values were arrived at on the basis of the valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and net rental income allowing for reversionary income potential.

20. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2006 and at 31 December 2006	—
At 1 January 2007 and at 31 December 2007	—
At 1 January 2008	—
Additions	19,870
Reclassification from land and buildings held for own use	7,200
Change of fair value	2,230
At 31 December 2008	29,300
At 1 January 2009	29,300
Change of fair value	4,940
At 30 June 2009	34,240

(a) The fair value of the Group's investment properties as at 31 December 2008 and 30 June 2009 have been arrived at on the basis of the valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and net rental income allowing for reversionary income potential.

(b) All of the Group's property interests held under operating leases to earn rentals purposes are measured using the fair value model and are classified and accounted for as investment properties.

(c) The Group's investment properties comprise land use rights in the PRC as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Between 10 to 50 years	—	—	27,570	32,390
Over 50 years	—	—	1,730	1,850
	—	—	29,300	34,240

21. INTANGIBLE ASSET

	Trademark
	RMB'000
Cost	
At 1 January 2006 and at 31 December 2006	1,037
At 1 January 2007 and at 31 December 2007	1,037
At 1 January 2008 and at 31 December 2008	1,037
At 1 January 2009 and at 30 June 2009	1,037
Accumulated amortisation	
At 1 January 2006	813
Amortisation for the year	104
At 31 December 2006	917
At 1 January 2007	917
Amortisation for the year	104
At 31 December 2007	1,021
At 1 January 2008	1,021
Amortisation for the year	16
At 31 December 2008	1,037
At 1 January 2009 and at 30 June 2009	1,037
Net book value	
At 31 December 2006	120
At 31 December 2007	16
At 31 December 2008	—
At 30 June 2009	—

(a) The amortisation expense has been included in administrative expenses in the combined income statements of the Group during the Relevant Periods.

(b) The trademark was contributed from the former shareholders of a subsidiary Carpenter Tan for their capital contribution in Carpenter Tan in 1998.

22. INVENTORIES

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	13,829	22,086	25,141	24,107
Work-in-progress	2,584	3,275	2,395	2,227
Finished goods	8,510	13,900	13,408	9,578
	24,923	39,261	40,944	35,912

The analysis of the amount of inventories recognised as an expense is as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	37,505	48,305	43,941	25,660
Write-down on inventories	865	972	3,688	1,148
	38,370	49,277	47,629	26,808

23. TRADE RECEIVABLES

Customers are generally required to make payments on the products prior to delivery. Credit terms within 30 days are granted to those customers with high credibility. An ageing analysis of the trade receivables is as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	635	696	423	336
Less: Allowance for doubtful debts *(note 23b)*	(28)	(6)	(3)	(4)
	607	690	420	332

(a) Ageing analysis of trade receivables is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	511	525	262	252
31 to 60 days	46	33	20	17
61 to 90 days	10	8	19	35
91 to 180 days	14	87	111	19
181 to 365 days	3	22	8	4
Over 1 year	51	21	3	9
	635	696	423	336

(b) Movements in allowance for doubtful debts

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is made against trade receivables directly.

The movement in the allowance for doubtful debts is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	15	28	6	3
Impairment loss recognised during the year/period	13	—	—	1
Reversal of impairment loss recognised in prior years	—	(22)	(3)	—
At the end of the year/period	28	6	3	4

Trade receivables are individually considered to be impaired in accordance with their ageing and their recoverability. The Group does not hold any collateral over these balances.

(c) The ageing analysis of trade receivables that are not impaired:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Past due but not impaired				
31 to 60 days	46	33	20	17
61 to 90 days	10	8	19	35
91 to 180 days	14	87	111	19
181 to 365 days	3	22	7	4
Over 1 year	23	15	1	5
	96	165	158	80
Neither past due nor impaired	511	525	262	252

At 31 December 2006, 2007, 2008 and 30 June 2009, trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management of the Group believe that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables *(note 24a)*	4,273	1,370	3,382	3,338
Less: Allowance for doubtful debts	(122)	(47)	(64)	(99)
	4,151	1,323	3,318	3,239
Trade and other deposits *(note 24a)*	7,472	6,253	1,816	3,267
Prepayments	4,270	7,677	12,886	15,236
VAT and other non-income tax recoverables	4,342	1,016	966	4,879
	20,235	16,269	18,986	26,621

Note:

(a) As at 31 December 2006, the Group's trade and other deposits and other receivables of RMB7,472,000 and RMB4,273,000 include an amount of RMB5,000,000 and RMB2,275,000 respectively in relation to formation of a subsidiary Lifestyle Handicrafts Company. The incorporation documents of Lifestyle Handicrafts Company were issued by the PRC regulatory authorities on 10 January 2007 and it was recognised as a subsidiary of the Group in 2007.

25. INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) **Current taxation in the combined statements of financial position represents:**

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for the year/period	2,528	6,804	4,501	2,701
Underprovision in prior years	—	62	—	281
	2,528	6,866	4,501	2,982
Tax refund/(paid)	(7,592)	1,925	(8,737)	(2,286)
	(5,064)	8,791	(4,236)	696
Balance of provision for income tax related to prior years	1,123	(3,941)	4,850	614
Income tax (recoverable)/payable	(3,941)	4,850	614	1,310

(b) **Deferred tax liabilities recognised:**

The components of deferred tax liabilities recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

	Revaluation of land and buildings	Revaluation of investment properties	Withholding tax on dividends	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006, 31 December 2006 and 2007 and 1 January 2008	—	—	—	—
Charge to combined income statement for the year/period *(note 12(a))*	—	558	1,252	1,810
Charge to equity for the year	574	—	—	574
At 31 December 2008	574	558	1,252	2,384
At 1 January 2009	574	558	1,252	2,384
Charge to combined income statement for the period *(note 12(a))*	—	1,235	1,101	2,336
At 30 June 2009	574	1,793	2,353	4,720

(c) **Deferred tax assets not recognised**

The Group has not recognised deferred tax assets in respect of accumulative tax losses of RMB1,229,000, RMB5,188,000, RMB10,906,000 and RMB13,824,000 at 31 December 2006, 2007, 2008 and 30 June 2009 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming two to five years, except for an amount of RMBnil, RMB239,000, RMB3,505,000 and RMB6,384,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively which do not expire under current tax legislation.

26. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.7% to 2.8%, 0.3% to 2.3%, 0.1% to 1.5% and 0.1% to 0.5% per annum for the years ended 2006, 2007 and 2008 and six months ended 30 June 2009 respectively.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the group entities are set out below:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	260	1,120	2,097	5,067
US$	1,545	1,211	551	383
Euro	144	255	247	14
	1,949	2,586	2,895	5,464

27. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount was unsecured, interest-free and repayable on demand. The amount due to ultimate holding company as at 30 June 2009 was fully settled on 8 December 2009.

28. BANK LOANS

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans repayable within one year				
— secured	10,000	—	10,000	—
— unsecured	20,000	20,000	30,000	50,000
	30,000	20,000	40,000	50,000

(a) The carrying amounts of all bank loans are denominated in RMB.

(b) During the Relevant Periods, the bank loans carry prevailing market interest rate in the PRC, except for the bank loans of RMB5,000,000 and RMB20,000,000 as at 31 December 2008 and 30 June 2009 respectively which carries fixed interest rate of 5.86% and 5.58%. The weighted average effective interest rates are 5.99%, 7.38%, 6.96% and 5.58% as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively.

(c) The secured bank loans as at 31 December 2006 and 2008 were pledged by the assets of the Group (note 35).

(d) The unsecured bank loans as at 31 December 2008 and 30 June 2009 include a loan of RMB10,000,000 and RMB10,000,000 respectively, of which certain directors of the Company and a subsidiary provided a joint guarantee to a bank (note 37d).

29. TRADE PAYABLES

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

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	1,288	2,029	818	1,409
31 days to 60 days	164	599	205	1,555
61 to 90 days	226	32	553	96
91 days to 180 days	641	132	18	24
181 days to 365 days	36	106	75	70
Over 1 year	51	995	947	157
	2,406	3,893	2,616	3,311

30. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	4,324	5,844	3,804	4,694
Dividend payable *(note 30(a))*	—	—	30,000	7,285
Current portion of long-term payable *(note 31)*	178	189	1,600	1,660
	4,502	6,033	35,404	13,639
VAT and other non-income tax payables	2,462	1,637	1,679	3,378
Trade deposits received	2,838	3,757	4,663	4,111
	9,802	11,427	41,746	21,128

Note:

(a) The dividend payable of RMB7,285,000 as at 30 June 2009 was fully settled in September 2009.

31. LONG-TERM PAYABLE

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term payable	5,205	5,026	5,174	5,371
Current portion *(note 30)*	178	189	1,600	1,660
Non-current portion	5,027	4,837	3,574	3,711
	5,205	5,026	5,174	5,371

Long-term payable is repayable as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	178	189	1,600	1,660
After 1 year but within 2 years	189	201	1,723	1,789
After 2 years but within 5 years	642	681	1,851	1,922
After 5 years	4,196	3,955	—	—
	5,205	5,026	5,174	5,371

The long-term payable is unsecured and interest free. On 16 November 2001, the Group's subsidiary Carpenter Tan entered into an agreement (the "Agreement") with Wanzhou District Asset Operation Company (萬州區資產經營公司) (the "Creditor"), an independent third party, to acquire certain buildings and land use rights in Chongqing, the PRC, for a consideration of RMB15,810,000, which included an unsecured and interest-free amount of RMB10,000,000 provided by the Creditor repayable by twenty annual installments, with the first installment commencing from 2002 and the final installment in 2021.

On 21 July 2008, Carpenter Tan and the Creditor entered into a supplementary repayment agreement (the "Supplementary Repayment Agreement"). Pursuant to the Supplementary Repayment Agreement, the outstanding long-term payable as at 21 July 2008 of approximately RMB7,994,000 will be repaid by annual installment of RMB2,000,000 for each of the three years ended/ending 31 December 2008, 2009 and 2010 and the final installment of approximately RMB1,994,000 for the year ending 31 December 2011.

The long-term payable as at 31 December 2006, 2007, 2008 and 30 June 2009 has been discounted to present value at an effective interest rate of 6.2%, 6.2%, 7.74% and 7.74% respectively.

32. DEFERRED INCOME

The amount represents the government grant of RMB1,000,000 received by the Group. The grant is recognised upon the fulfillment of condition that the Group purchases the property, plant and equipment and is deferred to recognise as income over the useful lives of the relevant assets. During the six months ended 30 June 2009, the entire grant was used for purchase of the Group's property, plant and equipment and the deferred income of RMB11,000 was released from deferred income to combined income statement.

33. SHARE CAPITAL

(a) The Corporate Reorganisation of the Group was completed on 30 August 2007, the share capital in the combined balance sheet of RMB406,000 as at 31 December 2006 represents the issued share capital of CTBVI.

(b) **The Company**

	Number of shares	**Amount**	
			equivalent to
		HK$'000	*RMB'000*
Ordinary shares of HK$0.01 each			
Authorised:			
On incorporation on 20 June 2006 and at 31 December 2006, 2007 and 2008 and 30 June 2009 *(note (i))*	38,000,000	380	354
Issued and fully paid:			
Issued at nil paid on incorporation on 20 June 2006 and at 31 December 2006 *(note (i))*	1	—	—
Issued during the year *(note (ii))*	4,999,999	50	47
At 31 December 2007 and 2008 and 30 June 2009	5,000,000	50	47

Notes:

(i) The Company was incorporated on 20 June 2006 with authorised share capital of HK$380,000, divided into 38,000,000 ordinary shares at par value of HK$0.01 each. On the date of incorporation, 1 share allotted and issued at nil paid to Lead Charm.

(ii) On 30 August 2007, the Company issued 4,999,999 ordinary shares at par value of HK$0.01 each and credited 1 issued share at nil paid as fully paid for the consideration of the acquisition of a subsidiary CTBVI, as further detailed in note c(ii) in the combined statements of changes in equity.

34. RESERVES

The movements of the Group's reserves are set out in the combined statements of changes in equity.

35. PLEDGE OF ASSETS

The Group pledged the carrying amounts of the following assets to secure bank loans (note 28) granted to the Group:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	5,956	—	6,613	—
Prepaid lease payments on land use rights	6,776	—	4,523	—
	12,732	—	11,136	—

36. COMMITMENTS

(a) **Capital commitments**

The Group had the following capital commitments as at respective balance sheet dates:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of				
— property, plant and equipment	428	59	—	632
— prepaid lease payments	—	—	160	160
	428	59	160	792

(b) **Operating lease commitments**

(i) The Group had aggregate future minimum lease payables under non-cancellable operating leases in respect of properties as at respective balance sheet dates as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,286	4,010	5,845	4,697
After one year but within five years	4,670	7,986	8,336	8,299
After five years	794	—	—	8,262
	6,750	11,996	14,181	21,258

Operating lease payments represent rentals payable by the Group for certain of its office and retail shops. Leases are negotiated for terms ranging from 1 to 10 years.

The above lease commitments represent basic rents only and do not include contingent rental payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated with reference to the relevant retail shops' turnover using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rental payable.

(ii) The Group leases out investment properties under operating lease. The leases negotiated for terms ranging from 1 to 3 years. None of the lease include contingent rental. The Group had aggregate future minimum lease receivables under non-cancellable operating leases in respect of properties as at respective balance sheet dates as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	480	506
After one year but within five years	—	—	310	77
	—	—	790	583

37. RELATED PARTY TRANSACTIONS

(a) The Group had the significant transactions with related parties during the Relevant Periods as follows:

	Notes	Nature of transactions	Year ended 31 December			Six months ended 30 June	
			2006	2007	2008	2008	2009
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Companies beneficially owned by a director, Tan Chuan Hua, and his close family members							
Chongqing Three Gorges Gas (Group) Company Limited	(i) (v)	Sales	(91)	(8)	(36)	(23)	—
Chongqing Wanzhou Julong Real Estate Development Co., Limited ("Julong")@	(i) (iv)	Sales	(15)	—	—	—	—
Zhongxian Sanxiafeng Hotel Limited ("Sanxiafeng Hotel")@	(i) (iv)	Sales	(36)	(26)	—	—	—
Directors and key management members							
Tan Chuan Hua	(i) (v)	Sales	(215)	—	—	—	—
Wang Ping	(iii) (iv)	Acquisition of interest in a subsidiary	—	1,200	—	—	—
Su Jian Ping	(i) (iv)	Sales	(721)	(253)	—	—	—
	(ii) (iv)	Trademark fee income	(36)	(18)	—	—	—

@ Julong and Sanxiafeng Hotel have ceased to be the related parties and have not beneficially owned by the close family members of a director of the Company since February 2007 and May 2007 respectively

(b) Except for those disclosed elsewhere in these financial statements, the Group had balances due from related parties as at the respective balance sheet dates as follows:

		As at 31 December 2006			As at 31 December 2007			As at 31 December 2008			As at 30 June 2009		
	Notes	**Trade**	**Non-trade**	**Total**	**Trade**	**Non-trade**	**Total**	**Trade**	**Non-trade**	**Total**	**Trade**	**Non-trade**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Companies beneficially owned by a director, Tan Chuan Hua, and his close family members													
Chongqing Three Gorges Natural Gas (Group) Limited		67	—	67	—	—	—	—	—	—	—	—	—
Julong		17	—	17	—	—	—	—	—	—	—	—	—
Sanxiafeng Hotel		29	—	29	—	—	—	—	—	—	—	—	—
Directors and key management													
Fan Cheng Qin		—	443	443	—	—	—	—	—	—	—	—	—
Geng Chang Sheng		—	17	17	—	10	10	—	12	12	—	17	17
Tan Cao		—	24	24	—	—	—	—	—	—	—	—	—
Tan Chuan Hua		156	1,610	1,766	—	454	454	—	4,695	4,695	—	7,272	7,272
Tan Yao		—	14	14	—	27	27	—	27	27	—	27	27
Su Jian Ping		—	59	59	—	15	15	—	—	—	—	—	—
Shareholders													
Dong Kun Zhu		—	4	4	—	—	—	—	3	3	—	3	3
He Ping		—	2	2	—	—	—	—	—	—	—	—	—
Huang Chao		—	3	3	—	—	—	—	—	—	—	—	—
Huang Ming Fen		—	2	2	—	—	—	—	—	—	—	—	—
Kong Xiang Hui		—	4	4	—	—	—	—	—	—	—	—	—
Li Lin		—	2	2	—	—	—	—	—	—	—	—	—
Li Ping		—	7	7	—	2	2	—	—	—	—	—	—
Liu Yu Ping		—	9	9	—	3	3	—	3	3	—	3	3
Ma Liang		—	5	5	—	—	—	—	—	—	—	—	—
Tan Song		—	3	3	—	19	19	—	19	19	—	19	19
Tan Xiao Chuan		—	13	13	—	22	22	—	—	—	—	—	—
Wang Zhi Ming		—	2	2	—	—	—	—	—	—	—	—	—
Xia Zhi Ping		—	7	7	—	3	3	—	—	—	—	—	—
Xiong Jian Cheng		—	2	2	—	—	—	—	—	—	—	—	—
Yu Wen Jian		—	8	8	—	—	—	—	—	—	—	—	—
Zhang Xiao Yan		—	2	2	—	—	—	—	—	—	—	—	—
Zhang Yao Cheng		—	2	2	—	—	—	—	—	—	—	—	—
Total due from related parties	(vi)	269	2,244	2,513	—	555	555	—	4,759	4,759	—	7,341	7,341

(c) Maximum non-trade outstanding balances due from related parties disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances are as follows:

	As at 1 January	Year ended 31 December			Six months ended 30 June
	2006	**2006**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Companies beneficially owned by a director, Tan Chuan Hua, and his close family members					
Chongqing Three Gorges Gas (Group) Company Limited	—	—	—	—	—
Julong	—	—	—	—	—
Sanxiafeng Hotel	—	—	—	—	—
Directors and key management members					
Fan Cheng Qin	179	443	443	—	—
Geng Chang Sheng	3	17	17	12	17
Liu Chang	2	—	—	—	—
Tan Cao	9	24	24	—	—
Tan Chuan Hua	187	1,610	1,610	4,695	7,272
Tan Yao	16	16	27	27	27
Su Jian Ping	1	59	59	15	—

(d) **Guarantees provided by related parties**

The Company's directors Geng Chang Sheng, Tan Cao and Tan Chuan Hua and a subsidiary of the Group provided a joint guarantee of RMB10,000,000 to a bank for bank loan granted to the Group during the year ended 31 December 2008 and the six months ended 30 June 2009 (note 28d).

(e) **Key management compensation**

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other allowances	617	904	897	763	587
Bonus	135	192	—	—	222
Retirement scheme contributions	22	23	32	12	12
	774	1,119	929	775	821

Notes:

(i) The transactions were based on the terms mutually agreed between the Group and the related parties. In the opinion of the Company's directors, these related party transactions were conducted in the ordinary course of business of the Group.

(ii) On 10 October 2005, Carpenter Tan and Mr. Su Jian Ping entered into an agreement for granting a trademark right of Carpenter Tan to Mr. Su Jian Ping at a service fee of RMB3,000 per month. On 30 June 2007, both parties entered into an agreement to terminate the service of granting the trademark right.

(iii) On 8 June 2007, Carpenter Tan acquired 10% equity interest in CQMY, in which Carpenter Tan held 90% equity interest since the incorporation of CQMY, from Ms. Wang Ping, a management staff of CQMY, for a consideration of RMB1,200,000.

(iv) In the opinion of the Company's directors, these related party transactions were discontinued at 31 December 2007.

(v) In the opinion of the Company's directors, these related party transactions are expected to continue after listing of the Company's shares on the Main Board on the Stock Exchange.

(vi) The amounts due from related parties were unsecured, interest free and had no fixed terms of repayment. All the amounts due from related parties as at 30 June 2009 were fully settled in September 2009.

38. SUBSEQUENT EVENTS

Subsequent to 30 June 2009, the Group had the following subsequent events:

Pursuant to written resolutions of the shareholders of the Company passed on 17 November 2009, the transactions which are set out in the section "Written Resolution of the Shareholders of the Company" in appendix V to the Prospectus had been taken into effect.

39. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors consider the immediate and ultimate holding company of the Company to be Lead Charm Investments Limited, a company incorporated in the British Virgin Islands throughout the Relevant Periods.

B. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 20 June 2006. The Company has not been commenced business, other than investment holding, since its incorporation up to 30 June 2009.

The particulars of the statements of financial position of the Company as at 31 December 2006, 2007, 2008 and 30 June 2009 are set out below:

	Note	**As at 31 December**			**As at 30 June**
		2006	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investment in a subsidiary	(a)	—	47	47	47
Current assets					
Other receivables, deposits and prepayments		39	36	34	34
Dividend receivable from a subsidiary		—	—	30,150	7,435
		39	36	30,184	7,469
Current liabilities					
Amount due to a subsidiary	(b)	89	83	79	79
Dividend payable	(c)	—	—	30,000	7,285
		89	83	30,079	7,364
Net current assets/(liabilities)		(50)	(47)	105	105
Total assets less current liabilities		(50)	—	152	152
CAPITAL AND RESERVES					
Share capital	(d)	—	47	47	47
Reserves		(50)	(47)	105	105
Total equity		(50)	—	152	152

Notes:

(a) Investment in a subsidiary CTBVI is stated at cost, the details of the CTBVI are set out in note 1 in Section A.

(b) Amount due to a subsidiary represents payable due to Carpenter Tan. The amount is unsecured, interest-free and repayable on demand.

(c) The dividend payable as at 30 June 2009 was fully settled in September 2009.

(d) The details of the Company's authorised and issued share capital are set out in note 33 in Section A.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Chan Wai Dune, Charles
Practising Certificate Number P00712

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide the prospective investors with further information about how the proposed listing might have affected the financial position of the Group after completion of the Share Offer.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance of the Group and financial position of the Group as at 30 June 2009 or at any future date.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company which has been prepared for the purpose of illustrating the effect of the Share Offer as if it had been taken place on 30 June 2009 and based on the audited combined net assets of the Group as at 30 June 2009 as shown in the accountants' report, the test of which is set out in appendix I to this prospectus, and is adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009	**Add: Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on an Offer Price of HK$2.15 per Share	117,057	100,862	217,919	0.872	0.991
Based on an Offer Price of HK$2.93 per Share	117,057	142,689	259,746	1.039	1.181

This statement has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group following the Share Offer.

Notes:

1. The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009 is extracted from the accountants' report as set out in appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$2.15 and HK$2.93 per Share, being the lowest point and the highest point in the estimated offer price range of HK$2.15 per Share to HK$2.93 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further information about the Company" in appendix V to this prospectus.

3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at based on the 250,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Further information about the Company" in appendix V of this prospectus.

4. By comparing the valuation of the Group's property interests of RMB103,540,000 as set out in appendix III to this prospectus and the unaudited net book value of these properties including buildings held for own use, investment properties and prepaid lease payments (excluding land deposits), of RMB70,342,000 as of 30 September 2009 as set out a page 204 in the Financial Information, the net valuation surplus is approximately RMB33,198,000, which has not been included in the above net tangible assets attributable to equity holders of the Company as of June 30, 2009. The revaluation of the Group's property interests other than investment properties will not be incorporated in the Group's financial statements. If the revaluation surplus is to be included in the Group's financial statements, an additional depreciation and amortisation charge for the year of approximately RMB664,000 related to buildings held for own use and prepaid lease payments would be recorded.

5. The unaudited pro forma adjusted net tangible asset per share is translated into HK$ at exchange rate of RMB0.88 to HK$1 as of the Latest Practicable Date.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

15 December 2009

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CARPENTER TAN HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Carpenter Tan Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the placing and public offer of the shares of the Company might have affected the financial information presented, for inclusion in appendix II to the prospectus of the Company dated 15 December 2009 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Section A in appendix II to the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2009 or at any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong,

Chan Wai Dune, Charles
Practising Certificate Number P00712

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this Prospectus and received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations as at 30 September 2009 of the properties of the Group.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

15 December 2009

The Directors
Carpenter Tan Holdings Limited
5th Floor, Block C
Seaview Estate
2-8 Watson Road
North Point
Hong Kong

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the properties in which Carpenter Tan Holdings Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 September 2009.

Definition of Market Value

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances restrictions and outgoings of any onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules of Hong Kong Stock Exchange and Clearing Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by Global Law Office, the Group's legal advisor, are set out in the notes in the respective valuation certificate.

Method of Valuation

In valuing Property Nos. 1 and 2 in Group I, which is held and occupied by the Group for owner-occupation in the PRC, we have adopted "Depreciated Replacement Cost" ("DRC") Approach due to the special nature of the properties. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate potential profitability of the business.

In valuing Property Nos. 3 to 4 of Group I and the Properties in Group II, which are held by the Group for owner-occupation or investment in the PRC respectively, we have used by direct comparison method by making reference to comparable sales evidence available in the relevant market, or where appropriate by investment method by capitalizing the current rent passing derived from the existing tenancies with due provisions for reversionary income potential.

The properties in Group III and Group IV, which are leased to the Group in the PRC and Hong Kong respectively, have no commercial value due mainly to prohibition against assignment a sub-letting or otherwise due to lack of substantial profit rent.

The property in Group V which is contracted to be acquired by the Group in the PRC, we have been advised by the Group that the Certificate for the Use of State-owned Land of the property has not been obtained yet and we have ascribed no commercial value to the property.

Source of Information

We have been provided with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its PRC legal advisors on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, identification of buildings, particulars of occupancy, joint venture agreements, articles of association, development schemes, construction costs, site and gross floor area and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior and, where possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all money amounts stated herein are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUATION

	Property	Capital value in existing as at 30 September 2009 *RMB*
Group I — Properties held by the Group for owner-occupation in the PRC		
1.	An industrial complex situated in Longbao Shuanghekou (Light Industrial Park), Wanzhou District, Chongqing, the PRC	29,000,000
2.	A parcel of land and two buildings erected thereon situated in Bazu, Bianjia Village, Wanzhou District, Chongqing, the PRC	3,300,000
3.	A parcel of land situated in Wanzhou District Industrial Park, Shuanghekou, Wanzhou District, Chongqing, the PRC	16,000,000
4.	Levels 43 and 44, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing, the PRC	21,000,000
	Sub-total:	69,300,000
Group II — Properties held by the Group for investment in the PRC		
5.	A residential unit situated at No. 1-8-3, No. 8 Huangjiaoping Street, Jiulongpo District, Chongqing, the PRC	390,000

	Property	Capital value in existing as at 30 September 2009
		RMB
6.	Unit Nos. 2-5, 2-6, 2-7 and 2-8, Block A7, Jiazhou Garden, Longxi Road, Yubei District, Chongqing, the PRC	1,850,000
7.	Portion of Level 42, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing, the PRC	6,000,000
8.	Nos. 701-703, 703A, 705-713, 713A, 715, 723 and 723A, 7th Floor, North Tower of Junefield Plaza, Nos. 6, 8, 10, 12, 16 and 18 Xuanwu Menwai Street, Xuanwu District, Beijing, the PRC	26,000,000
	Sub-total:	34,240,000

Group III — Properties leased to the Group in the PRC

9.	Wanzhou Agricultural Resources Logistics Distribution Bianjia Village, Wanzhou District, Chongqing, the PRC	No commercial value
10.	Unit 1F-61, Level 4, No. 120 Zourong Road, Yuzhong District, Chongqing, the PRC	No commercial value

	Property	Capital value in existing as at 30 September 2009 *RMB*
11.	No. 95 Laomatou Nanbin Road, Nanan District, Chongqing, the PRC	No commercial value
12.	Block B, Level 2 of Block C and portion of Level 1 of District B, Jinyun Market, Wanzhou District, Chongqing, the PRC	No commercial value
13.	No. 25 attached to No. 12 of the third village of Jianbei, Jianbei District, Chongqing, the PRC	No commercial value
14.	No. 81 attached to No. 6 the fourth Zhongshan Road, Yuzhong District, Chongqing, the PRC	No commercial value
15.	No. C8, Level 1, Guomei Plaza, Zourong Road, Yuzhong District, Chongqing, the PRC	No commercial value
16.	Shop facade of No. 255 Baiyan Road, Wanzhou District, Chongqing, the PRC	No commercial value
	Sub-total:	No commercial value

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 September 2009 *RMB*
Group IV — Properties leased to the Group in Hong Kong	
17. Unit No. 6C, 5th Floor, Block C, Sea View Estate, No. 8 Watson Road, North Point, Hong Kong	No commercial value
18. HOK33, Hong Kong MTR Station, Central, Hong Kong	No commercial value
19. MTR Station Kiosk No. MOK 26 at Mong Kok Station, Mongkok, Hong Kong	No commercial value
20. Shop I1, West Arm Central Terminal Building, Central Piers 7 (Star Ferry), Man Yiu Street, Central, Hong Kong	No commercial value
21. Shop 1029, 1/F, Tuen Mun Town Plaza, Phase 1, Tuen Mun, Hong Kong	No commercial value
Sub-total:	No commercial value

Property	Capital value in existing state as at 30 September 2009 *RMB*
Group V — Property contracted to be acquired by the Group in the PRC after the date of valuation	
22. A parcel of land situated in Bazu, Bianjia Village, Wanzhou District , Chongqing, the PRC	
Grand-total:	103,540,000

VALUATION CERTIFICATE

Group I — Properties held by the Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
1.	An industrial complex situated in Longbao Shuanghekou (Light Industrial Park), Wanzhou District, Chongqing, the PRC	The property comprises an industrial complex erected upon seven plots of land having a total site area of approximately 53,801 sq.m.. The property comprises various buildings with building ownership certificates with a total gross floor area of 25,395.37 sq.m. and various structures completed in the period between 1999 and 2006. The land use rights of the property have been granted for a term due to expire on 5 March 2052 for industrial use.	Portion of the property is currently occupied by the Group for factory, office, canteen, dormitory and other ancillary facilities uses. Portion of the property, comprising a total gross floor area of 9,905.54 sq.m. has been leased to Chongqing City Wan Zhou Qu Ziqiang Muye Limited, a wholly owned subsidiary of the Group, for a term from 1 July 2007 to 30 June 2010 at a monthly rent of RMB50,000 for factory and office uses. Portion of the property, comprising a gross floor area of 385 sq.m., has been leased to Chongqing Meiyu Accessories Company Limited, a wholly owned subsidiary of Chongqing Carpenter Tan Handicrafts Co., Ltd., for a term from 15 June 2009 to 14 June 2010 at a monthly rent of RMB385 for office and factory uses.	RMB29,000,000

Notes:

(1) According to 7 Certificates for the Use of State-owned Land Nos. (2004) 394 to (2004) 400 all dated 1 September 2004, the land use rights of the property with a total site area of 53,801 sq.m. have been granted to Chongqing Carpenter Tan Handicrafts Co., Ltd. due to expire on 5 March 2052.

(2) According to 16 Building Ownership Certificates Nos. (301) 034192, (301) 034194-(301) 034205, (301) 04985, (301) 05345 and (301) 01192 dated between 28 September 2002 and 5 March 2008, the building ownership of the property with a total gross floor area of 25,395.3772 sq.m. have been vested in Chongqing Carpenter Tan Handicrafts Co., Ltd.

(3) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as solely-owned enterprise with a registered capital of RMB17,379,150.

(4) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) Chongqing Carpenter Tan Handicrafts Co., Ltd. is entitled to use, transfer, lease or mortgage the property within the land use term granted at no extra land premium payable to any relevant authority;

(ii) The current use of the property complies with the prescribed land use of the property; and

(iii) The property is not subject to other mortgage, seizure or restriction.

(5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
2.	A parcel of land and two buildings erected thereon situated in Bazu, Bianjia Village, Wanzhou District, Chongqing, the PRC	The property comprises a parcel of land with a site area of approximately 13,334 sq.m.. There are a 2-storey residential building and a single storey canteen building erected on the land completed in the period between 2004 and 2006. As advised by the Group, the total gross floor area of the property is approximately 340 sq.m.. The land use rights of the property have been granted for a term due to expire on 7 August 2041 for industrial use.	The building portion of the property is currently occupied by the Group for residential and canteen uses. The remaining land portion of the property is currently vacant.	RMB3,300,000

Notes:

(1) As per the information provided by the Group, the total gross floor area of the property is 340 sq.m. The Building Ownership Certificate for the building portion of the property has not been obtained. We have not assigned value for such buildings.

On the assumption that the Group has been granted the Building Ownership Certificate for such buildings, the capital value in existing state of such buildings as at 30 September 2009 was RMB150,000.

(2) According to Certificate for the Use of State-owned Land No. (2006) 00362, the land use rights of the property comprising a site area of 13,334 sq.m. have been granted to Chongqing Carpenter Tan Handicrafts Co., Ltd. due to expire on 7 August 2041 for industrial use.

(3) According to a Transfer Contract of Land Use Rights entered into between Wanzhou District, Shuanghekou Huanbao Development Co., Ltd. (Party A) and Chongqing Carpenter Tan Handicrafts Co., Ltd. (Party B) dated 23 June 2003, Party A has agreed to transfer the land use rights of the property, comprising a site area of 13,320 sq.m. to Party B at a consideration of RMB1,510,400.

(4) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as a solely-owned enterprise with a registered capital of RMB17,379,150.

(5) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) Chongqing Carpenter Tan Handicrafts Co., Ltd. is entitled to use, transfer, lease or mortgage the property within the land use term granted at no extra land premium payable to any relevant authority;

(ii) The current use of the property complies with the prescribed land use of the property; and

(iii) The property is not subject to any mortgage, seizure or restriction.

(6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Transfer Contract of Land Use Rights	Yes
Building Ownership Certificate	No
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
3.	A parcel of land situated in Wanzhou District Industrial Park, Shuanghekou, Wanzhou District, Chongqing, the PRC	The property comprises a parcel of land with a site area of 78,751 sq.m.. The land use rights of the property have been granted for a term due to expire on 24 April 2058 for industrial use.	The property is currently a vacant site.	RMB16,000,000

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2008)00320, the land use rights of the property comprising a site area of 78,751 sq.m. have been granted to Chongqing Carpenter Tan Handicrafts Co., Ltd. due to expire on 24 April 2058 for industrial use.

(2) According to the Grant Contract of Land Use Rights dated 24 April 2008 entered into between The People's Government of Wanzhou District, Chongqing (Party A) and Chongqing Carpenter Tan Handicrafts Co., Ltd. (Party B), Party A agreed to transfer the land use rights of the property with a site area of 78,751 sq.m. for development at a total consideration of RMB12,135,844.

(3) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as a solely-owned enterprise with a registered capital of RMB17,379,150.

(4) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The property is not subject to any mortgage, seizure or restriction;

(ii) Chongqing Carpenter Tan Handicrafts Co., Ltd. has paid an amount of RMB9,750,000 for the land premium according to the document of "Land payment of Wooden Accessory Project of Chongqing Carpenter Tan Handicrafts Co., Ltd".

According to the "Approval of the transfer of Land Use Rights at Binjia Shuanghekou with a site area of 78,751 sq m", the site area of the land has been reduced from 100,001 sq.m. to 78,751 sq.m.. The Committee of Wanzhou Industrial District has promised to return an amount of RMB2,071,778 to the Company for the reduction in site area during the construction period.

However, the transaction payment in the document is below the price of the lowest land price standard. The Company has no liability in this issue; and

(iii) The current use of the property complies with the prescribed land use of the property.

(5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
4.	Levels 43-44, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing, the PRC	The property comprises the office space on levels 43 to 44 of a 45-storey office tower erected on a 5-storey commercial podium with basement completed in 2007. The property has a total gross floor area of approximately 1,847.12 sq.m.. The land use rights of the property have been granted for a term due to expire on 31 March 2045 for commercial service use.	The property is currently vacant.	RMB21,000,000

Notes:

(1) According to 2 Building Ownership Certificates Nos. 15299 and 15301 dated 29 July 2008, the building ownership of the property, comprising a gross floor area of 1,847.12 sq m has been vested in Chongqing Carpenter Tan Handicrafts Co., Ltd.

(2) According to 2 Sale and Purchase Contracts dated 14 February 2007 entered into between Chongqing Yingli Real Estate Development Company Limited (Party A) and Chongqing Carpenter Tan Handicrafts Co., Ltd. (Party B), Party B has purchased the property from Party A for details as follows:

Floor	Use	Land Use Term		Gross Floor Area	Consideration
				sq.m.	*RMB*
43	Office	Due to expire on 31 March 2045		970.92	5,462,520
44	Office	Due to expire on 31 March 2045		875.51	4,925,690
			Total:	1,846.43	10,388,210

(3) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as a solely-owned enterprise with a registered capital of RMB17,379,150.

(4) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The Sale and Purchase Contracts stated in Note (2) above are legal, valid and binding to both parties;

(ii) Chongqing Carpenter Tan Handicrafts Co., Ltd. is entitled to use, transfer, lease or mortgage the property within the land use term granted at no extra land premium payable to any relevant authority; and

(iii) The property is not subject to any mortgage, seizure or restriction.

(5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Building Ownership Certificate	Yes
Sale and Purchase Contract	Yes
Business Licence	Yes

Group II — Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
5.	A residential unit situated at No. 1-8-3, No. 8 Huangjiaoping Street, Jiulongpo District, Chongqing, the PRC	The property comprises a residential unit on level 8 of a 14-storey residential building completed in 2003. The property has a gross floor area of approximately 133.16 sq.m.. The land use rights of the property have been granted for a term due to expire on 28 May 2051 for residential use.	The property is currently leased to a third party for 1 year from 19 January 2009 to 18 January 2010 at a monthly rent of RMB1,200.	RMB390,000

Notes:

(1) According to a Commodity Housing Sale and Purchase Contract dated 11 July 2003, Chongqing Carpenter Tan Handicrafts Co., Ltd. purchased the property at a consideration of RMB183,770.

(2) According to Certificate for the Use of State-owned Land No. (2004)18473 dated 22 September 2004, the land use rights of the property with a site area of 17.38 sq.m. have been granted to Chongqing Carpenter Tan Handicrafts Co., Ltd. for a term due to expire on 28 May 2051 for residential use.

(3) According to Building Ownership Certificate No. (105)104612 issued on 18 February 2004, the building ownership of the property, comprising a gross floor area of 133.16 sq.m., has been vested in Chongqing Carpenter Tan Handicrafts Co., Ltd.

(4) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as a solely-owned enterprise with a registered capital of RMB17,379,150.

(5) The opinion of the Group's legal advisor on PRC laws states, inter alias that:

(i) Chongqing Carpenter Tan Handicrafts Co., Ltd. is entitled to use, transfer, lease or mortgage the property within the land use term granted at no extra land premium payable to any relevant authority.

(ii) The property is not subject to any mortgage, seizure or restriction.

(6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
6.	Unit Nos. 2-5, 2-6, 2-7 and 2-8, Block A7, Jiazhou Garden, Longxi Road, Yubei District, Chongqing, the PRC	The property comprises four residential units on level 2 of a 30-storey residential building completed in 1998. The property has a total gross floor area of 577.96 sq.m.. The land use rights of the property have been granted for a term due to expire on 25 May 2062 for residential use.	A portion of the property with a gross floor area of 424.42 sq.m. is currently leased to Zhonghai Indoor Environment Testing Co., Ltd. for a term of 1 year from 15 April 2009 to 14 April 2010 at an annual rent of RMB50,000.	RMB1,850,000

Notes:

(1) According to 4 Real Estate Sale and Purchase Contracts dated 29 September 2002, Chongqing Carpenter Tan Handicrafts Co., Ltd. purchased the property at a total consideration of RMB664,654.

(2) According to 4 Certificates for the Use of State-owned Land Nos. (2002) 23631, (2002) 23632, (2002) 23633, (2002) 23634 dated 19 December 2002, the land use rights of the property with a total site area of 25.60 sq.m. have been granted to Chongqing Carpenter Tan Handicrafts Co., Ltd. for a term due to expire on 25 May 2062 for residential use.

(3) According to 4 Building Ownership Certificates Nos. (201) 079390, (201) 079392, (201) 079945 and (201) 079970 issued on 18 February 2004, the building ownership of the property, comprising a total gross floor area of 577.96 sq.m. has been vested in Chongqing Carpenter Tan Handicrafts Co., Ltd.

(4) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as a solely-owned enterprise with a registered capital of RMB17,379,150.

(5) The opinion of the Group's legal advisor on PRC laws states, inter alias that:

(i) Chongqing Carpenter Tan Handicrafts Co., Ltd. is entitled to use, transfer, lease or mortgage the property within the land use term granted at no extra land premium payable to any relevant authority; and

(ii) The property is not subject to any mortgage, seizure or restriction.

(6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
7.	Portion of Level 42, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing, the PRC	The property comprises the office space on portion of level 42 of a 45-storey office tower erected on a 5-storey commercial podium with basement completed in 2007. The property has a gross floor area of approximately 538.23 sq.m.. The land use rights of the property have been granted for a term due to expire on 31 March 2045 for commercial service use.	The property has been leased to a third party for a term of 2 years from 1 September 2008 to 30 August 2010 at a monthly rent of RMB38,753.	RMB6,000,000

Notes:

(1) According to Building Ownership Certificate No. 15300 dated 29 July 2008, the building ownership of the property, comprising a gross floor area of 538.23 sq m, has been vested in Chongqing Carpenter Tan Handicrafts Co., Ltd.

(2) According to the Sale and Purchase Contract dated 14 February 2007 entered into between Chongqing Yingli Real Estate Development Company Limited (Party A) and Chongqing Carpenter Tan Handicrafts Co., Ltd. (Party B), Party B has purchased the property from Party A at a consideration of RMB2,941,190.

(3) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as a solely-owned enterprise with a registered capital of RMB17,379,150.

(4) The opinion of the Group's PRC legal advisor on PRC laws states, inter-alia, that:

(i) The Sale and Purchase Contract stated in Note (2) above is legal, valid and binding to both parties;

(ii) Chongqing Carpenter Tan Handicrafts Co., Ltd. is entitled to use, transfer, lease or mortgage the property within the land use term granted at no extra land premium payable to any relevant authority; and

(iii) The property is not subject to any mortgage, seizure or restriction.

(5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Real Estate Title Certificate	Yes
Sale and Purchase Contract	Yes
Business Licences	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
8.	Nos. 701-703, 703A, 705-713, 713A, 715, 723 and 723A, 7th Floor, North Tower of Junefield Plaza, Nos. 6, 8, 10, 12, 16 and 18 Xuanwu Menwai Street, Xuanwu District, Beijing, the PRC	The property comprises 17 office units on Level 7 of a 20-storey office building completed in 2002. The property has a total gross floor area of approximately 2,021.02 sq.m. with details as follows:-	A portion of the property with a gross floor area of 934.13 sq.m. has been leased to a third party for a term from 14 August 2009 to 13 August 2012 at a monthly rent of RMB85,239.36 (exclusive of management fee). The remaining portion of the property is vacant.	RMB26,000,000

Unit	Level	Approximate Planned Gross Floor Area (sq.m.)
701	7	227.31
702	7	140.02
703	7	117.54
703A	7	81.93
705	7	88.39
706	7	81.93
707	7	81.93
708	7	88.39
709	7	81.93
710	7	96.43
711	7	101.09
712	7	134.65
713	7	134.88
713A	7	100.84
715	7	96.43
723	7	140.02
723A	7	227.31
Total:		**2,021.02**

The land use rights of the property have been granted for a term expiring on 21 March 2044 for office use.

Notes:

(1) According to Building Ownership Certificate No. 028590, the building ownership of the property, comprising a gross floor area of 2,021.02 sq m, has been vested in Beijing Carpenter Tan Handicrafts Co., Ltd. for office use.

(2) According to Deposit Payment Agreement entered into between Okabe Co., Ltd. (Party A) and Beijing Carpenter Tan Handicrafts Co., Ltd. (Party B), Party B has purchased the property from Party A at a consideration of RMB19,280,530.

(3) According to Business Licence No. 110104011457020, Beijing Carpenter Tan Handicrafts Co., Ltd. was incorporated as a limited company on 12 November 2008 with a registered capital of RMB10,000,000.

(4) The opinion of the Group's PRC legal advisor on PRC laws states, inter-alia, that:

(i) Beijing Carpenter Tan Handicrafts Co., Ltd. is entitled to use, transfer, lease or mortgage the property within the land use term granted at no extra land premium payable to any relevant authority.

(5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Building Ownership Certificate	Yes
Business Licence	Yes

Group III — Properties leased to the Group in the PRC

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
9.	Wanzhou Agricultural Resources Logistics Distribution, Bianjia Village, Wanzhou District, Chongqing, the PRC	The property has a gross floor area of approximately 2,080 sq. m. and is currently occupied by the Group for logistics use. The property is currently leased from Shunfeng Agricultural Resources Co., Ltd., an independent third party, to Zijiang Muye for a term of one year from 15 December 2009 to 14 December 2010 at an annual rent of RMB92,527.50.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The lessor of the property has not provided any title document to prove that it is the legal owner of the property and therefore the title of the property is unclear. If the proper legal owner of the property is not Shunfeng Agricultural Resources Co., Ltd., the relevant lease agreement will be in full force and effect after the ratification or consent by the proper legal owner of the property. However, the proper legal owner may repudiate the existing lease agreement already entered between the Group and Shunfeng Agricultural Resources Co., Ltd., while the Group may be compelled to quit from the property. If the proper legal owner of the property is Shunfeng Agricultural Resources Co., Ltd., the relevant lease agreement is legal and in full force and effect. However, if the property has not obtained a valid building ownership certificate under relevant PRC laws and regulations because of the reasons that the statuary building construction procedures have not been followed or complied with, or the land of the property is not allowed to be used for non-agriculture construction purpose, such building may be forfeited or demolished by any relevant departments of the PRC government.

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
10.	Unit 1F-61, Level 4, No. 120 Zourong Road, Yuzhong District, Chongqing, the PRC	The property comprises a unit of a 32-storey composite building completed in 2000. The property has a total gross floor area of approximately 340 sq.m. and is occupied by the Group as retail. The property is currently leased from an independent third party, to Chongqing Meiyu Accessories Company Limited for a term from 8 May 2009 to 7 June 2019 with a rent free period of 30 days from the commencement date of the tenancy. The monthly rent from 8 June 2009 to 7 June 2012 is RMB109,000. From 8 June 2012 to 7 June 2015, there will be a 1% rent increment for each year. From 8 June 2015 to the end of the tenancy period, there will be a 2% rent increment each year. The said rent is exclusive of management fee, water, utility fees and others.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The title of the property is held by the lessor and the lease is valid and enforceable.

(ii) The lease has not been duly registered in the relevant government authorities.

(iii) According to the PRC laws, the current usage of the property is in compliance with the prescribed usage of the property.

(iv) The property is not subject to any mortgage or security.

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
11.	No. 95 Laomatou Nanbin Road, Nanan District, Chongqing, the PRC	The property comprises a 5-storey building completed in 2006. The property has a total gross floor area of approximately 1,515 sq.m. and is currently occupied by the Group for retail, exhibition and warehouse uses. The property is currently leased from Chongqing Shudi Property Development Company Limited, an independent third party, to the Group for a term from 1 August 2008 to 19 August 2012. The monthly rent for the first year is RMB20,000. From the beginning of the 2nd year to the end of the tenancy period, there will be a 6% rent increment each year.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The title of the property is held by the lessor and the lease is valid and enforceable.

(ii) The lease has not been duly registered in the relevant government authorities.

(iii) According to the PRC laws, the current usage of the property is in compliance with the prescribed usage of the property.

(iv) The property is not subject to any mortgage or security.

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
12.	Block B, Level 2 of Block C and portion of Level 1 of District B, Jinyun Market, Wanzhou District, Chongqing, the PRC	The property comprises the warehouse portion of a 13-storey building erected in 2001. The property has a total gross floor area of 3,900 sq.m. and is currently occupied by the Group as warehouse and office. The property is currently leased from an independent third party to the Group for a term of 2 years from 21 July 2008 to 20 July 2010 at an annual rent of RMB190,000, exclusive of water, utilities fees and others.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The title of the property is held by the lessor and the lease is valid and enforceable.

(ii) The lease has not been duly registered in the relevant government authorities.

(iii) The current usage of the property is compliance with the prescribed usage of the property.

(iv) The property is not subject to any mortgage or security.

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
13.	No. 25 attached to No. 12 of the third village of Jianbei, Jiangbei District, Chongqing, the PRC	The property comprises a unit of an 8-storey residential building completed in 1999. The property has a total gross floor area of approximately 97 sq.m. and is occupied by the Group for retail and office uses. The property is currently leased from Liu Qing-sheng, an independent third party, to the Group for a term of 1 year from 1 September 2009 to 31 August 2010 at a monthly rent of RMB2,000, exclusive of management fees and utilities charges.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The title of the property is held by the lessor and the lease is valid and enforceable.

(ii) The lease has not been duly registered in the relevant government authorities.

(iii) The current usage of the property is compliance with the prescribed usage of the property.

(iv) The property is not subject to any mortgage or security.

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
14.	No. 81 attached to No. 6 the fourth Zhongshan Road, Yuzhong District, Chongqing, the PRC	The property comprises a unit of an 8-storey office building completed in 1988. The property has a gross floor area of approximately 30 sq.m. and is currently occupied by the Group for retail use. The property is currently leased from Chongqing Hongjian Real Estate Company Limited, an independent third party, to the Group for a term of 1 year from 1 January 2009 to 31 December 2009 at an annual rent of RMB41,000, exclusive of water, utilities fees and others.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The title of the property is held by the lessor and the lease is valid and enforceable.

(ii) The lease has not been duly registered in the relevant government authorities.

(iii) According to the PRC laws, the current usage of the property is in compliance with the prescribed usage of the property.

(iv) The property is not subject to any mortgage or security.

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
15.	No. C8, Level 1, Guomei Plaza, Zourong Road, Yuzhong District, Chongqing, the PRC	The property comprises a unit with a gross floor area of approximately 20 sq.m. in Guomei Plaza and is currently occupied by the Group for retail use. The property is currently leased from an independent third party for a term of at least 2 years from 21 May 2009 at a monthly rent of RMB27,500, exclusive of management fees and utilities charges.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The title of the property is held by the lessor and the lease is valid and enforceable.

(ii) The lease has not been duly registered in the relevant government authorities.

(iii) According to the PRC laws, the current usage of the property is in compliance with the prescribed usage of the property.

(iv) The property is not subject to any mortgage or security.

(v) The property is a temporary building. Approval has been obtained for the use of building until 8 December 2009. Approval for extension is required. As informed by the Group, the owner of the property is applying the extension approval for the use of building. If the approval cannot be obtained, the building may be subject to demolition.

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
16.	Shop facade of No. 255 Baiyan Road, Wanzhou District, Chongqing, the PRC	The property comprises a retail unit of a 2-storey building completed in 1992. The property has a gross floor area of 59.28 sq.m. and is currently occupied by the Group for retail and office uses. The property is currently leased from an independent third party to the Group for a term from 28 September 2009 to 27 September 2010 at an annual rent of RMB13,000.	No commercial value

Notes:

(1) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The title of the property is held by the lessor and the lease is valid and enforceable.

(ii) The lease has not been duly registered in the relevant government authorities.

(iii) According to the PRC laws, the current usage of the property is in compliance with the prescribed usage of the property.

Group IV — Properties leased to the Group in Hong Kong

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
17.	Unit No. 6C, 5th Floor, Block C, Sea View Estate, No. 8 Watson Road, North Point, Hong Kong	The property comprises a workshop unit of a 15-storey industrial building completed in 1966. The property has a gross floor area of 59.28 sq.m. and is currently occupied by the Group for administration office use. The property is currently leased from an independent third party to the Group for a term from 1 July 2009 to 31 December 2009 at a monthly rent of HK$6,000 inclusive of rates and management fees.	No commercial value
18.	HOK33, Hong Kong MTR Station, Central, Hong Kong	The property comprises a shop unit inside the Hong Kong MTR Station. The property has a gross floor area of approximately 39 sq.m. and is currently occupied by the Group for retail use. The property is currently leased from an independent third party to the Group for a term of 3 years from 1 September 2007 to 31 August 2010 at a monthly rent of HK$75,000 in the first year, HK$80,000 in the second year and HK$85,000 in the third year.	No commercial value
19.	MTR Station Kiosk No. MOK 26 at Mong Kok Station, Mongkok, Hong Kong	The property comprises a shop unit inside the Mongkok MTR Station. The property has a gross floor area of approximately 14.77 sq.m. and is currently occupied by the Group for retail use. The property is currently leased from an independent third party to the Group for a term of 3 years from 14 July 2008 to 13 July 2011 at a monthly rent of HK$60,000 in the first year, HK$63,000 in the second year and HK$66,000 in the third year.	No commercial value

	Property	Property description and tenancy particulars	Capital value in existing state as at 30 September 2009
20.	Shop I1, West Arm Central Terminal Building, Central Piers 7 (Star Ferry), Man Yiu Street, Central, Hong Kong	The property comprises a shop unit at the West Arm Central Terminal Building. The property has a gross floor area of approximately 31.96 sq.m. and is currently occupied by the Group for retail use. The property is currently leased from an independent third party to the Group for a term of 1 year from 1 July 2009 to 30 June 2010 at a monthly rent of the higher of HK$28,000 or 15% of the monthly gross receipts.	No commercial value
21.	Shop 1029, 1/F, Tuen Mun Town Plaza, Phase 1, Tuen Mun, Hong Kong	The property comprises a shop unit in Phase 1 shopping arcade of Tuen Mun Town Plaza completed in 1988. The property has a gross floor area of approximately 22.20 sq.m. and is currently occupied by the Group for retail use. The property is currently leased from an independent third party to the Group for a term of 2 years from 18 February 2008 to 17 February 2010 at a monthly rent of the higher of HK$50,190 in the first year and HK$52,580 in the second year, or 15% of the monthly gross sales turnover.	No commercial value

Group V — Property contracted to be acquired by the Group in the PRC after the date of valuation

	Property	Description and tenure	Particulars of occupancy
22.	A parcel of land situated in Bazu, Bianjia Village, Wanzhou District , Chongqing, the PRC	The property comprises a parcel of land with a site area of approximately 4,868 sq.m. The land use rights of the property have been granted for a term of 40 years from 25 June 2001 to 6 August 2041 for industrial use.	The property is currently vacant.

(1) According to the Transfer Contract of Land Use Rights dated 12 October 2009 entered into between Chongqing Wanzhou Shuanghe Huanbao Kaifa Co., Ltd. (Party A) and Chongqing Carpenter Tan Handicrafts Co., Ltd. (Party B), Party A agreed to transfer the land use rights to Party B at a consideration of RMB766,700.

(2) According to Business Licence No. 500018, Chongqing Carpenter Tan Handicrafts Co., Ltd., a wholly owned subsidiary of the Group, was incorporated as a solely-owned enterprise with a registered capital of RMB17,379,150.

(3) The opinion of the Group's legal advisor on PRC laws states, inter alias, that:

(i) The contract is legal and valid under PRC laws; and

(ii) The Group is in the course of obtaining the Certificate for the use of State-owned Land.

(4) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Transfer Contract of Land Use Rights	Yes
Business Licence	Yes

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 June 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 November 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%)

per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 4 July 2006.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 June 2006. The Company has established a place of business in Hong Kong at 5th Floor, Block C, Seaview Estate, 2-8 Watson Road, North Point, Hong Kong and was registered with the Registrar of Companies as an oversea company under Part XI of the Companies Ordinance on 25 November 2006. Mr. Chan Hon Wan of Flat F, 26/F, Block 1, Tung Chung Crescent, Tung Chung, New Territories, Hong Kong, has been appointed as the agent of the Company for the acceptance of service of process and notices in Hong Kong. As the Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises a memorandum of association and the articles of association. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital

(a) As at the date of incorporation of the Company, its authorised share capital was HK$380,000 divided into 38,000,000 shares of HK$0.01 each, one of which was allotted and issued nil paid, to Lead Charm.

(b) As consideration for the acquisition by the Company of the entire issued share capital of CTBVI from Lead Charm and Fame Good, a total of 4,524,644 and 475,355 Shares, credited as fully paid, were allotted and issued to Lead Charm and Fame Good respectively; and the nil paid Share held by Lead Charm was credited as fully paid at par on 30 August 2007.

(c) By written resolutions of the shareholders of the Company passed on 17 November 2009, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of a further 9,962,000,000 Shares to rank pari passu with the existing Shares in all respects.

Assuming that the Share Offer becomes unconditional, the Capitalisation Issue is completed and the Offer Shares are issued and taking no account of any Share which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company will be HK$2,500,000 divided into 250,000,000 Shares, fully paid or credited as fully paid.

Save as aforesaid and those as mentioned in the paragraph headed "Written resolutions of the shareholders of the Company" below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. **Written resolutions of the shareholders of the Company**

Written resolutions were passed by the Shareholders on 17 November 2009 pursuant to which:

(a) the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of a further 9,962,000,000 Shares to rank pari passu with the existing Shares in all respects;

(b) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued under the Share Offer and the Capitalisation Issue and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme and the obligations of the Underwriters under the Underwriting Agreements being unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived by the Underwriters on or before such dates and times) :

(i) the Company approved and adopted the new Articles of Association;

(ii) the Public Offer and the Placing were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Public Offer and the Placing;

(iii) the rules of the Share Option Scheme (its principal terms are set out in the paragraph headed "Share Option Scheme" in this appendix in this prospectus) were approved and adopted and the committee of Directors as referred to in the Share Option Scheme was authorised, at its absolute discretion, to implement the same, to grant options thereunder and to allot, issue and deal with the Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iv) conditional on the share premium account being credited as a result of the Share Offer, the Directors were authorised to capitalise HK$1,825,000 standing to the credit of the Company's share premium account towards paying up in full at par 182,500,000 Shares for allotment and issue to holders of Shares whose names appeared on the register of members of the Company at the close of business on 17 November 2009 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in the Company; and

(v) the over-allotment Option was approved and the Directors were authorised to allot and issue any shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option;

(c) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of options granted under the Share Option Scheme or any Shares allotted in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or the Share Offer, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option). Such mandate to expire at the conclusion of the next annual general meeting of the Company; or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association to be held; or when revoked or varied by an ordinary resolution of Shareholders in general meeting of the Company, whichever occurs first;

(d) a general unconditional mandate was given to the Directors authorising the purchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option). Such mandate to expire at the conclusion of the next annual general meeting of the Company; or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association to be held; or when revoked or varied by an ordinary resolution of Shareholders in general meeting of the Company, whichever occurs first; and

(e) the general unconditional mandate as mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (d) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue.

4. **Corporate reorganisation**

The companies comprising the Group underwent a reorganisation to rationalise its structure in preparation for the Listing and as a result of which the Company became the holding company of the Group.

The corporate reorganisation involved the following:

(a) CTBVI was incorporated in the BVI on 2 July 2004 with an authorised capital of US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each. The entire share capital of CTBVI has been issued and is fully paid up, of which 4,524,645 shares (representing approximately 90.49% of the issued share capital in CTBVI) and 475,355 shares (representing approximately 9.51% of the issued share capital in CTBVI) were held by Lead Charm and Fame Good respectively.

(b) CTHK was incorporated in Hong Kong on 10 September 2004 with an authorised share capital of HK$10,000, divided into 10,000 shares of HK$1.00 each. One share of CTHK was issued and allotted to the initial subscriber of CTHK, and credited as fully paid, and such share was subsequently transferred to CTBVI on 30 December 2004.

(c) On 29 July 2005, Carpenter Tan entered into a liquidation agreement with Shanghai S-point Industrial Design Co., Ltd, pursuant to which CTLS was liquidated and deregistered from the Administration of Industry and Commerce in November 2005.

(d) On 2 November 2005, Carpenter Tan, Tan Yao and CTHK entered into an "Equity Transfer Agreement", pursuant to which Carpenter Tan transferred its 5% equity interest in Little Carpenter to CTHK in consideration of HK$140,000, and Tan Yao transferred her 20% equity interest in Little Carpenter to CTHK in consideration of HK$550,000.

(e) On 6 November 2005, the 23 original shareholders of Carpenter Tan entered into an "Equity Transfer Agreement" with CTHK, pursuant to which the 23 original shareholders of Carpenter Tan transferred 100% of their equity interests in Carpenter Tan to CTHK.

(f) Lead Charm and Fame Good have entered into a memorandum of loan agreement and two supplemental agreements with Princeton on 9 March 2006, 7 November 2006 and 13 July 2007. Accordingly, Princeton agreed to lend HK$23,473,106 and HK$2,466,894 to Lead Charm and Fame Good, respectively. Lead Charm and Fame Good will transfer the relevant numbers of Shares (valued at the Offer Price) held by them to Princeton as repayment for the loan. However, Lead Charm, Fame Good and Princeton has entered into a repayment agreement dated 20 February 2009, pursuant to which, Lead Charm and Fame Good will repay HK$23,473,106 and HK$2,466,894 respectively to Princeton within 12 months from the date of such repayment agreement without charging any interest and/or penalty. On such basis, Lead Charm and Fame Good will not transfer any Shares to Princeton prior to or upon the Listing.

(g) CQMY was incorporated in the PRC on 25 April 2006 with registered capital of RMB12,000,000. As at the date of incorporation, the equity interests of CQMY were held by Carpenter Tan as to 90% and Madam Wang Ping as to 10%.

(h) On 8 June 2007, Carpenter Tan has entered into an equity transfer agreement with Madam Wang Ping, pursuant to which Madam Wang Ping transferred to Carpenter Tan her 10% equity interest in CQMY in consideration of RMB 1,200,000.

(i) The Company was incorporated in the Cayman Islands on 20 June 2006 with authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, one of which was allotted and issued nil paid, to the subscriber to the Memorandum and Articles of Association and such Share was subsequently transferred to Lead Charm.

(j) Lifestyle Handicrafts Company was incorporated in the PRC on 10 January 2007 with registered capital of RMB5,000,000. The entire equity interest of Lifestyle Handicrafts Company is held by Carpenter Tan.

(k) Munan Handicrafts was incorporated in the PRC on 25 August 2007 with registered capital of RMB100,000. The entire equity interest of Munan Handicrafts is held by Lifestyle Handicrafts Company.

(l) Xiangnan Handicrafts was incorporated in the PRC on 25 August 2007 with registered capital of RMB100,000. The entire equity interest of Xiangnan Handicrafts is held by Lifestyle Handicrafts Company.

(m) Chennan Handicrafts was incorporated in the PRC on 25 August 2007 with registered capital of RMB100,000. The entire equity interest of Chennan Handicrafts is held by Lifestyle Handicrafts Company.

(n) On 29 August 2007, the Company has entered into a "Sale and Purchase Agreement" inter alia with Lead Charm and Fame Good whereby the Company acquired the entire issued share capital of CTBVI in consideration of the Company (i) allotting and issuing a total of 4,999,999 Shares, credited as fully paid, to Lead Charm and Fame Good; and (ii) crediting as fully paid at par the 1 nil paid Share held by Lead Charm.

(o) CT Development was incorporated in Hong Kong on 18 March 2008 with an authorised share capital of HK$10,000 divided into 10,000 shares with a par value of HK$1.00 each, one share of which has been issued to the initial subscriber and such share was subsequently transferred to CTHK on 10 April 2008.

(p) Hao Yu Handicrafts was incorporated in the PRC on 6 August 2008 with registered capital of RMB100,000. The entire equity interest of Hao Yu Handicrafts is held by Lifestyle Handicrafts Company.

(q) Beijing Carpenter Tan was incorporated in the PRC on 12 November 2008 with registered capital of RMB10,000,000. The entire equity interest of Beijing Carpenter Tan is held by Lifestyle Handicrafts Company.

(r) Upon the share premium account of the Company being credited as a result of the Share Offer, HK$1,825,000 standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full 182,500,000 shares in the Company for allotment and issue to Lead Charm and Fame Good for their respective shareholdings prior to listing.

5. **Changes in share capital of subsidiaries**

The subsidiaries of the Company are referred to in the accountant's report, the text of which is set out in Appendix I to this prospectus.

(a) *CQMY*

On 8 June 2007, Carpenter Tan and Wang Ping entered into a "CQMY Equity Transfer Agreement", pursuant to which Wang Ping transferred her 10% shareholding in CQMY to Carpenter Tan.

(b) *Lifestyle Handicrafts Company*

Lifestyle Handicrafts Company was incorporated in the PRC on 10 January 2007 with registered capital of RMB5,000,000.

(c) *Munan Handicrafts*

Munan Handicrafts was incorporated in the PRC on 25 August 2007 in the PRC with registered capital of RMB100,000.

(d) *Xiangnan Handicrafts*

Xiangnan Handicrafts was incorporated in the PRC on 25 August 2007 in the PRC with registered capital of RMB100,000.

(e) *Chennan Handicrafts*

Chennan Handicrafts was incorporated in the PRC on 25 August 2007 in the PRC with registered capital of RMB100,000.

(f) *CT Development*

CT Development was incorporated in Hong Kong on 18 March 2008 with an authorised share capital of HK$10,000 divided into 10,000 shares with a par value of HK$1.00 each, one share of which has been issued to the initial subscriber and such share was subsequently transferred to CTHK on 10 April 2008.

(g) *Chongqing Carpenter Sales*

Chongqing Carpenter Sales was incorporated in the PRC on 7 April 2008 with registered capital of RMB3,000,000. Chongqing Carpenter Sales has not commenced business and was deregistered on 23 October 2008.

(h) *Chengdu Carpenter Sales*

Chengdu Carpenter Sales was incorporated in the PRC on 14 April 2008 with registered capital of RMB1,000,000. Chengdu Carpenter Sales has not commenced business and was deregistered on 12 December 2008.

(i) *Hao Yu Handicrafts*

Hao Yu Handicrafts was incorporated in the PRC on 6 August 2008 with registered capital of RMB100,000.

(j) *Beijing Carpenter Tan*

Beijing Carpenter Tan was incorporated in the PRC on 12 November 2008 with registered capital of RMB10,000,000.

Save as disclosed herein and in the paragraph headed "Corporate reorganisation" above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the issue of this prospectus.

6. **Repurchase by the Company of its own securities**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities, which must be fully paid up in the case of shares, on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders of the company, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to written resolutions of the shareholders of the Company passed on 17 November 2009, subject to the fulfillment of certain conditions, a general unconditional mandate (the "repurchase mandate") was given to the Directors authorising the Directors to exercise all powers of the Company (including the power to determine the manner of repurchase) to repurchase on the Stock Exchange or any other stock exchange recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option) at any time until the conclusion of the next annual general meeting of the Company or when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the Articles of Association to be held, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any purchase by the Company may be made out of the profits of the Company or out of a fresh issue of shares made for the purpose of the purchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on redemption or purchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of shares will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purchase in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands and Hong Kong.

(d) *Share capital*

Exercise in full of the repurchase mandate, on the basis of 250,000,000 Shares in issue immediately after the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), could accordingly result in up to 25,000,000 Shares being repurchased by the Company during the period prior to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and (iii) the revocation or variation of the repurchase mandate by ordinary resolution of shareholders of the Company in general meeting, whichever is the earliest.

(e) *Dealing restrictions*

Pursuant to the Listing Rules, the Company:

(i) shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange;

(ii) shall not purchase its Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time;

(iii) shall not knowingly purchase its Shares from a connected person and a connected person shall not knowingly sell Shares to the Company, on the Stock Exchange;

(iv) shall procure that any broker appointed by the Company to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request;

(v) shall not purchase its Shares on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of:

(i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, the Company may not purchase its Shares on the Stock Exchange, unless the circumstances are exceptional;

(vi) may not purchase its Shares on the Stock Exchange if that purchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage for the Company as determined by the Listing Rules from time to time.

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, there are exceptional circumstances.

(f) *Reporting requirements*

The Company shall:

(i) report to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the Company makes a purchase of shares (whether on the Stock Exchange or otherwise), information required under the Listing Rules and/or by the Stock Exchange. The Company should make arrangements with its brokers to ensure that they provide to the Company in a timely fashion the necessary information to enable the Company to make the report to the Stock Exchange; and

(ii) include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review pursuant to the Listing Rules.

(g) *Status of purchased shares*

The listing of all Shares which are purchased by the Company (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon purchase. The Company shall ensure that the documents of title of the purchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

(h) *General*

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates, has any present intention, if the repurchase mandate is exercised, to sell any Shares to the Company or any of its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands. The Company shall not purchase Shares otherwise than by cash or arrange for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. The Company shall procure the broker who effects the purchase to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

No connected person has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases of Shares pursuant to the repurchase mandate.

7. **Information about the Group's subsidiaries in the PRC**

(a)	Name:	Chongqing Carpenter Tan Handcrafts Company Limited (重慶譚木匠工藝品有限公司)
	Date of establishment:	6 March 1997
	Place of establishment:	The PRC
	Type of enterprise:	Wholly-owned (Hong Kong investment)
	Term:	6 March 1997 to 19 December 2035
	Registered capital:	RMB17,379,150

	Attributable interest of the Company:	100%
	Scope of business:	Production, processing and sale of furniture, wooden combs, horn combs, wooden products, handicrafts, manually made shoes, knitwear, embroideries, and export business of such products, imports of raw materials and accessories required for the production of the enterprise, processing, operation of wood business, and engaged in commercial activities by way of franchise operations. (for those involving licenses, by way of licenses)
	Legal representative:	Mr. Tan
	Directors:	Mr. Tan Geng Changsheng Tan Cao Liu Chang
(b)	Name:	Chongqing Little Carpenter Handicraft Company Limited (重慶小木匠工藝品有限公司)
	Date of establishment:	6 August 2003
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability
	Term:	From 6 August 2003 to 24 January 2036
	Registered capital:	RMB1,000,000
	Attributable interest of the Company:	100%
	Scope of business:	Production, processing and sale of furniture, wooden combs, horn combs, wooden products, handicrafts, manually made shoes (for those involving licenses, by way of licenses)
	Legal representative:	Geng Chang Sheng
	Directors:	Geng Chang Sheng Mr. Tan Tan Cao

(c)	Name:	Chongqing City Wan Zhou Qu Ziqiang Muye Company Limited (重慶市萬州區自強木業有限公司)
	Date of establishment:	26 February 2004
	Place of establishment:	The PRC
	Nature:	Company with limited liability
	Term:	Perpetual
	Registered capital:	RMB2,000,000
	Attributable interest of the Company:	100%
	Scope of business:	Production, processing and sale of furniture, wooden combs, horn combs, wooden products, handicrafts (other than special items stipulated by the State), manually made shoes, knitwear, embroideries, acquisition of agricultural products.
	Legal representative:	Mr. Tan
	Directors:	Mr. Tan Tan Cao Mrs. Tan Tan Yao
(d)	Name:	Chongqing Meiyu Accessories Company Limited (重慶美裕飾品有限公司)
	Date of establishment:	25 April 2006
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability
	Term:	Perpetual
	Registered capital:	RMB12,000,000
	Attributable interest of the Company:	100%
	Scope of business:	Production, processing and sale of wooden and other materials' household products and decoration, and the wholesale and retail of products in the same type as above mentioned.

	Legal representative:	Wang Ping
	Executive Director:	Wang Ping
(e)	Name:	Chongqing Carpenter Tan Lifestyle Handicrafts Store Company Limited (重慶譚木匠手工館有限公司)
	Date of establishment:	10 January 2007
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability
	Term:	Perpetual
	Registered capital:	RMB 5,000,000
	Attributable interest of the Company:	100%
	Scope of business:	Sale of furniture, wooden products, horn products, handicrafts, knitwear, embroideries, and import and export of goods (businesses that are prohibited by the laws and regulations cannot be carried out, and businesses that are restricted by the laws and regulations can only be carried out after permission is obtained)
	Legal representative:	Mr. Tan
	Executive Director:	Mr. Tan
(f)	Name:	Chongqing Carpenter Tan Munan Lifestyle Handicrafts Company Limited (重慶譚木匠木楠手工館有限公司)
	Date of establishment:	25 August 2007
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability
	Term:	Perpetual
	Registered capital:	RMB100,000
	Attributable interest of the Company:	100%

	Scope of business:	Sale of furniture, wooden products, horn products, handicrafts, knitwear, embroideries, and import and export of goods (businesses that are prohibited by the laws and regulations cannot be carried out, and businesses that are restricted by the laws and regulations can only be carried out after permission is obtained)
	Legal representative:	Tan Difu (譚棣夫)
	Executive Director:	Tan Difu (譚棣夫)
(g)	Name:	Chongqing Carpenter Tan Xiangnan Lifestyle Handicrafts Company Limited (重慶譚木匠香楠手工館有限公司)
	Date of establishment:	25 August 2007
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability
	Term:	Perpetual
	Registered capital:	RMB100,000
	Attributable interest of the Company:	100%
	Scope of business:	Sale of furniture, wooden products, horn products, handicrafts, knitwear, embroideries, and import and export of goods (businesses that are prohibited by the laws and regulations cannot be carried out, and businesses that are restricted by the laws and regulations can only be carried out after permission is obtained)
	Legal representative:	Tan Difu (譚棣夫)
	Executive Director:	Tan Difu (譚棣夫)
(h)	Name:	Chongqing Carpenter Tan Chennan Lifestyle Handicrafts Company Limited (重慶譚木匠沈楠手工館有限公司)
	Date of establishment:	25 August 2007
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability

	Term:	Perpetual
	Registered capital:	RMB100,000
	Attributable interest of the Company:	100%
	Scope of business:	Sale of furniture, wooden products, horn products, handicrafts, knitwear, embroideries, and import and export of goods (businesses that are prohibited by the laws and regulations cannot be carried out, and businesses that are restricted by the laws and regulations can only be carried out after permission is obtained)
	Legal representative:	Tan Difu (譚棣夫)
	Executive Director:	Tan Difu (譚棣夫)
(i)	Name:	Chongqing Hao Yu Handicrafts Company Limited (重慶好榆工藝品有限公司)
	Date of establishment:	6 August 2008
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability
	Term:	Perpetual
	Registered capital:	RMB100,000
	Attributable interest of the Company:	100%
	Scope of business:	Sale of handicrafts, furniture, wooden products, daily goods, knitwear, import and export of goods (other than businesses that are prohibited by the laws and regulations, businesses that are restricted by the laws and regulations can only be carried out after permission is obtained) “the above scope of business cannot be carried out if prohibited by the laws and regulations; where businesses require approval pursuant to the laws and regulations, these businesses cannot be carried out before such approval is obtained”
	Legal representative:	Tan Difu (譚棣夫)
	Executive Director:	Tan Difu (譚棣夫)

(j)	Name:	Beijing Carpenter Tan Handicrafts Company Limited (北京譚木匠工藝品有限公司)
	Date of establishment:	12 November 2008
	Place of establishment:	The PRC
	Type of enterprise:	Company with limited liability
	Term:	12 November 2008 to 11 November 2058
	Registered capital:	RMB 10,000,000
	Attributable interest of the Company:	100%
	Scope of business:	Sale (not including retail) of handicrafts, furniture, wooden products, knitwear, import and export of goods.
	Legal representative:	Tan Difu (譚棣夫)
	Executive Director:	Tan Difu (譚棣夫)

As advised by the Company's legal advisors as to the PRC laws, the registered capital of each of Carpenter Tan, Little Carpenter, Ziqiang Muye, CQMY, Lifestyle Handicrafts Company, Munan Handicrafts, Xiangnan Handicrafts, Chennan Handicrafts, Hao Yu Handicrafts and Beijing Carpenter Tan has been fully paid within the time limit prescribed under the respective articles of association and the relevant PRC laws and regulations.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) A CQMY equity transfer agreement (重慶美裕飾品有限公司股權轉讓協議) dated 8 June 2007 entered into between Carpenter Tan and Wang Ping, pursuant to which Wang Ping agreed to sell, and Carpenter Tan agreed to purchase 10% shareholding in CQMY at a total consideration of RMB1,200,000.

(b) A termination agreement in respect of trademark licence agreement (商標使用許可協議之終止協議) dated 30 June 2007, entered into between Su Jian Ping and Carpenter Tan, pursuant to which the trademark licence agreement dated 10 October 2005 was terminated.

(c) A sale and purchase agreement dated 29 August 2007 entered into between Lead Charm and Fame Good as the vendors, the Company as the purchaser and Mr. Tan, Mrs. Tan, Mr. Tan Cao, and Ms. Tan Yao as warrantors, pursuant to which Lead Charm and Fame Good agreed to sell, and the Company agreed to purchase an aggregate of 5,000,000 shares of US$0.01 each in CTBVI (being its entire issued share capital) at a consideration which was settled by the Company (i) by allotting and issuing an aggregate of 4,524,644 shares and 475,355 shares to Lead Charm and Fame Good respectively, and credited as fully paid, and (ii) crediting the 1 nil paid share held by Lead Charm as fully paid.

(d) A sale and purchase of assets agreement (買賣資產合同協議) dated 30 September 2008 entered into between CTHK and CT Development pursuant to which CTHK agreed to sell and CT Development agreed to purchase the assets owned by CTHK.

(e) A confirmation on sale and purchase and novation of lease (資產買賣及租約轉戶完成確認書) dated 30 September 2008 entered into between CTHK and CT Development confirming, inter alia, the completion of the sale and purchase agreement dated 30 September 2008.

(f) A deed of indemnity dated 14 December 2009 executed by Mr. Tan, Mrs. Tan, Ms. Tan Yao, Mr. Tan Cao, Lead Charm and Fame Good in favour of the Group containing, inter alia, the indemnities referred to in the paragraph headed "Estate duty, tax and other indemnity" below; and

(g) The Public Offer Underwriting Agreement, the details of which are set out in the section headed "Underwriting" in this prospectus.

2. **Intellectual property rights**

(a) As at the Latest Practicable Date, the Group was the registered owner of the following trademarks in the PRC:

Trademark	**Class**	**Verified use of commodities**	**Registration Number**	**Effective period**
谭木匠 Carpenter Tan	21 *(Note 1)*	Combs, brushes, brush-making materials (excluding toothbrush), broad brushes, fine-toothed combs	1028396	14 June 1997 to 13 June 2007 (extended effective period from 14 June 2007 to 13 June 2017)
	21 *(Note 1)*	Combs, brushes, brush-making materials (excluding toothbrush), broad brushes, fine-toothed combs	1033851	21 June 1997 to 20 June 2007 (extended effective period from 21 June 2007 to 20 June 2017)
先生	21 *(Note 1)*	Wooden combs	1128001	21 November 1997 to 20 November 2007 (extended effective period from 21 November 2007 to 20 November 2017)
小姐	21 *(Note 1)*	Wooden combs	1130107	28 November 1997 to 27 November 2007 (extended effective period from 28 November 2007 to 27 November 2017)
谭木匠 Carpenter Tan	20 *(Note 2)*	Furniture, bamboo and wooden handicrafts, horn-made handicrafts	1200389	21 August 2008 to 20 August 2018
	20 *(Note 2)*	Furniture, bamboo and wooden handicraft, horn-made handicrafts	1200390	21 August 2008 to 20 August 2018

Trademark	Class	Verified use of commodities	Registration Number	Effective period
	21 *(Note 1)*	Combs, large-toothed combs for the hair, comb cases, fine-toothed combs, combs for animals	1613004	7 August 2001 to 6 August 2011
	21 *(Note 1)*	Combs, large-toothed combs for the hair, comb cases, fine-toothed combs, combs for animals	1613005	7 August 2001 to 6 August 2011
小木匠	21 *(Note 1)*	Combs, comb cases, fine-toothed combs, vanity cases, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	1620959	28 August 2001 to 27 August 2011
老木匠	21 *(Note 1)*	Combs, comb cases, fine-toothed combs, vanity cases, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	1620960	28 August 2001 to 27 August 2011
譚 記	21 *(Note 1)*	Combs, comb cases, fine-toothed combs, vanity cases, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	1620961	28 August 2001 to 27 August 2011
小魯班	21 *(Note 1)*	Combs, comb cases, fine-toothed combs, vanity cases, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	1620967	28 August 2001 to 27 August 2011

Trademark	Class	Verified use of commodities	Registration Number	Effective period
老木匠	20 *(Note 2)*	Office furniture, furniture, dressing tables, book shelves, computer rack, bamboo and wooden handicrafts, mirrors, picture frames, unprocessed or semi-processed horn, teeth or shell products, washstands	1624993	28 August 2001 to 27 August 2011
小木匠	20 *(Note 2)*	Office furniture, furniture, dressing tables, book shelves, computer rack, bamboo and wooden handicrafts, mirrors, picture frames, unprocessed or semi-processed horn, teeth or shell products, washstands	1624994	28 August 2001 to 27 August 2011
[illegible]	25 *(Note 3)*	Shoes (footwear), galoshes, wooden shoes, sport shoes, slippers, bath sandals, boots, lace boots, beach shoes and sandals	1636323	21 September 2001 to 20 September 2011
CARPENTER TAN	20 *(Note 2)*	Furniture, unprocessed or semi-processed horn, teeth or shell products, bamboo and wooden handicrafts	1766203	14 May 2002 to 13 May 2012
譚木匠	20 *(Note 2)*	Furniture, unprocessed or semi-processed horn, teeth or shell products, bamboo and wooden handicrafts	1766204	14 May 2002 to 13 May 2012
CARPENTER TAN	21 *(Note 1)*	Combs, comb cases, fine-toothed combs, vanity cases, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	3014930	28 March 2003 to 27 March 2013
譚木匠	21 *(Note 1)*	Combs, comb cases, fine-toothed combs, vanity cases, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	3014931	28 March 2003 to 27 March 2013

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚木匠	35 *(Note 4)*	Promotion (for others)	3008363	14 April 2003 to 13 April 2013
譚木匠	40 *(Note 5)*	Woodworking, timber felling and wood processing	3008364	14 April 2003 to 13 April 2013
CARPENTER TAN	35 *(Note 4)*	Promotion (for others)	3008365	14 April 2003 to 13 April 2013
CARPENTER TAN	40 *(Note 5)*	Woodworking, timber felling and wood processing	3008366	14 April 2003 to 13 April 2013
譚木匠 CARPENTER TAN	26 *(Note 6)*	Barrett, hair ornaments, pins (other than jewellery), barrett (hair grip), bows for the hair, sewing boxes, knitting needles	3014961	14 August 2003 to 13 August 2013
	21 *(Note 1)*	Combs, fine-toothed combs, cosmetic utensils, vanity cases, brushes	3306646	21 May 2004 to 20 May 2014
	40 *(Note 5)*	Woodworking	3306648	28 April 2004 to 27 April 2014
	20 *(note 2)*	Furniture, bamboo and wooden handicrafts	3306645	7 April 2004 to 6 April 2014
	21 *(note 1)*	Combs, large-toothed combs for the hair, comb cases, fine-toothed horn combs, combs for animals, chopsticks, drinking vessels, shoe horns, make-up brushes, cosmetic utensils	3715956	21 November 2005 to 20 November 2015
	20 *(note 2)*	Furniture, wooden boxes or plastic boxes, mirrors (looking glasses), bamboo and wooden handicrafts, unprocessed or half-processed horn, teeth, shell products, lacquer craftworks, furniture fittings not of metal, furniture partitions of wood, pillows, door fittings not of metal	3715824	7 December 2005 to 6 December 2015

Trademark	Class	Verified use of commodities	Registration Number	Effective period
	40 *(note 5)*	Woodworking, sawing (saw mill), planning (saw mill), timber felling and processing, engraving, abrasion	3715825	28 August 2005 to 27 August 2015
	35 *(note 4)*	Sales promotion for others, Import-export agencies, procurement services for others (purchasing goods and services for other businesses) advertising matter, advertising devise, advertisement plan, evaluation of standing timber, evaluation of standing timber	3715826	28 August 2005 to 27 August 2015
譚木匠	6 *(note 2)*	Metalwares, ordinary metal craftworks, metal doors, metal pipes	3922121	14 April 2006 to 13 April 2016
以木立信	34 *(note 8)*	Tobacco pipes	4004977	28 March 2006 to 27 March 2016
以木立信	21 *(note 1)*	Combs, large-toothed combs for the hair, comb cases, electric combs, fine-toothed combs, brushes, toothpicks, vanity cases, combs for animals, animal bristles	4004958	28 December 2006 to 27 December 2016
以木立信	20 *(note 2)*	Mirrors (looking glasses), picture frames, works of art of wood, cork craftworks, lacquer craftworks, figurines of wood, cabinet works, woven timber blinds (furniture), fragrant beads (works of art of wood)	4004959	28 December 2006 to 27 December 2016
民間藝人	16 *(note 7)*	Periodicals, magazines (periodicals), printed publications, engravings, publicizing picture, bookbindings, cards, printed matters, paper (including cotton paper, typing paper), Xuan paper (for Chinese painting and calligraphy)	4004973	28 December 2006 to 27 December 2016

Trademark	Class	Verified use of commodities	Registration Number	Effective period
我善治木	34 *(note 8)*	Tobacco pipes	4004974	28 March 2006 to 27 March 2016
我善治木	21 *(note 1)*	Combs, large-toothed combs for the hair, comb cases, electric combs, fine-toothed combs, brushes, toothpicks, vanity cases, combs for animals, animal bristles	4004975	28 December 2006 to 27 December 2016
我善治木	20 *(note 2)*	Mirrors (looking glasses), picture frames, works of art of wood, cork craftworks, lacquer craftworks, figurines of wood, cabinet works, woven timber blinds (furniture), fragrant beads (works of art of wood)	4004976	28 December 2006 to 27 December 2016
譚木匠 CARPENTER TAN	34 *(note 8)*	Cigarette tips, tobacco pipes, pipe racks for tobacco pipes, snuff pot, cigar cases not of precious metal, cigarette cases not of precious metal	4257889	14 February 2007 to 13 February 2017
順髮	21 *(note 1)*	Combs, cosmetic utensils, vanity cases, make-up brushes	1556938	21 April 2001 to 20 April 2011
谭记木匠	20 *(note 2)*	Furniture, bamboo and wooden handicrafts, unprocessed or semi-processed horn, teeth or shell products, mirrors (looking glasses), cabinet work, bedsteads (wood), woven timber blinds (furniture), photo frame, bucket not of metal, cock craftwork	4246999	21 August 2007 to 20 August 2017
谭记木匠	21 *(note 1)*	Combs, brushes, comb cases, fine-toothed horn combs, vanity cases, combs for animals, fitted vanity cases, large-toothed combs for the hair, stretchers for clothing, tea cans not of precious metal	4246998	21 August 2007 to 20 August 2017

Trademark	Class	Verified use of commodities	Registration Number	Effective period
谭家	21 *(note 1)*	Combs, brushes, comb cases, fine-toothed horn combs, vanity cases, combs for animals, fitted vanity cases, large-toothed combs for the hair, stretchers for clothing, tea cans not of precious metal	4246996	21 August 2007 to 20 August 2017
木匠谭记	21 *(note 1)*	Combs, brushes, comb cases, fine-toothed horn combs, vanity cases, combs for animals, fitted vanity cases, large-toothed combs for the hair, stretchers for clothing, tea cans not of precious metal	4246995	21 August 2007 to 20 August 2017
木匠谭	20 *(note 2)*	Furniture, bamboo handicrafts, unprocessed or semi-processed horn, teeth or shell products, mirrors (looking glasses), cabinet work, bedsteads (wood), woven timber blinds (furniture), photo frame, bucket not of metal, cock craftwork	4246994	21 August 2007 to 20 August 2017
木匠谭	21 *(note 1)*	Combs, brushes, comb cases, fine-toothed horn combs, vanity cases, combs for animals, fitted vanity cases, large-toothed combs for the hair, stretchers for clothing, tea cans not of precious metal	4246993	21 August 2007 to 20 August 2017
谭氏	21 *(note 1)*	Combs, brushes, comb cases, fine-toothed horn combs, vanity cases, combs for animals, fitted vanity cases, large-toothed combs for the hair, stretchers for clothing, tea cans not of precious metal	4246991	21 August 2007 to 20 August 2017
谭木	21 *(note 1)*	Combs, brushes, comb cases, fine-toothed horn combs, vanity cases, combs for animals, fitted vanity cases, large-toothed combs for the hair, stretchers for clothing, tea cans not of precious metal	4246997	28 September 2007 to 27 September 2017

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚木匠 CARPENTER TAN	21	Combs, comb cases, fine-toothed combs, vanity cases, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	4257890	28 September 2007 to 27 September 2017
譚木匠 CARPENTER TAN	20	Furniture, writing desk, bucket not of metal, mirrors, photo frame, unprocessed or semi-processed horn, teeth, teeth or shell products, bamboo and wooden handicrafts, cabinet work, furniture partitions of wood, furniture door	4257891	28 September 2007 to 27 September 2017
譚木匠 CARPENTER TAN	19	wooden door, wooden window, wooden floor, wooden chimney, wooden ceiling board, veneer wood; plywood; parquet floor board; stave wood; blinds not of metal	4257892	28 September 2007 to 27 September 2017
譚木匠	11	Illuminator, soldering lamp; microwave (kitchen utensils), freezer, air-conditioning equipment, gas boiler, automatic watering device, bath equipment, disinfection apparatus, foot warmer (electrical or non-electrical); gas lighter	5020346	7 November 2008 to 6 November 2018
譚木匠	14	Alloys of precious metal; household containers of precious metal, kitchen utensils of precious metal, tea strainers of precious metal; box of precious metal; jade sculpture, artificial gem, decorative pin, tie-pin, silver ornament	4812832	28 December 2008 to 27 December 2018

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚木匠	15	Music synthesizer, electronic musical instruments, piano, clarion, mùyú, harmonica, piano string, stands for musical instruments, cases for musical instruments, baton	4812833	28 December 2008 to 27 December 2018
譚木匠	2	Dye; pigments; lacquer; paints; varnishes; coating for wood (paint); preservatives for wood; preservative oil for wood; natural resin; fireproof paints	4812829	21 January 2009 to 20 January 2019
譚木匠	35 *(note 4)*	Advertising; advertising agent; advertisement plan; assistance in business management; business evaluation; Import-export agencies; human resources consultancy; Businesses Relocation (services); accounting; auditing	4812882	14 February 2009 to 13 February 2019
譚木匠	3 *(note 10)*	Soap; anti-bacterium washer; Starch for laundry purposes; Essential oils of Cedarwood; cosmetic spicery; cosmetics; toothpaste; scented wood; sachets for perfuming linen; industrial spicery	4812830	21 February 2009 to 20 February 2019
譚木匠	19 *(note 11)*	Timber; wooden floor; processed timber; fire-resistant material; water-proof roll material; non-metallic door; advertisement racks (not of metal); building glass; Coatings of non-metallic building materials; statutes of stone, concrete or marble	4812834	21 February 2009 to 20 February 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚木匠	41 *(note 12)*	School (education); correspondence course; arranging and conducting of meetings; rental library; video tape publishing; performance organisation (performance); production of shows; Cultural and Recreational Activities; entertainment; night clubs	4812880	7 March 2009 to 6 March 2019
譚	34 *(note 8)*	Tobacco; cigarette tips; cigarette cases not of precious metal; pipe cleaners (for tobacco pipes); ashtray not of precious metal; matches; match boxes not of precious metal; lighters for smokers; absorbent paper for tobacco pipes	4918598	14 March 2009 to 13 March 2019
譚	34 *(note 8)*	Tobacco; cigarette tips; cigarette cases not of precious metal; pipe cleaners (for tobacco pipes); ashtray not of precious metal; matches; match boxes not of precious metal; lighters for smokers; absorbent paper for tobacco pipes	4918599	14 March 2009 to 13 March 2019
譚木匠	20 *(note 2)*	Non-metallic buckets; cock bands; mirrors (looking glasses); signs made of wood or plastic; drinking straws; nesting boxes; non metallic identification bracelets for hospitals; coffin fittings not of metal; clothes hooks not of metal; pillow; hinges not of metal	5020342	14 March 2009 to 13 March 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚木匠	16 *(note 7)*	Paper; copying paper (stationery); tissues; brown paperboard; name card; Periodicals; publicizing picture; paper or plastic bags for packaging (envelops, pouches); stapler; folders (stationery); ink; stamp pads; pen; painting instrument; painting materials; typewriter ribbons; teaching wall maps; indoor ornamental plants (vivariums); chaplet; self adhesive tape	5020345	14 March 2009 to 13 March 2019
好木沉香	20	Mirrors (looking glasses)	4004962	21 March 2009 to 20 March 2019
譚	4 *(note 13)*	Wax (raw material); candles; candle wicks; candles for Christmas trees; fuel; dust removing adhesives; oils for paints; cutting fluid; industrial oil	4918588	28 March 2009 to 27 March 2019
譚	4 *(note 13)*	Wax (raw material); candles; candle wicks; candles for Christmas trees; fuel; dust removing adhesives; oils for paints; cutting fluid; industrial oil	4918589	28 March 2009 to 27 March 2019
譚	2 *(note 14)*	Dye; pigments; lacquer; paints; varnishes; coating for wood (paint); preservatives for wood; preservative oil for wood; natural resin; fireproof paints	4918592	28 March 2009 to 27 March 2019
譚	2 *(note 14)*	Dye; pigments; lacquer; paints; varnishes; coating for wood (paint); preservatives for wood; preservative oil for wood; natural resin; fireproof paints	4918593	28 March 2009 to 27 March 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
TAN'S	34	Tobacco, tobacco pipes, cigar cases not of precious metal, pipe racks for tobacco pipes, tobacco jar not of precious metal, snuff pot not of precious metal, ashtray not of precious metal; matches; match boxes not of precious metal; lighters for smokers	5572395	14 April 2009 to 13 April 2019
	34	Tobacco, tobacco pipes, cigar cases not of precious metal, pipe racks for tobacco pipes, tobacco jar not of precious metal, snuff pot not of precious metal, ashtray not of precious metal; matches; match boxes not of precious metal; lighters for smokers	5572437	14 April 2009 to 13 April 2019
譚木匠	34	Tobacco, cigarette, cigarette tips, cigarette cases not of precious metal, pipe cleaners (for tobacco pipes); ashtray not of precious metal; matches; tobacco pipes, lighters for smokers; absorbent paper for tobacco pipes	4812883	21 April 2009 to 20 April 2019
譚木匠	25 *(note 3)*	Gloves (clothing)	4812884	21 April 2009 to 20 April 2019
譚木匠	21 *(note 1)*	animal bristles; metallic tissue dispenser case; shoe stretcher; Incense burner; shoe horns; toothbrush; heat insulated container; cleaning instrument (manually operated); cages for household pets; fly catchers (traps or whisks)	5020344	21 April 2009 to 20 April 2019
譚	20 *(note 2)*	Clothes hooks not of metal	4918604	21 April 2009 to 20 April 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚	20 *(note 2)*	Clothes hooks not of metal	4918605	21 April 2009 to 20 April 2019
譚	14 *(note 15)*	Alloys of precious metal; household containers of precious metal; tea strainers of precious metal; kitchen utensils of precious metal	4918606	21 April 2009 to 20 April 2019
譚	28 *(note 16)*	Merry-go-round; toys for household pets; Chinese chess; rackets; fitness bench; javelin; ping pong rackets; fencing gloves; decorations for Christmas trees (other than illumination device and confectionery); fishing gear	4918600	14 May 2009 to 13 May 2019
譚	28	Merry-go-round; toys for household pets; Chinese chess; rackets; fitness bench; javelin; ping pong rackets; fencing gloves; decorations for Christmas trees (other than illumination device and confectionery); fishing gear	4918601	14 May 2009 to 13 May 2019
TAN'S	31	Timber, unprocessed-timber, grain, plants, dried plants for decoration purpose, live animal, plant seeds, animal foodstuffs, malt for brewing, product for animal habitat	5572412	28 May 2009 to 27 May 2019
	31	Timber, grain, plants, live animal, fresh fruit, fresh vegetable, plant seeds, animal foodstuffs, malt for brewing, product for animal habitat	5572440	28 May 2009 to 27 May 2019
	29	Meat, fish (non-living), fruit, canned fruit, jam, pickles, chinese sauerkraut, egg, milk, edible fats; processed seeds; dried edible fungus; food made from bean curd	5572442	28 May 2009 to 27 May 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚	21	China, terracotta or glass small statue, toilet paper holder, comb, cosmetic utensils, heat-insulated container, enamelled glass	4918602	14 June 2009 to 13 June 2019
TAN'S	10	Tongue scraper, massage apparatus, case for doctor and surgeon, medical or dental use armchair, physiotherapy apparatus, ear pick, feeding bottle, condom, artificial limbs, crutch for disabled	5572392	28 June 2009 to 27 June 2019
TAN'S	33	Fruit wine (alcoholic), arak, alcohol (drink), alcoholic extracts, alcoholic drink (except beer), sake, vapour wine, clear wine, feed wine, edible alcohol	5572414	28 June 2009 to 27 June 2019
	33	Fruit wine (alcoholic), arak, alcohol (drink), alcoholic extracts, alcoholic drink (except beer), sake, vapour wine, clear wine, feed wine, edible alcohol	5572438	28 June 2009 to 27 June 2019
	10	Tongue scraper, massage apparatus, case for doctor and surgeon, medical or dental use armchair, physiotherapy apparatus, ear pick, feeding bottle, condom, artificial limbs, crutch for disabled	5572458	28 June 2009 to 27 June 2019
	7	Agricultural machine, woodwork machines, printing machine, bread cutting machines, beverage preparation machine, ironing machine, household electrical juicer, washing machine, elevator (lift), vacuum cleaner	5572461	28 June 2009 to 27 June 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
	6	Metal stands, blinds with steel pulley, furniture fitting of metal, ironmongery ; metal key chain, metal display shelf, metal tool box (empty), metal plaque, timer metal protector, metal art	5572462	28 June 2009 to 27 June 2019
	12	Automobile, carrier for vehicle, upholstery for vehicles, motorcycle, bicycle, cable car, prams (baby carriage), omnibus, tires for vehicle, boat	5572476	28 June 2009 to 27 June 2019
	32	Beer, fruit juice, water (drink), mineral water, aerated water, peanut milk (soft drink), yoghurt drink (fruit product, non-diary), legume drink, beverage preparation, orgeat	5572439	7 July 2009 to 6 July 2019
	30	Coffee, tea, sugar, honey, pastry, sticky rice ball, fruit slice, vegetable slice, edible starch product, ice-cream, seasonings	5572441	7 July 2009 to 6 July 2019
譚	21	China, terracotta or glass small statue, toilet paper holder, comb, cosmetic utensils, heat-insulated container, enamelled glass	4918603	21 July 2009 to 20 July 2019
譚木匠	28	Bows, plastic racetrack, sport girdle, racket sweatband	5020343	21 July 2009 to 20 July 2019
譚	3	Toothpaste, scented wood, cosmetics, industrial spicery, grinding preparations, essential oils of cedar wood, polishing wax, anti-bacterium washer; soap; starch for laundry purposes	4918590	7 August 2009 to 6 August 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
譚	3	Toothpaste, scented wood, cosmetics, industrial spicery, grinding preparations, essential oils of cedar wood, polishing wax, anti-bacterium washer; soap; starch for laundry purposes	4918591	7 August 2009 to 6 August 2019
TAN'S	13	Firearm, gun (weapon), explosive cartridges, explosive, fuses for explosives (for use in mines), gunpowder, shoot langrage, pyrotechnic products, firecracker, firework	5572383	7 August 2009 to 6 August 2019
	9	Calculator, clock (time recording equipment), scale, rulers (measuring instruments), record player, stands for photographic apparatus, electrical bell, glasses case, glass, electrical iron	5572459	7 August 2009 to 6 August 2019
	11	Lighting, lampshade stands, cooker, freezer, fan (ventilation), hearth (household), water tap, bath equipment, sterilized carbonate, foot warmer (electrical or non-electrical)	5572457	7 August 2009 to 6 August 2019
	8	Abrasives (hand tool), agriculture tool (hand-operate), nail clipper (electrical or non-electrical), axe, craving tool (hand tool), scissors, knife, sword, tableware (knife, folk and spoon)	5572460	7 August 2009 to 6 August 2019
	13	Firearm, gun (weapon), explosive cartridges, explosive, fuses for explosives (for use in mines), gunpowder, shoot langrage, pyrotechnic products, firecracker, firework	5572475	7 August 2009 to 6 August 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
TAN'S	15	Musical instrument, guitar, xylophone, pipa (Chinese guitar), xiao, mùyú, baton, drum stick, case for musical instrument, music box	5572382	7 September 2009 to 6 September 2019
TAN'S	14	Alloys of precious metal; plated product, household utensils of precious metal; amulet (jewelry), gem (jewelry), decorative pin ; key ring (small ornament or short chain ornament), horn, bone, teeth or shell jewelry and art, clock, watch	5572384	7 September 2009 to 6 September 2019
TAN'S	20	Office furniture, furniture, coatstand (furniture), clothes cover (wardrobe), display cabinet (furniture), tray not of metal, wooden boxes or plastic boxes, cork, fireguard, silver-plated glass (mirrors), mirrors (looking glasses), wickerwork, rattan product (not include shoe, hat, mat and pad), bamboo and wooden handicrafts, animal horn, wood, wax, gypsum or plastic handicrafts, lacquer craftworks, wooden or plastic sign, straw for drinking, case for household pet, identity bracelet not of metal (for hospital use), funerary urn, furniture fittings not of metal, furniture door, pillows, furniture fittings not of metal, woven timber blinds (furniture)	5572385	7 September 2009 to 6 September 2019
TAN'S	30	Coffee, tea, honey, pastry, sticky rice ball, grain products, fruit slice, vegetable slice, edible starch product, ice-cream, seasonings	5572410	7 September 2009 to 6 September 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
	21	Bottle for seasoning not of metal, chopping board for kitchen use, chopsticks, glass container (including cup, tray, pot and crock), ceramic product (family use), china ornament, drinking vessels, incense burner; vase not of precious metal, shoe horns, combs, large-toothed combs for the hair, comb cases, fine-toothed combs, brush product, combs for animals, animal bristles, toothbrush, tooth pick case not of precious metal, make-up brushes, vanity cases, thermo container for food, cleaning instrument (manually operated), crystal (glass product), cages for household pets; fly-swatter	5572432	7 September 2009 to 6 September 2019
	20	Office furniture, coatstand (furniture), clothes cover (wardrobe) display cabinet (furniture), tray not of metal, cork, fireguard, silver-plated glass (mirrors), mirrors (looking glasses), wickerwork, rattan product (not include shoe, hat, mat and pad), animal horn, wood, wax, gypsum or plastic handicrafts, wooden or plastic sign, straw for drinking, case for household pet, identity bracelet not of metal (for hospital use), funerary urn furniture door, window fittings not of metal, woven timber blinds (furniture)	5572433	7 September 2009 to 6 September 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
	16	Cardboard product, magazines (periodicals), engravings, stationery, yan (ink stone), case for stamp, ink brush, armrest stand for painter, teaching material (except apparatus), chaplet	5572472	7 September 2009 to 6 September 2019
	15	Musical instrument, guitar, xylophone, pipa (Chinese guitar), xiao, mùyú, baton, drum stick, case for musical instrument, music box	5572473	7 September 2009 to 6 September 2019
	14	Alloys of precious metal; plated product, household utensils of precious metal, amulet (jewelry), gem (jewelry), decorative pin ; key ring (small ornament or short chain ornament), horn, bone, teeth or shell jewelry and art, clock, watch	5572474	7 September 2009 to 6 September 2019
	23	Yarn, spun cotton, filament, thread, linen and yarn, artificial thread and yarn, nylon thread, wool, inflated thread, cashmere	5572430	21 September 2009 to 20 September 2019
TAN'S	23	Yarn, spun cotton, filament, thread, linen and yarn, artificial thread and yarn, nylon thread, wool, inflated thread, cashmere	5572387	21 September 2009 to 20 September 2019
	27	Carpet, mat, non-skid bath mat, artificial turf, pad for stadium use, automobile carpet, mat, plastic or rubber floor tile, wallpaper, non-textile wall mount	5572444	21 September 2009 to 20 September 2019
	24	Decorative fabric, curtain, textile wall mount, felt, textile towel, blanket, table cloth (non-paper product), seat pad (non-paper product), glove for washing, flag	5572429	28 September 2009 to 27 September 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
	22	Packing string, silk rope, car cover (non-installation), tarpaulins, tent, textile bag for packaging (bag), weave bag, filling timber for interior decoration (filling material), grass for decoration, sheep wool	5572431	28 September 2009 to 27 September 2019
TAN'S	18	Leather (animal), attaché case, briefcase, vanity case (empty), husk mar, fur, umbrellas, cane, saddlery, gut for making sausage	5572380	7 October 2009 to 6 October 2019
TAN'S	22	Packing string, silk rope, car cover (non-installation), tarpaulins, tent, textile bag for packaging (bag), weave bag, filling timber for interior decoration (filling material), grass for decoration, sheep wool	5572386	7 October 2009 to 6 October 2019
TAN'S	29	Fish (non-living), jam, egg, milk, edible oil and fat, fruit jelly, processed seeds, bean curd product	5572394	7 October 2009 to 6 October 2019
	18	Leather (animal), attaché case, briefcase, vanity case (empty), husk mar, fur, umbrellas, cane, saddlery, gut for making sausage	5572435	7 October 2009 to 6 October 2019
TAN'S	26	Embroidery jewelry, hairpin, button, wig, sewing box, artificial bonsai, clothes, shoulder pad, textile with hot sticky appliqué, ornament (sewing supplies), linen label with lead character or digital, tea cosies	5572400	14 October 2009 to 13 October 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
TAN'S	42	Intellectual property licensing, technical research, cosmetic research, materials testing, crafts design, packaging design, interior design, clothing design, authenticating work of art, graphic art design	5572406	14 October 2009 to 13 October 2019
TAN'S	6	Metal plaque	5572408	14 October 2009 to 13 October 2019
	26	Embroidery jewelry, hairpin, button, wig, sewing box, artificial bonsai, clothes, shoulder pad, textile with hot sticky appliqué, ornament (sewing supplies), linen label with lead character or digital, tea cosies	5572445	14 October 2009 to 13 October 2019
	25	Clothing, layettes (clothing), bathing suit, shoes, headgear for wear, hosiery, gloves (clothing), tie, strap, wedding dress	5572446	14 October 2009 to 13 October 2019
	41	Academies (education), arranging and conducting of conferences, libraries with charges, publication of books, shows production, amusement parks, providing karaoke services, night club, fitness club, operating lotteries	5572452	14 October 2009 to 13 October 2019
	39	Transport, freight broker, packaging of goods, ship transport, car transport, air transport, car parking, warehouse rental, courier service (message or merchandise), travel agency (not including hotel booking)	5572453	14 October 2009 to 13 October 2019

Trademark	Class	Verified use of commodities	Registration Number	Effective period
兰花花	21	Combs, comb, cases, vanity cases, fine-toothed combs, combs for animals, fitted vanity cases, shaving brush stands, eyebrow brushes, large-toothed combs for the hair, tooth-picks	4645685	14 September 2008 to 13 September 2018
兰花花	20	bamboo and wooden handicrafts	4645667	21 January 2009 to 20 January 2019

Notes:

1 *The products covered under Class 21 include household or kitchen utensils and containers (not of precious metal or coated therewith); combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steel wool; un-worked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.*

2. *The products covered under Class 20 include furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.*

3. *The products covered under Class 25 include clothing, footwear, headgear.*

4 *The products covered under Class 35 include advertising; business management; business administration; office functions.*

5. *The products covered under Class 40 include treatment of materials.*

6. *The products covered under Class 26 include lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.*

7. *The products covered under Class 16 include paper, cardboard and goods made from these materials, not included in other classes; printed matter; book binding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.*

8. *The products covered under Class 34 include tobacco; smokers' articles; matches.*

9. *The products covered under Class 6 include common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.*

10. *The products covered under Class 3 include bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.*

11. *The products covered under Class 19 include building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.*

12. *The products covered under Class 41 include education; providing of training; entertainment; sporting and cultural activities.*

13. *The products covered under Class 4 include industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.*

14. *The products covered under Class 2 include paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.*

15. *The products covered under Class 14 include precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.*

16. *The products covered under Class 28 include games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.*

(b) As at the Latest Practicable Date, the Group was the registered owner of the following trademarks in other countries and regions outside the PRC:

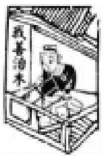
Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
	Australia	8 August 2007	1191760	10 years
譚木匠	Australia	2 November 2007	1208249	10 years
譚木匠	Australia	2 November 2007	1208252	10 years
譚木匠 CARPENTER TAN	Canada	4 November 2004	TMA624,634	15 years
TAN'S	European Community	28 September 2007	006317143	10 years
	European Community	28 September 2007	006317309	10 years
CARPENTER TAN 譚木匠	Hong Kong	16 November 2000	2002B08922	16 November 2017
	Hong Kong	27 September 2006	300730007	26 September 2016

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
	Hong Kong	12 January 2007	300796429	10 years
譚木匠	Hong Kong	5 September 2007	300947872	10 years
	Hong Kong	5 September 2007	300947926	10 years
譚木匠 CARPENTER TAN	Indonesia	8 May 2006	IDM000073333	6 September 2014
譚木匠 CARPENTER TAN	Indonesia	8 May 2006	IDM000073334	6 September 2014
CARPENTER TAN 譚木匠（大工）	Japan	30 November 2001	4519007	10 years
	Japan	22 August 2008	5160878	10 years
譚木匠	Japan	12 December 2008	5187894	10 years

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
譚木匠	Japan	12 December 2008	5187895	10 years
TAN'S	Japan	9 October 2009	5272270	10 years
CARPENTER TAN 譚木匠	South Korea	20 May 2002	0520908	10 years
譚木匠	South Korea	8 August 2008	45-0024173	10 years
	South Korea	7 January 2008	45-0026022	10 years
譚木匠	South Korea	28 April 2009	45-0027366	10 years
譚木匠 CARPENTER TAN	Macau	3 March 2005	N/015020	3 March 2012
譚木匠 CARPENTER TAN	Macau	3 February 2005	N/015021	3 February 2012
TAN'S	Macau	3 January 2008	N/29782	7 years
TAN'S	Macau	3 January 2008	N/29783	7 years
TAN'S	Macau	3 January 2008	N/29784	7 years
TAN'S	Macau	3 January 2008	N/29785	7 years
TAN'S	Macau	3 January 2008	N/29786	7 years

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
	Macau	5 October 2007	N/28092	7 years
	Macau	5 October 2007	N/28093	7 years
	Macau	5 October 2007	N/28094	7 years
	Macau	5 October 2007	N/28095	7 years
	Macau	5 October 2007	N/28096	7 years
譚木匠	Macau	23 June 2008	N/32075	7 years
譚木匠	Macau	23 June 2008	N/32076	7 years
譚木匠	Macau	23 June 2008	N/32077	7 years
譚木匠	Macau	23 June 2008	N/32078	7 years
譚木匠	Macau	23 June 2008	N/32079	7 years

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
	Macau	23 June 2008	N/32080	7 years
	Macau	23 June 2008	N/32081	7 years
	Macau	23 June 2008	N/32082	7 years
	Macau	23 June 2008	N/32083	7 years
	Macau	23 June 2008	N/32084	7 years
CARPENTER TAN 譚木匠	Malaysia	3 January 2001	01000044	3 January 2011
	Malaysia	12 January 2007	07005789	10 years

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
 	Malaysia	12 January 2007	07005790	10 years
 	Malaysia	12 January 2007	07005791	10 years
 	Malaysia	12 January 2007	07005792	10 years
 	New Zealand	8 August 2007	773545	10 years
 	New Zealand	5 September 2007	779112	10 years

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
譚木匠 譚木匠	New Zealand	5 September 2007	779114	10 years
CARPENTER TAN 譚木匠	Singapore	20 November 2000	T00/20158B	10 years
	Singapore	20 August 2007	T0717429G	10 years
	Singapore	14 November 2007	T0721831F	10 years
TAN'S TAN'S	Singapore	20 August 2007	T0717428I	10 years
譚木匠 譚木匠	Singapore	14 November 2007	T0721829D	10 years
CARPENTER TAN 譚木匠	Taiwan	16 December 2001	00977206	15 December 2011

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
TAN'S	Taiwan	16 October 2008	01334452	10 years
	Taiwan	1 August 2008	01322670	10 years
譚木匠	Taiwan	16 December 2008	01342953	10 years
譚木匠	Taiwan	16 December 2008	01342954	10 years
TAN'S	Thailand	11 July 2007	Bor40209	10 years
TAN'S	Thailand	11 July 2007	Bor40565	10 years
	Thailand	2 May 2007	Kor287375	10 years
	Thailand	2 May 2007	Kor283477	10 years
	Thailand	2 May 2007	Bor39049	10 years
	Thailand	2 May 2007	Bor39050	10 years
	Thailand	2 May 2007	Kor293055	10 years
譚木匠	Thailand	15 November 2007	Kor302848	10 years

Trademark	Country or place of registration	Date of registration	Registration Number	Effective period
譚木匠	Thailand	15 November 2007	Bor290009	10 years
	Thailand	15 November 2007	Bor290010	10 years
	Thailand	15 November 2007	Kor301886	10 years
	Thailand	15 November 2007	Kor301887	10 years
	Thailand	15 November 2007	Bor42461	10 years
	Thailand	15 November 2007	Bor41247	10 years
譚木匠 CARPENTER TAN	US	5 October 2004	No.2,891,582	10 years
	US	23 June 2009	No.3,641,792	10 years

(c) As at the Latest Practicable Date, the Group was applying for the following trademarks in the PRC:

Application Number	Trademark	Date of Application	Class
4004961	好木沉香	8 April 2004	21
4004960	好木沉香	8 April 2004	34
4246992	谭氏	31 August 2004	20
4257888	譚木匠 CARPENTER TAN	7 September 2004	37
4638523	喜洋洋	27 July 2005	21
4638524	喜洋洋	27 July 2005	20
4812831	譚木匠	2 August 2005	7
4812881	譚木匠	2 August 2005	37
4918587	譚	27 September 2005	14
5020347	譚木匠	23 November 2005	10
5572377	TAN'S	29 August 2006	24
5572378	TAN'S	29 August 2006	21
5572379	TAN'S	29 August 2006	19
5572381	TAN'S	29 August 2006	17

Application Number	Trademark	Date of Application	Class
5572388	TAN'S	29 August 2006	25
5572389	TAN'S	29 August 2006	16
5572390	TAN'S	29 August 2006	9
5572391	TAN'S	29 August 2006	27
5572393	TAN'S	29 August 2006	28
5572396	TAN'S	29 August 2006	38
5572397	TAN'S	29 August 2006	37
5572398	TAN'S	29 August 2006	35
5572399	TAN'S	29 August 2006	36
5572401	TAN'S	29 August 2006	1
5572402	TAN'S	29 August 2006	2
5572403	TAN'S	29 August 2006	39
5572404	TAN'S	29 August 2006	41

Application Number	Trademark	Date of Application	Class
5572405	TAN'S	29 August 2006	40
5572407	TAN'S	29 August 2006	43
5572409	TAN'S	29 August 2006	7
5572411	TAN'S	29 August 2006	11
5572413	TAN'S	29 August 2006	12
5572415	TAN'S	29 August 2006	8
5572416	TAN'S	29 August 2006	32
5847957	TAN'S	15 January 2007	20
5847958	TAN'S	15 January 2007	21
5847959	TAN'S	15 January 2007	26
5847960	TAN'S	15 January 2007	35
5847961	TAN'S	15 January 2007	40

Application Number	Trademark	Date of Application	Class
5572434		29 August 2006	19
5572436		29 August 2006	17
5572443		29 August 2006	28
5572444		29 August 2006	27
5572447		29 August 2006	3
5572448		29 August 2006	45
5572449		29 August 2006	44
5572450		29 August 2006	43
5572451		29 August 2006	42

Application Number	Trademark	Date of Application	Class
5572454		29 August 2006	38
5572455		29 August 2006	37
5572456		29 August 2006	36
5572463		29 August 2006	5
5572464		29 August 2006	4
5572465		29 August 2006	1
5572466		29 August 2006	2
5572467	TAN'S	29 August 2006	5
5572468	TAN'S	29 August 2006	4
5572469	TAN'S	29 August 2006	3

Application Number	Trademark	Date of Application	Class
5572470	TAN'S	29 August 2006	45
5572471	TAN'S	29 August 2006	44
5697201	Blue Flower 兰花花	2 November 2006	10
5697202	Blue Flower 兰花花	2 November 2006	20
5697203	Blue Flower 兰花花	2 November 2006	40
5697204	Blue Flower 兰花花	2 November 2006	21
5697205	Blue Flower 兰花花	2 November 2006	26
6270929		11 September 2007	1
6270928		11 September 2007	2
6270927		11 September 2007	3
6270926		11 September 2007	4
6270925		11 September 2007	5

Application Number	Trademark	Date of Application	Class
6270924		11 September 2007	6
6270923		11 September 2007	7
6270922		11 September 2007	8
6270921		11 September 2007	9
6270920		11 September 2007	10
6270939		11 September 2007	11
6270938		11 September 2007	12
6270937		11 September 2007	13
6270936		11 September 2007	14

Application Number	Trademark	Date of Application	Class
6270935		11 September 2007	15
6270934		11 September 2007	16
6270933		11 September 2007	17
6270932		11 September 2007	18
6270931		11 September 2007	19
6264883		7 September 2007	20
6264882		7 September 2007	21
6264881		7 September 2007	22
6264880		7 September 2007	23

Application Number	Trademark	Date of Application	Class
6264879		7 September 2007	24
6264878		7 September 2007	25
6264877		7 September 2007	26
6264876		7 September 2007	27
6264875		7 September 2007	28
6264874		7 September 2007	29
6270930		11 September 2007	30
6270949		11 September 2007	31
6270948		11 September 2007	32

Application Number	Trademark	Date of Application	Class
6270947		11 September 2007	33
6270946		11 September 2007	34
6270945		11 September 2007	35
6270944		11 September 2007	36
6270943		11 September 2007	37
6270942		11 September 2007	38
6270941		11 September 2007	39
6270940		11 September 2007	40
6270961		11 September 2007	41

Application Number	Trademark	Date of Application	Class
6270960		11 September 2007	42
6270900		11 September 2007	43
6270901		11 September 2007	44
6270902		11 September 2007	45
6297187		26 September 2007	20
6297188		26 September 2007	21
6297189		26 September 2007	26
6297190		26 September 2007	35
6297175		26 September 2007	40

(d) As at the Latest Practicable Date, the Group was applying for the following trademarks in other countries and regions outside the PRC:

Country or place of application	Application Number	Trademark	Date of Application	Class(es)
Australia	1191768	TAN'S TAN'S	8 August 2007	20, 21, 26, 35, 40
Canada	1353579		27 June 2007	20, 21, 26, 35 and 40
Canada	1355091	TAN'S	10 July 2007	20, 21, 26, 35 and 40
Hong Kong	300796456	TAN'S TAN'S	12 January 2007	20, 21, 26, 35 and 40
India	1599656	TAN'S TAN'S	10 September 2007	20, 21, 26, 35 and 40
India	1599657		10 September 2007	20, 21, 26, 35 and 40
Indonesia	D002007 009536		29 March 2007	20
Indonesia	D002007 009535		29 March 2007	21
Indonesia	D002007 009534		29 March 2007	26

Country or place of application	Application Number	Trademark	Date of Application	Class(es)
Indonesia	J002007 009538	我善治木	29 March 2007	35
Indonesia	J002007 009537	我善治木	29 March 2007	40
Indonesia	D002007 022274	TAN'S	11 July 2007	20
Indonesia	D002007 022275	TAN'S	11 July 2007	21
Indonesia	D002007 022276	TAN'S	11 July 2007	26
Indonesia	J002007 022277	TAN'S	11 July 2007	35
Indonesia	J002007 022278	TAN'S	11 July 2007	40
Indonesia	D002007 037976	譚木匠	19 November 2007	20
Indonesia	D002007 037977	譚木匠	19 November 2007	21
Indonesia	D002007 037978	譚木匠	19 November 2007	26
Indonesia	J002007 037979	譚木匠	19 November 2007	35
Indonesia	J002007 037980	譚木匠	19 November 2007	40
Indonesia	D002007 037981	譚木匠 我善治木	19 November 2007	20
Indonesia	D002007 037983	譚木匠 我善治木	19 November 2007	21

Country or place of application	Application Number	Trademark	Date of Application	Class(es)
Indonesia	D002007 037985		19 November 2007	26
Indonesia	J002007 037984		19 November 2007	35
Indonesia	J002007 037987		19 November 2007	40
South Korea	45-2007-0004637	TAN'S	18 October 2007	20, 21, 26, 35, 40
South Korea	40-2009-0020112	TAN'S	30 April 2009	26
South Korea	41-2009-0009287	TAN'S	30 April 2009	40
Malaysia	07005788		3 April 2007	20
Malaysia	07013296	TAN'S TAN'S	11 July 2007	20
Malaysia	07013297	TAN'S TAN'S	11 July 2007	21
Malaysia	07013298	TAN'S TAN'S	11 July 2007	26
Malaysia	07013299	TAN'S TAN'S	11 July 2007	35

Country or place of application	Application Number	Trademark	Date of Application	Class(es)
Malaysia	07013300	TAN'S TAN'S	11 July 2007	40
Malaysia	07022567	譚木匠 譚木匠	16 November 2007	20
Malaysia	07022568	譚木匠 譚木匠	16 November 2007	21
Malaysia	07022569	譚木匠 譚木匠	16 November 2007	26
Malaysia	07022570	譚木匠 譚木匠	16 November 2007	35
Malaysia	07022571	譚木匠 譚木匠	16 November 2007	40
Malaysia	07022572		16 November 2007	20
Malaysia	07022573		16 November 2007	21
Malaysia	07022574		16 November 2007	26

Country or place of application	Application Number	Trademark	Date of Application	Class(es)
Malaysia	07022575		16 November 2007	35
Malaysia	07022576		16 November 2007	40
New Zealand	773550	TAN'S TAN'S	8 August 2007	20, 21, 26, 35, 40
Philippines	4-2007-003786		16 April 2007	20, 21, 26, 35 and 40
Philippines	04-2007-007276	TAN'S	11 July 2007	20, 21, 26, 35 and 40
Philippines	04-2007-013685	譚木匠	12 December 2007	20, 21, 26, 35, 40
Philippines	04-2007-013686		12 December 2007	20, 21, 26, 35, 40
Thailand	666911	TAN'S	11 July 2007	20
Thailand	666912	TAN'S	11 July 2007	21
Thailand	666913	TAN'S	11 July 2007	26
Thailand	679469	譚木匠	15 November 2007	20

Country or place of application	Application Number	Trademark	Date of Application	Class(es)
Thailand	679472	譚木匠	15 November 2007	35
Thailand	679473	譚木匠	15 November 2007	40
United States	77312773	TAN'S	24 October 2007	20, 21, 26, 35, 40

(e) As at the Latest Practicable Date, the Group has obtained the following patents in the PRC:

Class of patent	Patent Number	Name	Date of Application	Date of grant	Patent term (from the date of application)
Appearance design	ZL 00 3 17414X	Comb packaging bag	25 March 2000	13 January 2001	10 years
Appearance design	ZL 2004 3 0076297.7	Packaging box	28 July 2004	4 May 2005	10 years
Appearance design	ZL 2005 3 0118858.X	Packaging box (wings)	24 August 2005	5 July 2006	10 years
Appearance design	ZL 2005 3 0118859.4	Packaging box (layered)	24 August 2005	19 July 2006	10 years
Appearance design	ZL 2006 3 0007616.8	Vase (mushroom)	13 March 2006	10 January 2007	10 years
Appearance design	ZL 2006 3 0007623.8	Candle stand (shared)	13 March 2006	10 January 2007	10 years
Appearance design	ZL 2006 3 0007615.3	Vase (three consecutive holes)	13 March 2006	31 January 2007	10 years
Appearance design	ZL 2006 3 0007618.7	Fruit bowl (Boat)	13 March 2006	31 January 2007	10 years
Appearance design	ZL 2006 3 0007620.4	Vase (microcosm A)	13 March 2006	31 January 2007	10 years
Appearance design	ZL 2006 3 0007619.1	Vase (microcosm B)	13 March 2006	28 February 2007	10 years
Appearance design	ZL 2006 3 0007621.9	Vase (ballet short)	13 March 2006	4 April 2007	10 years
Appearance design	ZL 2006 3 0007622.3	Vase (ballet long)	13 March 2006	18 April 2007	10 years

Class of patent	Patent Number	Name	Date of Application	Date of grant	Patent term (from the date of application)
Appearance design	ZL 2006 3 0007617.2	Fruit bowl (Harvest)	13 March 2006	18 April 2007	10 years
Appearance design	ZL 2006 3 0007614.9	Crystal candle stand (sparkling)	13 March 2006	23 May 2007	10 years
Appearance design	ZL 2006 3 0014552.4	Hollow and assembled wooden Jewellery case	24 April 2006	28 March 2007	10 years
Appearance design	ZL 2006 3 0014553.9	Fruit Bowl (Hollow and assembled with wood with handle)	24 April 2006	18 April 2007	10 years
Appearance design	ZL 2006 3 0014554.3	Hollow and assembled wooden vase	24 April 2006	18 July 2007	10 years
Appearance design	ZL 2006 3 0137394.1	Jewellery case (snail)	8 September 2006	11 July 2007	10 years
Appearance design	ZL 2006 3 0137390.3	Vase (round-shaped and assembled with wood)	8 September 2006	18 July 2007	10 years
Appearance design	ZL 2006 3 0137396.0	Jewellery case (cone-shaped)	8 September 2006	18 July 2007	10 years
Appearance design	ZL 2006 3 0137393.7	Assembled wooden vase (tri-colour)	8 September 2006	29 August 2007	10 years
Appearance design	ZL 2006 3 0137387.1	Jewellery case with tab (oval-shaped)	8 September 2006	5 September 2007	10 years
Appearance design	ZL 2006 3 0137388.6	Jewellery case (peanut)	8 September 2006	5 September 2007	10 years
Appearance design	ZL 2006 3 0137397.5	Jewellery case (oval-shaped)	8 September 2006	5 September 2007	10 years
Appearance design	ZL 2006 3 0137398.X	Fruit basket (Hollow and petal-shaped)	8 September 2006	5 September 2007	10 years
Appearance design	ZL 2006 3 0137392.2	Assembled wooden vase in four colours	8 September 2006	24 October 2007	10 years
Appearance design	ZL 2006 3 0137391.8	Assembled wooden vase (square)	8 September 2006	14 November 2007	10 years

Class of patent	Patent Number	Name	Date of Application	Date of grant	Patent term (from the date of application)
Appearance design	ZL 2006 3 0137389.0	Vase (apple)	8 September 2006	14 November 2007	10 years
Appearance design	ZL 2006 3 0137395.6	Jewellery case (brackets)	8 September 2006	23 July 2008	10 years
Appearance design	ZL 2007 3 0000926.1	Vase (adjacent slant edges)	17 January 2007	5 December 2007	10 years
Appearance design	ZL 2007 3 0000915.3	Vase (Tulip)	17 January 2007	26 December 2007	10 years
Appearance design	ZL 2007 3 0000923.8	Vase (adjacent inlaid sides)	17 January 2007	26 December 2007	10 years
Appearance design	ZL 2007 3 0000924.2	Ashtray (Tai Chi)	17 January 2007	26 December 2007	10 years
Appearance design	ZL 2007 3 0000925.7	Fruit bowl (crescent)	17 January 2007	26 December 2007	10 years
Appearance design	ZL 2007 3 0000922.3	Vase (Shui Yue Dong Tian)	17 January 2007	20 February 2008	10 years
Appearance design	ZL 2007 3 0000240.2	Multifunctional ashtray (Yi Tai)	18 January 2007	26 December 2007	10 years
Appearance design	ZL 2007 3 0001283.2	Vase (crystal)	23 January 2007	23 January 2008	10 years
Appearance design	ZL 2007 3 0002876.0	Fruit Bowl (pineapple-shaped)	30 January 2007	26 December 2007	10 years
Appearance design	ZL 2007 3 0001282.8	Ashtray (C type)	23 January 2007	23 January 2007	10 years
Appearance design	ZL 2007 3 0002743.3	Vase with joining lines	8 February 2007	20 February 2008	10 years
Practical New Type	ZL 99 2 31459.3	Mosaic comb	23 April 1999	12 February 2000	10 years
Practical New Type	ZL 99 2 31530.1	Comb with insertion style	29 April 1999	22 January 2000	10 years
Practical New Type	ZL 99 2 59054.X	Comb with embedded teeth	30 December 1999	8 March 2001	10 years
Practical new type	ZL 02 2 52319.7	Magnetic chopsticks	25 August 2002	20 August 2003	10 years

Class of patent	Patent Number	Name	Date of Application	Date of grant	Patent term (from the date of application)
Practical new type	ZL 02 2 55110.7	Handicraft wooden frame mirror	21 September 2002	1 October 2003	10 years
Practical new type	ZL 02 2 59309.8	Wooden comb with inlaid metal strips	12 October 2002	17 December 2003	10 years
Practical new type	ZL 02 2 59310.1	Wooden comb with earswab	12 October 2002	25 August 2004	10 years
Practical new type	ZL 02 2 59314.4	Eyebrow pencil wooden frame mirror	12 October 2002	10 December 2003	10 years
Practical new type	ZL 2003 2 0100393.0	Spring clipper	14 October 2003	6 October 2004	10 years
Practical new type	ZL 2003 2 0102189.2	Wooden back horn comb, inlaid horn back or horn teeth combs	30 October 2003	8 December 2004	10 years
Practical new type	ZL 2005 2 0005665.8	Inlaid comb	14 March 2005	24 May 20006	10 years
Practical new type	ZL 2005 2 0008541.5	Inlaid card case	16 March 2005	4 October 2006	10 years
Practical new type	ZL 2005 2 0015733.9	Decorative metallic mirror with inlaid wood	22 April 2005	10 May 2006	10 years
Practical new type	ZL 2005 2 0015734.3	Decorative wooden mirror	22 April 2005	10 May 2006	10 years
Practical new type	ZL 2005 2 0112285.4	Multifunctional vase	4 July 2005	16 August 2006	10 years
Practical new type	ZL 2005 2 0112317.0	Packaging box for handicrafts	6 July 2005	16 August 2006	10 years
Practical new type	ZL 2005 2 0112475.6	Inlaid comb	7 July 2005	2 August 2006	10 years
Practical new type	ZL 2005 2 0114343.7	Comb with ball-like teeth	22 July 2005	16 August 2006	10 years
Practical new type	ZL 2005 2 0103797.4	Hair treatment comb without handle	16 August 2005	30 August 2006	10 years
Practical new type	ZL 2005 2 0132507.9	Inlaid and assembled comb	9 November 2005	25 October 2006	10 years

Class of patent	Patent Number	Name	Date of Application	Date of grant	Patent term (from the date of application)
Practical new type	ZL 2005 2 0132508.3	Comb assembled in various interfaces	9 November 2005	22 November 2006	10 years
Practical new type	ZL 2005 2 0133426.0	Comb with bones	22 November 2005	3 January 2007	10 years
Practical new type	ZL 2005 2 0142588.0	Decorative wooden slip	7 December 2005	21 March 2007	10 years
Practical new type	ZL 2006 2 0123120.1	Streamline comb	7 August 2006	22 August 2007	10 years
Practical new type	ZL 2008 2 0105199.4	Guasha board with assembled structure	21 May 2008	4 February 2009	10 years
Practical new type	ZL 2008 2 0105198.X	Guasha board with inlaid structure	21 May 2008	4 March 2009	10 years

(f) As at the Latest Practicable Date, the Group was applying for the following patents in the PRC:

Application Number	Date of Application	Type	Name
02146557.6	22 October 2002	Invention	Method of manufacturing Combs
03153758.8	20 August 2003	Invention	Method of manufacturing wooden products with embedded wooden materials
200310103213.9	30 October 2003	Invention	Wooden back horn comb, inlaid horn back or horn teeth combs
200410031154.3	13 April 2004	Invention	Wooden products with embedded wooden materials
200410101722.2	23 December 2004	Invention	Composite board
02259317.9	12 October 2002	Practical New Type	A handicraft brush Cylinder
200830249610.0	29 October 2008	Appearance Design	Lacquer combs (Jing Xiang)

Application Number	Date of Application	Type	Name
200830249611.5	29 October 2008	Appearance Design	Combs in couples (Hua Hao Yue Yuan)
200910133321.8	31 March 2009	Invention	Automated planning machine for processing wood chips with one surface, two surfaces or with an angle

C. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

(a) *Directors' interests and short positions in the share capital and debentures of the Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of the Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interest or short position of each of the Directors and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed, will be as follows:

Interests in Shares of the Company:

Name of Director	Capacity/Nature of Interest	Number of securities *(Note 1)*	Approximate percentage of shareholding
Mr. Tan *(Note 1)*	Interest in a controlled corporation	169,700,000	67.88%

Note:

1. Mr. Tan is deemed to be interested in 169,700,000 Shares held by Lead Charm by virtue of his 51% interest in Lead Charm under Part XV of the SFO.

Interests in the shares of associated corporations:

Name of Directors	Name of associated Corporations	Capacity/ Nature of Interest	Approximate percentage of shareholding in associated corporations
Mr. Tan	Lead Charm	Beneficial owner	51%
Tan Cao	Fame Good	Beneficial owner	24.81%
Geng Chang Sheng	Fame Good	Beneficial owner	7.44%

(b) *Particulars of service agreements*

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) has entered into a service agreement with the Company. The terms and conditions of such service agreements are briefly described as follows:

(a) each service agreement in respect of executive Directors commenced on the Listing Date and is for a term of three years unless and until terminated by either party thereto giving to the other party not less than three months' prior written notice or terminated in accordance with the provisions set out in the respective service agreement after the first one year;

Each of the executive Directors is entitled to their respective remuneration set out in the paragraph headed "Directors' remuneration" in the subsection headed "Directors" in this section and benefits under statutory retirement scheme;

In addition, each of the executive Directors may receive a discretionary bonus as the Board may suggest, the amount of which shall not exceed 5% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the remuneration committee of the Board.

(b) each service agreement in respect of non-executive Directors commenced on the Listing Date and is for a term of two years. Either party may terminate the appointment by giving to the other party no less than three months' prior written notice. Each of the non-executive Directors is entitled to their respective remuneration set out in the paragraph headed "Directors' remuneration" in the subsection headed "Directors" in this section.

(c) each service agreement in respect of the independent non-executive Directors commenced on the Listing Date and is for a term of two years. Either party may terminate the appointment by giving to the other party not less than three months' prior written notice. Each of the independent non-executive Directors is entitled to their respective remuneration set out in the paragraph headed "Directors' remuneration" in the subsection headed "Directors" in this section.

Save as disclosed herein, none of the Directors has entered into or has proposed to enter into any service agreements with the Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Directors' remuneration*

(i) The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind paid by the Group to the Directors during the three years ended 31 December 2008 and the six months ended 30 June 2009 was approximately RMB282,000, RMB617,000, RMB471,000 and RMB485,000 respectively. Further information in respect of Directors' remuneration is set out in Appendix I to this prospectus.

(ii) The current annual remuneration of executive Directors, non-executive Directors and independent non-executive Directors are as follows:-

Executive Directors	
Mr. Tan	RMB440,000
Mr. Geng Chang Sheng	RMB200,000
Non-executive Directors	
Tan Cao	RMB40,000
Liu Chang	RMB40,000
Independent non-executive Directors	
Chau Kam Wing, Donald	RMB120,000
Du Xin Li	RMB80,000
Yu Ming Yang	RMB80,000

(iii) It is estimated that approximately RMB780,000 in aggregate (excluding discretionary bonus payable to the Directors) will be payable to the Directors as remuneration in cash and in kind pursuant to the present arrangements for the year ending 31 December 2009.

2. **Substantial Shareholders**

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of the Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Interests in the Shares of the Company

Name	**Capacity/ Nature of Interest**	**Number of Shares**	**Position**	**Approximate Percentage of shareholding**
Mrs. Tan *(note 1)*	Interest in a controlled Corporation	169,700,000	Long	67.88%
Lead Charm *(note 2)*	Beneficial owner	169,700,000	Long	67.88%
Fame Good *(note 2)*	Beneficial owner	17,800,000	Long	7.12%

Notes:

1. Mrs. Tan is deemed to be interested in 169,700,000 Shares held by Lead Charm by virtue of her 49% interest in Lead Charm under Part XV of the SFO. Mrs. Tan is a controlling shareholder within the meaning of the Listing Rules.

2. Lead Charm and Fame Good are both controlling shareholders within the meaning or otherwise by virtue of the Listing Rules.

3. **Agency fees or commissions received**

Information on the agency fees or commissions received by the Underwriters is set out in the section headed "Underwriting" of this prospectus.

4. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of the Directors nor any chief executive of the Company has any interest in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case, once the Shares are listed;

(b) none of the Directors nor any of the experts whose names are referred to in the paragraph headed "Consents" in this Appendix is interested, directly or indirectly, in the promotion of the Company or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors nor any of the experts whose names are referred to in the paragraph headed "Consents" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

(d) taking no account of any Shares which may be taken up pursuant to the Share Offer and the Capitalisation Issue, the Over-allotment Option and any options to be granted under the Share Option Scheme, the Directors are not aware of any legal person or individual (not being a Director or chief executive of the Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(e) none of the experts whose names are referred to in the paragraph headed "Consents" in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) there is no existing or proposed service agreements (excluding the service agreement entered into between the Company and the respective Directors as referred to in the sub-paragraph headed "Particulars of service agreements" under the paragraph "Further information about the Directors, management, staff substantial Shareholders and experts" in Appendix V to this prospectus, or agreements expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)) between the Company or any of its subsidiaries and any of the Directors; and

(g) so far as the Directors are aware, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the shareholders of the Company dated 17 November 2009:

(a) *Purpose of the Share Option Scheme*

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

(b) *Who may join*

The Directors may, at their absolute discretion, offer to grant to any person belonging to any of the following classes of participants ("Eligible Persons"), options to subscribe for Shares at a price calculated in accordance with sub-paragraph (e) below:

(i) any proposed employee or employee (full-time or part-time) of any member of the Group, or a person for the time being seconded to work full-time or part-time for any member of the Group (the "Executive");

(ii) a director or proposed director (including an independent non-executive director) of any member of the Group;

(iii) a direct or indirect shareholder of any member of the Group;

(iv) a supplier of goods or services to any member of the Group;

(v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(vi) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and

(vii) an associate of any of the foregoing persons.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

(c) *Grant of options*

The Board may offer to make a grant subject to such conditions (including but not limited to terms and condition in relation to vesting, exercise or otherwise) as the Board may think fit, provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

No grant of options shall be made by the Board after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the period of one month immediately preceding the earlier of (a) the date of the meeting of the Board for approval of the Company's quarterly, interim or annual results or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the Company to publish its final results, the interim results or the quarterly results announcement under the Listing Rules or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option should be granted until such information has been announced pursuant to the requirements of the Listing Rules. The period during which no option should be granted will cover any period of delay in the publication of a results announcement.

The offer of the grant of an option shall be personal to the Eligible Person concerned and shall not be transferable. It shall remain open for acceptance by the Eligible Person concerned (and by no other person, including his Personal Representative(s)) for a period as stated in the offer document provided that no such offer shall be open for acceptance after the Share Option Scheme has been terminated.

The Board may, at its absolute discretion, fix any minimum period for which an Option must be held, any performance targets that must be achieved and/or any other conditions that must be fulfilled before the Options can be exercised upon the grant of an option to an Eligible Person.

(d) *Grant of options to connected persons or any of their associates*

Any grant of options to a connected person must be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the grantee of the option).

Where any grant of options is made to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person(s) in the past 12-month period up to and including the date of such grant representing in aggregate more than 0.1% of the total issued share capital of the Company for the time being; and having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK$5 million, then such further grant of options must be subject to the approval of the Shareholders on a poll at general meeting where all connected persons of the Company must obtain from voting in favour at such general meeting. The Company will send a circular to the Shareholders containing the information required under Rule 17.02(2) and the disclaimer required under Rule 17.02(4) of the Listing Rules. The Shareholders' approval as described above will also be required for any change in the terms of any Options granted to a substantial shareholder of the Company or an independent non-executive director of the Company or any of their respective associates.

The above requirements for the granting of options shall not apply where the Eligible Person is only a proposed director or chief executive of the Group.

(e) *Price for Shares*

The subscription price for the Shares under the Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day ("Offer Date"); (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share, provided that for the purpose of calculating the subscription price, where the Company has been listed for less than five business days the issue price shall be used as the closing price for any business day falling within the period before listing.

(f) *Maximum number of Shares*

(i) the total number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of the Group must not in aggregate exceed 10% of the total number shares in issue as at the Listing Date (not taking into account any Shares which may be allotted and issued under the Over-allotment Option which shall be 9,375,000 Shares unless Shareholders' approval has been obtained pursuant to paragraphs (i) and (ii) below;

(ii) the Company may seek approval from its Shareholders in general meeting to refresh the 10% limit. However, the maximum number of Shares available for issue upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not exceed 10% of the issued share capital of the Company as at the date of approval by the Shareholders in general meeting. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the 10% limit as refreshed;

(iii) the Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to the Eligible Persons specified by the Company before such approval is obtained.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time.

(g) *Maximum entitlement of each Eligible Person*

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

(h) *Time of exercise of option*

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted in accordance with the Share Option Scheme ("Commencement Date") and expiring on such date of the expiry of the option as the Board may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date ("Option Period") but subject to the provisions for early termination thereof as set out in the Share Option Scheme.

(i) *Rights are personal to grantee*

An option may not be transferable or assignable and is personal to the grantee.

(j) *Lapse of options*

(i) in the event that the grantee dies or becomes permanently disabled before exercising an option (or exercising it in full), he (or his legal representative(s)) may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine; or

(ii) in the event that the grantee ceases to be the Executive by reason of his retirement pursuant to such retirement scheme applicable to the Group at the relevant time, his option (to the extent which has become exercisable and not already exercised) shall be exercisable until the expiry of the relevant Option Period; or

(iii) in the event that the grantee ceases to be the Executive by reason of his transfer of employment to a Controlling Shareholder or a subsidiary or an associate of a Controlling Shareholder ("Affiliate Company"), his option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

(iv) in the event that the grantee ceases to be the Executive for any reason (including his employing company ceasing to be a member of the Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to the Group at the relevant time or the transfer of his employment to the Affiliate Company or the termination of his employment with the relevant member of the Group by resignation or termination on the grounds that he has been guilty of serious misconduct, or there exists grounds allowing his summary dismissal under his employment contract or under common law, or he is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law, or he has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or he has been convicted of any criminal offence involving his integrity or honesty ("Culpable Termination"), the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation; or

(v) in the event that the grantee ceases to be the Executive by reason of the termination of his employment by resignation or Culpable Termination, the option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification.

(k) *Cancellation of options*

The Board shall be entitled to cancel any option granted but not exercised in whole or in part by giving notice in writing to the grantee stating that such option is thereby cancelled with effect from the date specified in such notice. Any Options cancelled cannot be re-granted.

(l) *Effect of alterations to capital*

In the event of any alteration to the capital structure of the Company while any option remains exercisable, whether by way of capitalisation issue, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to the maximum number of Shares subject to the Share Option Scheme, and/or the aggregate number of Shares subject to the option so far as unexercised, and/or the subscription price of each outstanding option, provided that any such adjustments will be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any option will remain as nearly as practicable the same as (but shall not be greater than) as it was before such alteration, and that any such adjustment shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules, supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time and that no Share will be issued at less than its nominal value.

In respect of any such adjustment, other than any made on a capitalisation issue, an independent financial advisor or the auditors for the time being of the Company must confirm the Board that the adjustments satisfy the above requirements.

If there has been any alteration in the capital structure of the Company as referred above, the Company shall, upon receipt of a notice from a grantee in respect of the exercise of option, inform the grantee of such alteration in accordance with the certificate of the independent financial advisor or auditors, or if no such certificate has been obtained, inform the grantee of such fact and instruct the auditors or independent financial advisor as soon as practicable thereafter to issue such certificate.

(m) *Rights on a general offer by way of takeover and scheme of arrangement*

If a general offer is made to all the Shareholders and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within 21 days after the date on which the offer becomes or is declared unconditional (in the case of a takeover offer) or prior to such time and date as shall be notified by the Company (in the case of a scheme of arrangement).

(n) *Rights on winding-up*

In the event a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of the Company) by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have options unexercised at the same date as it despatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of (i) the Option Period; (ii) the period of two months from the date of such notice; or (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his option. Except insofar as exercised in accordance with this paragraph (xiv), all options outstanding at the expiry of the relevant period referred to in this paragraph (xiv) shall lapse. The Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the options to place the grantee in the same position as would have been the case had such Shares been subject to such compromise or arrangement.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof.

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time being in force and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

(q) *Alterations to terms and conditions*

The Share Option Scheme may be altered in any respect by a resolution of the Board except for some material alterations thereto which shall not be carried out except with the prior sanction of an ordinary resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all shares then subject to options granted under this Share Option Scheme.

(r) *Conditionality of Share Option Scheme*

The Share Option Scheme is conditional upon (a) the approval of the sole Shareholder of the Company for the adoption of the Share Option Scheme; and (b) the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the options in accordance with the terms and conditions of the Share Option Scheme; (c) the obligations of the Underwriters under the Underwriting Agreements become unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (d) the commencement of dealing in the Shares.

If the above conditions are not satisfied within 30 days after dated of this prospectus or 12 calendar months from the approval of sole Shareholder of the Company for its adoption, this Share Option Scheme shall forthwith determine, any option granted or agreed to be granted pursuant to the Share Option Scheme shall lapse and be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Share Option Scheme or any option granted thereunder.

(s) *Period of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Effective date. Upon the expiry of the Share Option Scheme, no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other aspects to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(t) *Termination*

The Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further options shall be offered but the provision of the Share Option Scheme shall remain in force and effect in all respects to the extent necessary to give effect to the exercise of Options granted prior to such termination. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

2. Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in 25,000,000 Shares which may fall to be allotted and issued pursuant to the exercise of the options under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Each of Mr. Tan, Mrs. Tan, Ms. Tan Yao, Mr. Tan Cao, Lead Charm and Fame Good (collectively the "Indemnifiers" and each an "**Indemnifier**") has entered into a deed of indemnity with and in favour of the Group to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any of the members of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any of the members of the Group on or before the date on which the Share Offer becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in Cayman Islands, the British Virgin Islands and the PRC.

Under the deed of indemnity, each of the Indemnifiers has also given indemnities to the Group on a joint and several basis in relation to taxation which might be payable by any of the members of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional, save in certain circumstances including:

(a) where provision or reserve has been made for such taxation in the consolidated audited accounts of the Group up to 30 June 2009; or

(b) where taxation falling on any of the members of the Group in respect of their current accounting periods or any accounting period commencing on or after 1 January 2009 unless liability for such taxation would not have arisen but for some act or omission of, or transaction effected by, any of such members (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets of any members of the Group on or before the Listing Date; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date pursuant to any statement of intention in this Prospectus; or

(iii) consisting of any of the members of the Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or

(c) where any provisions or reserve made for taxation in the consolidated audited accounts of the Group up to 30 June 2009 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

However, the indemnities given to the Group in relation to taxation does not cover any taxation claim to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the date on which the Share Offer becomes unconditional or to the extent that such claim arises or is increased by an increase in rates of taxation after the date on which the Share Offer becomes unconditional with retrospective effect.

Further, pursuant to the deed of indemnity, each of the Indemnifiers has also jointly and severally agreed to indemnify any of the members of the Group against any fees, costs, expenses, claims, losses, liabilities, penalties and proceedings incurred or suffered by such member as a result of:

(a) the failure to obtain the building ownership certificate in respect of the property numbered 2 in Appendix III to the Prospectus; and/or

(b) the request of any relevant department of the PRC government of the repayment of the difference of RMB31,000 per mu between the lowest standard price of RMB96,000 per mu as prescribed by the government's approval (《邊家村五社出讓土地批覆》) and the purchase price of RMB65,000 per mu paid by the Group for the purchase of the property numbered 3 of Appendix III to the Prospectus and the relevant social welfare overall planning fee (社會保障統籌費) of around RMB800,000; and/or

(c) any request for forfeiture or demolishment of any buildings/properties by any relevant department of the PRC government if the said building has not obtained a valid building ownership certificate under relevant PRC laws and regulations; and/or

(d) the failure to duly register of the leases in respect of the properties numbered 9 to 16 in Appendix III to the Prospectus,

provided that the aforementioned failure is not arising from any one or more of the following reasons:

(a) the disposal and/or sale of any member of the Group of the relevant property; and/or

(b) any member of the Group fails or refuses to perform or breaches its obligations under the relevant land grant or purchase contract pursuant to which it derives its title to and/or interest in the relevant property at any time after the date on which the Share Offer becomes unconditional; and/or

(c) any requisition or resumption of the relevant property or part thereof by the PRC governmental authorities in accordance with applicable laws and regulations, otherwise than as a result of the default committed by any member of the Group.

Each of the Indemnifiers further jointly and severally undertakes to provide indemnity to each member of the Group against any loss suffered by any of the members of the Group in connection with any outstanding litigation, claim, action, prosecution, arbitration, mediation, alternative dispute resolution or other similar proceedings to which any of the members of the Group is a party as at the date of this Prospectus, provided that such indemnity shall not apply to the extent that:

(a) the relevant losses have been paid and recorded in the consolidated audited accounts of the Group up to 30 June 2009; or

(b) provision or reserve has been made for the relevant losses in the consolidiated audited accounts of the Group up to 30 June 2009.

2. Litigation

None of the Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue, the Shares to be issued under the Share Offer, the Capitalisation Issue, the Over-allotment Option and 25,000,000 Shares which fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme.

4. Promoters

There is no promoter of the Company.

5. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US$25,000 and are payable by the Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given their opinion or advice in this prospectus:

Name of expert	Qualifications
First Shanghai Capital	A licensed corporation under the SFO
CCIF CPA Limited	Certified Public Accountants
Global Law Office	Legal advisers as to PRC law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
DTZ Debenham Tie Leung Limited	Professional surveyors and valuers

7. Material adverse changes

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 30 June 2009 (being the date to which the latest audited consolidated financial statements of the Group were made up).

8. **Miscellaneous**

(a) Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued as fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founder shares, management shares or deferred shares of the Company or any of its subsidiaries has been issued or agreed to be issued; and

(iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share of loan capital of the Company or any of its subsidiaries.

(b) The Company has no outstanding convertible debt securities.

(c) All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

F. CONSENTS

Each of First Shanghai Capital, CCIF CPA Limited, Global Law Office, Conyers Dill & Pearman and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name in the form and context in which they are respectively included.

G. BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned to be bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

H. BILINGUAL PROSPECTUS

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from compliance with Provisions) Notice (Chapter 32L).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong, were copies of the **WHITE** and **YELLOW** application forms, the written consents referred to in the paragraph headed "Consents of experts" in the section headed "Other information" in Appendix V to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in the section headed "Further information about the business" in Appendix V to this prospectus and a statement of adjustments made by CCIF CPA Limited in arriving at the figures set out in the accountants' report of this prospectus and its reasons therefor. The copy of this prospectus filed with Registrar of Companies in Cayman Islands has attached to it copies of the **WHITE** and **YELLOW** application forms.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Hasting & Co. at 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours up to and including 28 December 2009:

(a) the memorandum of association and articles of association the Company;

(b) the accountants' report on the Group prepared by CCIF, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;

(c) the comfort letter prepared by CCIF relating to the unaudited pro forma statement of adjusted net tangible assets of the Group, the text of which is set out in Appendix II to this prospectus;

(d) the audited financial statements of each of the Company's subsidiaries for each of the three years ended 31 December 2008, or since their respective dates of incorporation to 31 December 2008 if this is a shorter period;

(e) the letter, summary of valuation and valuation certificate prepared by DTZ Debenham Tie Leung Limited in respect of the property interests of the Group, the text of which is set out in Appendix III to this prospectus;

(f) the rules of the Share Option Scheme;

(g) the Companies Law;

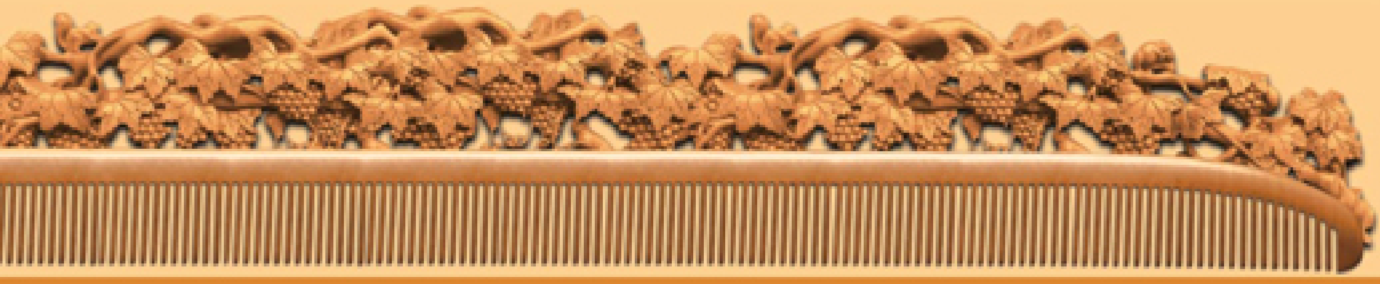
(h) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of the Cayman Islands company law as referred to in the section headed "General" in Appendix IV to this prospectus;

(i) the legal opinion prepared by Global Law Office, the legal advisors to the Company in PRC law;

(j) the material contracts referred to in the paragraph headed "Summary of material contracts" in the section headed "Further information about the business" in Appendix V to this prospectus;

(k) the service agreements referred to in the sub-paragraph headed "Particulars of service agreements" under the paragraph headed "Directors" in the section headed "Further information about Directors, management, staff, substantial shareholders and experts" in Appendix V to this prospectus; and

(l) the written consents referred to in the section headed "Consents" in Appendix V to this prospectus.



Carpenter Tan Holdings Limited
譚 木 匠 控 股 有 限 公 司*