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

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

2010
ANNUAL REPORT

* For identification purpose only

CONTENTS

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Mr. Tan Di Fu

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Mr. Liu Chang

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Mr. Yu Ming Yang
Mr. Chau Kam Wing, Donald

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Madam Du Xin Li
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Madam Du Xin Li
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STOCK CODE
837

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	For the year ended 31 December		% of
	2010	2009	Increase
	RMB'000	RMB'000	
Financial Highlights			
Turnover	**189,418**	139,791	35.5%
Cost of sales	**(69,240)**	(54,464)	27.1%
Gross profit	**120,178**	85,327	40.8%
Profit before taxation	**85,592**	57,758	48.2%
Profit attributable to owners	**66,124**	45,922	44.0%
Basic earnings per share (RMB cents)	**26**	24	8.3%
Proposed final dividend per share (HK cents)	**15.71**	10.45	50.3%
Liquidity and Gearing			
Current ratio(1)	**9.39**	3.35	180.3%
Quick ratio(2)	**7.35**	2.79	163.4%
Gearing ratio(3)	**N/A**	0.19	N/A

Notes:

(1) Current ratio is calculated as current assets divided by current liabilities.

(2) Quick ratio is calculated as current assets less inventories divided by current liabilities.

(3) Gearing ratio is calculated as interest-bearing bank borrowings divided by shareholders' fund.

Dear Shareholders,

I, on behalf of the board of directors (the "Board"), am pleased to present this annual report of Carpenter Tan Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2010 (the "Year") to the shareholders (the "Shareholders") for their review.

The PRC economy grew rapidly in 2010. With the introduction of government policies for driving domestic demand, the substantial increase in domestic consumption demand facilitated the development of Carpenter Tan's franchise system. During the Year, the Group focused on building brand image, enhancing the efficiency in expansion of franchise shops and streamlining the management of franchise shops. As a result, expansion of franchise shops was expedited with rising retail sales of franchise shops. With the great effort of the management and staff, the targets of the operation and financial results of the Group for the year ended 31 December 2010 were achieved. I am satisfied with the strong performance of the Group in 2010.

STRONG OPERATING RESULTS

The Group recorded turnover of RMB189.4 million for the year ended 31 December 2010, representing a growth of 35.5% as compared to last year. The growth was attributable to the growth in the domestic consumption demand, which resulted in an increase in the retail sales of franchise shops. The overall gross profit margin increased to 63.4%, and profit attributable to owners of the Company was RMB66.1 million, representing an increase of 44.0% as compared to last year. Basic earnings per share was RMB26 cents, representing an increase of 8.3% as compared to last year. Given the satisfactory results, the Board has recommended the payment of a final dividend of HK15.71 cents per share for the financial year ended 31 December 2010, representing a total payout ratio of 63% of the distributable profit of the Company (after deducting the non-distributable statutory reserves of RMB13,652,000 for the year ended 31 December 2010) , in order to express its gratitude for the support of our Shareholders. The Board believes that the strong financial position and cash flow of the Company are sufficient to support the future investments for sustainable growth of the Company.

STRENGTHENED THE DEVELOPMENT OF SALES NETWORK

During the Year, the Group successfully strengthened its franchise team by implementing the "Carpenter Tan" franchise programme in an innovative way. The Group will further consolidate and develop markets of first-tier cities while expanding markets of second and third-tier cities. Sales channels were further optimised. For the year ended 31 December 2010, the Group has 1,089 franchise shops, representing an increase of 223 shops. The franchise shops have a wide geographical coverage in the PRC.

ENHANCED THE EFFICIENCY OF OUR MANAGEMENT

Aside from expanding its franchise shops, the Group made remarkable achievements in optimizing sales channel and franchise shop management. The Group also set up modern shops in major markets. With minimum investment, franchise owners were encouraged to develop their business in core urban commercial areas and introduce innovative start-up model of modern shops. During the Year, the Group established a total of 33 modern shops. In addition, to enhance the expansion efficiency of franchise shops, the Group coordinated the start-up model of franchise shops within the same region. It also sought to enter into strategic cooperation agreements with the regional business head offices of large-scale department stores and supermarkets to effectively increase the number of franchise shops. The market penetration of "Carpenter Tan" in the domestic consumer goods market was successfully enhanced.

Emphasis of the Group has also been placed on the strategic management of existing franchise shops. During the Year, the Group adopted the streamlined franchise shop management model. Managers of provincial level quantified the daily operation of franchise shops in their respective provinces with a view to assessing the "credit rating" of the franchise shops. Moreover, the differentiated product matching method was applied to assign different products to specific markets in line with local market demands. Currently, the differentiated management strategy was proven successful in the market.

The Group has been devoted to the innovation of product design. By integrating traditional Chinese culture with modern creative design, small wooden products feature unique characteristics. During the Year, the Group launched 147 products in the market. The new products were developed into different series and for enriching different product lines.

PROMOTING CHINESE CULTURE

The Group has been promoting its products and the Chinese traditional craftsmanship through large-scale activities of various themes. During the Year, the activities held by the Group were well received, including "It's All About Love"（愛從頭開始）on Valentine's Day, "Show Appreciation with Delicate Combs on Mother's Day"（感恩母愛、為母親梳梳頭）, "Sending Message of Love at Christmas"（浪漫聖誕、愛的傳遞）. To fulfill its social responsibilities, the Group is committed to making contribution to the society while developing its business. The Group assisted people with disabilities to enter into the job market by providing them with practical training and job opportunities.

OUTLOOK

Looking forward, following the commencement of the Twelfth Five-year Plan this year, China's economy started its strategic transformation. Along with the rapid expansion of the consumption business in China, more opportunities will arise. Capitalising on its excellent market insight and its reputation and leading position in the wooden ornament market in China, the Group will step up efforts to expand its domestic market penetration through increasing franchise shops and identifying new sales channels. The Group will further optimise product quality and enhance management efficiency to provide customers with products of premium quality. The Group will further strive to establish "Carpenter Tan" as a successful and sustainable brand. It will pass on and promote its corporate culture of "Honesty, Work and Happiness" with a view to bringing satisfactory returns to investors.

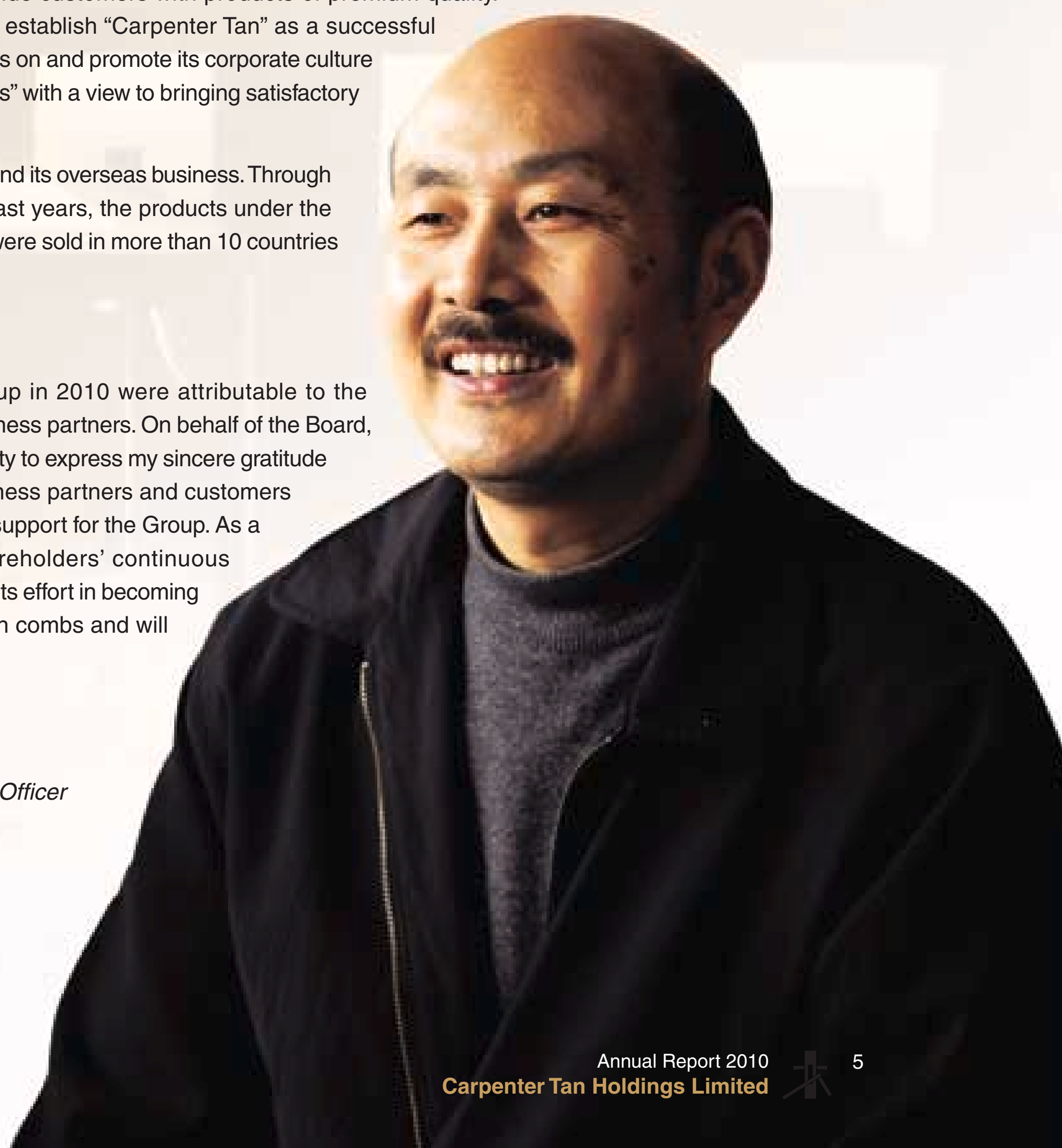
The Group will also actively expand its overseas business. Through its expansion efforts over the past years, the products under the brand name of "Carpenter Tan" were sold in more than 10 countries and regions overseas.

APPRECIATION

The achievements of the Group in 2010 were attributable to the commitment of its staff and business partners. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all of the Shareholders, business partners and customers for their longstanding care and support for the Group. As a token of appreciation for Shareholders' continuous support, the Group will continue its effort in becoming the world's top brand of wooden combs and will strike for better performance.

Tan Chuan Hua
Chairman and Chief Executive Officer

Hong Kong, 25 March 2011



MARKET REVIEW

Global economy recovered gradually in 2010. Foreign trade resumed its position as the driver of economic growth of the PRC. The weakening US dollars resulted in depreciation of assets denominated in the US dollars held by the PRC and triggered off asset bubble in the PRC. In order to offset the effects of Renminbi appreciation and the quantitative easing policy implemented by the United States, attempts were made for the restructuring of the PRC economy. Reliance on export trade in the past was replaced with a balanced development between investment of enterprises of the PRC and stimulation of domestic demands for maintaining sustainable economic growth.

The economic stimulus plans implemented by the PRC boosted domestic consumption and alleviated the impacts of economic depression in the United States and Europe on export-driven countries. After the PRC successfully maintained its economic growth of 8%, the PRC economy grew rapidly in 2010 with promising domestic economic development in general. With the support of the government in driving domestic demand and the implementation of the Twelfth Five-Year Plan, domestic consumption demand increased substantially. Moreover, the increasing purchasing power of the people directly benefited the retail industry.

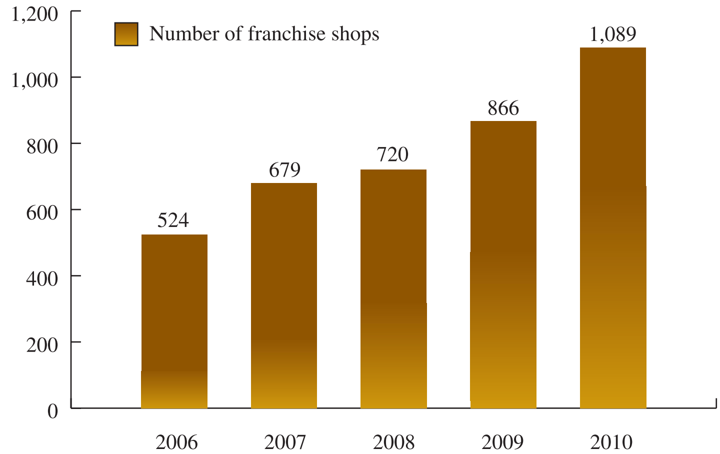
Strong economic growth in the PRC gave impetus to the development of the Group. During the year, the Group focused on building brand image, enhancing the efficiency in expansion of franchise shops and streamlining the management of franchise shops. For the year ended 31 December 2010, the number of franchise shops increased to more than 1,000. Moreover, the sales network further expanded and sales volume hit a record high. With further enhancement in brand value, satisfactory operating results were achieved.

BUSINESS REVIEW

Sales network

The PRC market

The Group successfully established a large-scale extensive sales network by implementing the franchise programme. During the year, the franchise shops of the Group further expanded. As at 31 December 2010, the Group has 1,089 franchise shops in the PRC, representing an increase of 223 shops as compared with that of the last year. The franchise shops have a wide geographical coverage spanning 31 provinces and autonomous regions and more than 300 cities.



As at 31 December

During the year, the Group focused on establishing modern shops in major markets. For the year ended 31 December 2010, the Group had established a total of 33 modern shops mainly in first tier markets such as Beijing, Chongqing, Zhejiang, Jiangsu and Yunnan. Each shop has an area over 20 square metres. In 2011, the Group will continue to develop modern shops and plan to set up 40 modern shops.

Based on development strategies for its sales network, the Group will further consolidate and develop markets of first-tier cities while expanding markets of second and third-tier cities. The Group will further expand and enhance the market share and boost sales of first-tier cities in addition to developing markets of the second and third-tier cities.

Overseas market

The Group also actively expanded its overseas business. Through its expansion efforts over the past few years, the products under the brand name of "Carpenter Tan" were sold in more than 10 countries and regions overseas. As at 31 December 2010, there were a total of 11 overseas franchise shops of "Carpenter Tan", 4 of which were in Hong Kong, 3 in Singapore, 1 in Malaysia, 1 in Korea, 1 in the United States and 1 in United Arab Emirates. In addition, the Group had 11 distributors in Germany, Italy, Russia, Australia, the United States, Canada, Japan and Taiwan.

Sales management

The Group has placed emphasis on the management of franchise shops. It believes that effective and strict management can enhance operation efficiency. The Group has formulated the Operation Manual for Franchise Shops（專賣店運營手冊）, specifying the management policy and procedures. The management and standardisation of each franchise shop are required to strictly comply with the policy and procedures specified therein. As a result, the operating model of each franchise shop was standardised and the efficiency of our management was enhanced. Moreover, the Group was able to provide support for each franchise shop.

As the Group understood the challenges and issues encountered by the franchise shops, the Group strived to support the development of franchise shops by catering for their needs.

In order to upgrade the image of franchise shops, the Group provided supervising and training programmes for staff of franchise shops to enable them to understand their scope of responsibilities and optimise services for boosting sales. In addition to quality and professional services, the Group requires all franchise shops to have unified colour, materials, designs in shop decoration and window display to build a consistent and outstanding enterprise image. Besides, the design of modern shops integrated traditional Chinese culture with modern decoration to render an "upgrade version" of franchise shops.

The Group also offers a free 24 hours service hotline to handle customers and franchisees' inquiries.

Design and product development

As at 31 December 2010, the Group's design and development team comprised more than 20 staff with experience and expertise in colouring, inlaying, packaging, catalog design and graphic design for diversifying product development. In addition, the Group engaged external designers from Europe on a contract basis to enhance its product development. The Group developed various new techniques with the use of different materials to accentuate its innovative products such as implanted teeth comb（插齒梳）, round hair-caring comb（滚筒護髮梳）, high-end shell embedded comb（高檔鑲貝梳）and silver inlaid comb（鑲銀梳）.

During the year, the Group launched 147 new products, comprising 62 box sets, 6 mirrors, 12 lockets and 67 accessories. The new products were developed into different series and for enriching different product lines. Moreover, the average selling price of products also increased. The Group has developed and launched over 2,000 products to the market so far, in respect of which the Group has registered 75 patents and has filed applications for registration of 15 patents.

The Group has established a technology centre in Wanzhou, which is responsible to study on the stabilisation and maintenance technology of wood. The Group's technology centre was granted the status of "Municipal Technology Centre" designated by Chongqing Municipal Government in 2005, and was approved as a National Technology Centre by the central government in September 2010. The achievements of the Centre were as follows:

— Most of the logs were covered and moisturised on a timely manner to effectively avoid cracking on the surface and edge of wood.

— Small amount of logs was soaked to effectively avoid cracking.

— The craftsmanship in drying materials was improved. The Group carried out automatic control system to ensure quality consistency and stability of dry materials.

— Technology for maintaining consistency of the wood sizes was adopted. The Group also adopted the technology to block the holes of the wood to effectively prevent the products from deforming and cracking.

— Technology for safe storage of wood and materials was developed and adopted. The Group maintained wood quality by effectively adjusting the environment conditions such as temperature, humidity and wind velocity.

In 2010, in order to consolidate the competitive advantages of "Carpenter Tan" and other brands, the Group coordinated and reclassified the existing product system, and created more professional designs and marketing slogan so as to enrich its product lines. During the year, the Group further developed a new series and continued to extend its well-received series. The Group also carried on its research and development for new craftsmanship.

Growth of production capacity

As at 31 December 2010, the Wanzhou Factory of the Group had in total 779 full-time staff members for production. The factory, which mainly produces combs and mirrors, is expected to be able to support the sales of combs and mirrors in the foreseeable future.

	For the year ended 31 December			
	2007 Actual production volume (Units)	2008 Actual production volume (Units)	2009 Actual production volume (Units)	**2010** **Actual** **production** **volume** **(Units)**
Combs	3,750,400	2,682,700	3,151,000	4,024,900
Mirrors	496,000	342,000	480,900	664,800

Marketing and promotion

The Group attached great importance to marketing and promotion and believes that successful marketing strategies can enhance brand awareness.

The Group has a professional sales and marketing team. During the year, the Group held 3 nationwide marketing campaigns, namely “It’s All About Love”（愛從頭開始）on Valentine’s Day, “Show Appreciation with Delicate Combs on Mother’s Day”（感恩母愛、為母親梳梳頭）, “Sending Message of Love at Christmas”（浪漫聖誕愛的傳遞）and other marketing activities in other festivals. These activities enhanced brand awareness and brought positive effect on marketing and promotion of products.

In respect of brand building, the awareness and image of the brand were enhanced significantly as the Group promoted the brand through different channels, including advertisement, the internet, promotion in shops and different trade fairs. Its professional customer service staff provided efficient and quality services before, during and after sale to further consolidate and enhance brand image among customers.

High-end home accessories shops and lifestyle handicraft stores

Due to the change in market environment and the Group’s business strategy, the Group has decided to hold-up the business plan in developing the high-end home accessories shops and lifestyle handicraft stores. During 2010, the whole operation of high-end home accessories shops and lifestyle handicraft store was closed down and the loss on the related disposal of RMB3.3 million has been reflected in the profit and loss accounts for the year.

Awards and accreditation

The Group has won various awards in its history. In 2010, the Group was awarded “China Outstanding Retail Franchiser Brand 2009-2010”（2009至2010年度中國零售業優秀特許加盟品牌）and “Top 120 China Franchiser 2009”（2009年中國特許經營連鎖120強）and “Chongqing Famous Export Brand”（重慶市出口知名品牌）.

The Group's product, engraving comb（高風亮節）was awarded gold medal and engraving comb（一品清廉）and（瓜瓞綿綿）were awarded silver medals in the Third Chongqing Art and Craft Exhibition.

FINANCIAL REVIEW

Turnover

The Group recorded turnover of approximately RMB189.4 million for the year ended 31 December 2010, representing a growth of 35.5% as compared to that of approximately RMB139.8 million of last year. The growth was attributable to the enhanced competitiveness by grasping opportunities in the recovery of the China economy, which resulted in an increase in the number of franchise shops and purchase of products. The franchise fee income was approximately RMB1.5 million which was close to that of last year.

	For the year ended 31 December			
	2010		2009	
	(RMB '000)	**%**	(RMB '000)	%
Sales				
– Combs	**57,207**	**30.2**	49,878	35.7
– Mirrors	**1,930**	**1.0**	1,762	1.3
– Box sets	**117,660**	**62.1**	78,328	56.0
– Other accessories*	**11,135**	**5.9**	8,260	5.9
Franchise fee income	**1,486**	**0.8**	1,563	1.1
	189,418	**100.0**	139,791	100.0

* Other accessories include small home accessories as well as furniture.

Cost of Sales

The cost of sales of the Group was approximately RMB69.2 million for the year ended 31 December 2010, representing an increase of 27.0% as compared to that of approximately RMB54.5 million of last year, which was basically consistent with the growth of turnover.

Gross Profit and Gross Profit Margin

As at 31 December 2010, gross profit of the Group was approximately RMB120.2 million, representing an increase of 40.9% as compared to that of approximately RMB85.3 million of last year. The gross profit margin rose from 61.0% in 2009 to 63.4% in 2010. The increase in gross profit margin was mainly due to the adjustment of sales mix of the Group and growing market demands for some products with a higher profit margin. Besides, the Group has committed to develop innovative products with high added values and increased its investments in promotion and marketing to strengthen its long term competitive edges.

Other Revenue

Other revenue was approximately RMB23.7 million for the year ended 31 December 2010, representing an increase of 30.2% as compared to that of approximately RMB18.2 million of last year. The increase was mainly due to (i) an increase of PRC VAT tax concession from approximately RMB10.7 million in 2009 to approximately RMB12.0 million in 2010; (ii) an increase of change in fair value of investment properties from approximately RMB5.4 million in 2009 to approximately RMB7.2 million in 2010; and (iii) an increase of rental income from approximately RMB0.7 million in 2009 to approximately RMB1.9 million in 2010.

Administrative Expenses

The administrative expenses of the Group was approximately RMB24.2 million for the year ended 31 December 2010, representing an increase of 31.5% as compared to that of approximately RMB18.4 million of last year. The increase was mainly due to (i) an increase of consultancy fee from approximately RMB1.5 million in 2009 to approximately RMB2.4 million in 2010; (ii) an increase of registration fee from approximately RMB0.1 million in 2009 to approximately RMB1.2 million in 2010; and (iii) an increase of salary from approximately RMB6.7 million in 2009 to approximately RMB8.0 million in 2010.

Selling and Distribution Expenses

The selling and distribution expenses, including advertising and market expansion expenses, design fees, rental expenses, salaries and benefits, and travelling expenses, amounted approximately RMB24.0 million for the year ended 31 December 2010, representing an increase of 26.3% as compared to that of approximately RMB19.0 million in 2009. The increase was primarily attributable to substantial resources that were invested in advertising and market expansion by the Group during the year. Advertising expenses increased from approximately RMB1.0 million in 2009 to approximately RMB2.8 million in 2010. The increase was also due to an increase of salary from approximately RMB4.7 million in 2009 to approximately RMB5.6 million in 2010.

Finance Costs

The Group's interest on bank borrowings decreased by 16.0% from approximately RMB2.5 million in 2009 to approximately RMB2.1 million in 2010, which was primarily due to the decrease in bank borrowing in 2010.

Income Tax

Tax charge increased by 65.3% from approximately RMB11.8 million in 2009 to approximately RMB19.5 million in 2010 primarily due to the increase in profit before taxation. The Group's effective tax rates in 2009 and 2010 were 20.5% and 22.7% respectively.

Profit for the Year

Profit for the year ended 31 December 2010 was approximately RMB66.1 million, representing an increase of 44.0% as compared to that of approximately RMB45.9 million in 2009. The increase was due to the growth of profit margin as well as turnover.

Property, Plant and Equipment

The Group's property, plant and equipment consists of building, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2010, the net book value of property, plant and equipment amounted to approximately RMB33.1 million, representing an decrease of RMB2.7 million, or 7.5%, as compared with the previous year. The decrease was mainly attributable to the depreciation charges of RMB3.7 million for the year.

Inventories

The Group's inventories as at 31 December 2010 increased by 26.7% from RMB42.0 million as at 31 December 2009 to RMB53.2 million, primarily due to the stocking of raw materials for coming year's production as the Group anticipated that there would be an increase in sales demand in 2011.

Trade Receivables

Generally, franchisees are required to settle the payments for the products prior to delivery. The Group's trade receivables consist of credit sales of products to be paid by some of the Group's franchisees who had better sales performance. The Group's trade receivables increased by RMB0.8 million from RMB0.4 million as at 31 December 2009 to RMB1.2 million as at 31 December 2010, increase in trade receivables was mainly due to the increase in credit sales to some of the Group's franchisees with whom the Group have long-term relationship.

Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments decreased by RMB5.6 million from RMB14.0 million as at 31 December 2009 to RMB8.4 million as at 31 December 2010. Decrease in other receivables, deposits and prepayments was mainly due to the return of part of the proceeds from the Company's initial public offering from the lead manager of the initial public offering, First Shanghai Securities Limited.

Trade Payables

As at 31 December 2010, the Group's trade payables was RMB3.0 million, a slight decrease of RMB0.2 million as compared with that of 2009.

Other Payables and Accruals

The balance consists of other payables, accruals, trade deposits received, provision for sales return, VAT and other non-income tax payables. The Group's payables and accruals as at 31 December 2010 decreased slightly by 7.2% from RMB19.5 million as at 31 December 2009 to RMB18.1 million, primarily due to the decrease in accruals which was related to the Company's listing expenses for the initial public offering in December 2009.

Capital Expenditure

During the year, the Group invested approximately RMB3.2 million (2009 : RMB3.6 million) for purchase of property, plant and equipment.

CONTINGENT LIABILITIES

For the year ended 31 December 2010, the Group did not have any significant contingent liabilities.

OUTLOOK

With the emphasis on seven emerging industries and the introduction of the Twelfth Five-Year Plan by the PRC government, the increasing purchasing power of the people and growing domestic consumption, the Group is optimistic about its development prospect. The Group will be devoted to consolidating the successful and sustainable brand of Carpenter Tan and actively develop innovative products. Quality technologies will be introduced for product development and sales network will be expanded. As such, Carpenter Tan will develop into a successful and sustainable enterprise and its business will advance to a higher level.

In 2011, the Group will continue to strengthen the expansion and development for its sales network in the PRC and overseas. Market development will be conducted in major cities including Beijing, Zhejiang, Shanghai, Chongqing, Guangzhou, etc. Through increasing the number of franchise shops, exploring new sales channels and developing bulk-purchasing business, the market share of "Carpenter Tan" will be further enhanced and the "Carpenter Tan" brand will be more well-known. In addition, the Group will actively communicate and cooperate with the franchise shops to achieve remarkable results.

In order to cater for the need of customers with higher consumption power, the Group plans to set up approximately 40 new modern shops in 2011. The new shops are mainly located in major cities, major markets, such as Chongqing, Beijing, Shanghai and Guangzhou, to provide quality wooden products for customers.

In 2011, with regard to the business development plan for overseas markets, the Group plans to provide more operation support for existing franchise shops and authorised distributors overseas. Their operation capability in oversea markets will be enhanced to further expand the Group's market share. The Group will also encourage longstanding customers to establish new shops for increasing its overseas market share. In addition to stabilising its existing markets, the Group will exert effort in attracting partnership and new customers by participating in trade fairs.

As for the Asian market, the Group will expand its business mainly by way of setting up franchise shops. It plans to establish a total of 7 franchise shops, 2 of which were in Hong Kong, 2 in Singapore, 1 in Malaysia, 1 in Taiwan and 1 in Korea. Franchise shops will also be set up in the markets in America (the United States and Canada), Oceania (Australia) and Europe (the United Kingdom, Italy, Germany, the Netherlands and Russia) for further market expansion. Moreover, diversified development methods such as sale through concessionary counters and authorised distributors will be adopted for accelerating market penetration. In 2011, the development focus in overseas markets will be on identifying the general distributors in the United States, Canada, Australia and the United Kingdom for extending the sales channels of brand products and boosting export volume.

Aside from expanding its market network, the Group will also attach great importance to product quality. In 2011, the Group will adopt the production and quality control strategy to further enhance production efficiency and product quality. Currently, the Group has commenced recruiting new staff and strengthened their training, so that the staff members will be more familiar with the production procedures. As a result, the efficiency of production process will be enhanced and the production quality will be upgraded. In response to the changes and demands in the market, the Group will actively improve existing facilities and acquire new facilities in a timely manner. In respect of production, the production plants will be committed to upgrading production technology, improving management and streamlining the procedures to strength production efficiency. Moreover, the Group will step up effort to renovate the production sites and prepare to carry out two-shift work schedule according to production needs.

Looking forward, leveraging its practical marketing strategies and robust financial position, the Group will actively and aggressively expand domestic and overseas business with integrity. By further increasing market share and strengthening the successful and sustainable brand image of Carpenter Tan, the Group aims to establish "Carpenter Tan" as the "Leading Brand of Wooden Comb in the World". The Group will seize business opportunities to strive for sustainable growth of operating profits and higher sales record in order to bring better returns to shareholders and investors.

SOCIAL RESPONSIBILITY

The society, employees and the investors are the core of the Group. Apart from actively expanding business, the Group also makes contribution to society so as to make "Carpenter Tan" an enterprise honouring social values. Adhering to its corporate culture, the Group encourages the recruitment of the disabled and provides them with job opportunities. Besides, they are provided with job training to allow them to earn their own living. Since the receipt of the social welfare enterprise permit from Chongqing City Affairs Burea（重慶市民政局）in 2004, Ziqiang Muye of the Group has been recognised as a social welfare enterprise in the PRC.

During the year, the Group employed 396 handicapped persons. The Group strictly complied with the criteria of social welfare enterprises to ensure that disabled staff members accounted for 25% of the total number of staff and were employed under labour contracts of more than 1 year. Over these years, they have made significant achievements and contributions to the Group.

In addition, the Group has actively participated in other charity events.

During the year, the Group participated in various charity events. One of events was a year-round activity in which 9 caring groups of employees of the Group visited homes for the elderly, the Hope Schools, rehabilitation centres and the underprivileged every month. The activity was well-received by different levels of the Group with over 1,000 staff members participated.

Moreover, the Group put emphasis on environment protection and supported the "Green Yangtze River"（綠色長江）activity. The employees participate in tree-planting activities twice a year for raising the awareness on environment protection. In March 2010, the Group organised an activity of weeding and fertilising for trees planted in Shapin Town, Yubei District, Chongqing, in the past few years. The Group also organised a tree-planting activity in Gulu Town and Caoping Town in Yubei District, Chongqing and planted a total of 1,000 trees.

The Group also participated in post-disaster relief activities. In April 2010, the Group organised a team to visit to Haifa Village, Qinglin Town, Liupanshui, Guizhou. The team donated drinking water for two Hope Schools in the village and built water cellars for the villagers to relieve their immediate needs.

HUMAN RESOURCES AND TRAINING

During the year, the Group had a total of 968 employees in Mainland China, Hong Kong and overseas. Its total staff cost was approximately RMB31.2 million for the year ended 31 December 2010 (2009: RMB23.1 million).

Besides providing employment opportunities for disabled persons, the Group is committed to seeking talents and enhancing their values. Through various incentive schemes, the Group encouraged all staff to participate in product design and development to explore different capabilities of staff. The Group held training activities for the staff to upgrade their knowledge, marketing skills and services. Furthermore, sense of belonging was cultivated among staff members when they participated in the training. In 2010, over 700 online learning programmes were available for its staff. Training on corporate culture and service skills was offered through classes, examination, data sharing and CD playing. During the year, Ziqiang Muye commenced training on cost control, while the Group organised an outward bound programme in Baishiyi Town, Chongqing.

In addition, the future success of the Group is mainly attributable to the effort of our executive Directors. As such, the Group entered into service agreements with all executive Directors with an initial term of three years since the date of listing.

Based on the Group's corporate value of "Honesty, Work and Happiness", it always educates its staff about the importance of honesty and places emphasis on providing practical and sincere services to customers. During the year, the Group organised the first "I know I will I can do, honest to work will be more happy"（我知我會我能行，誠實勞動更快樂）skill competition for the Company and its factories. Through this competition, the skills of staff were further enhanced. The staff also realised the corporate culture of "Honesty, Work and Happiness". In December 2010, the Group organised an interesting "game-playing" Christmas party to enhance staff coherence.

DIRECTORS

Executive Directors

Mr. Tan Chuan Hua (譚傳華), aged 53, 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. 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 Investments Limited ("Lead Charm"), the Company's controlling shareholder and Global Craft Collection Association (國際手工藝術集藏協會). He is the spouse of Madam Fan Cheng Qin and father of Mr. Tan Di Fu, 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 62, is an Executive Director 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 Investments Limited ("Fame Good"). Mr. Geng joined the Group in August 2002 as the assistant general manager of Chongqong Carpenter Tan Handicrafts Company Limited (重慶譚木匠工藝品有限公司) and has been responsible for the general administration and human resources function since August 2002. Mr. Geng was appointed as a director of Chongqong Carpenter Tan Handicrafts Company Limited (重慶譚木匠工藝品有限公司) in August 2003 and the Executive Director of the Company on 30 August 2006.

Mr. Tan Di Fu (譚棣夫), aged 25, is responsible for assisting the formulation of the business development strategy of the Group. He enrolled in Sichuan International Studies University (四川外語學院) 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. Currently he is the General Manager of Chongqing Carpenter Tan Handicrafts Company Limited and is responsible for the day-to-day management of the Company. Mr. Tan Di Fu is the son of Mr. Tan Chuan Hua and Madam Fan Cheng Qin, the nephew of Mr. Tan Cao and Madam Tan Yao.

Non-executive Directors

Mr. Tan Cao (譚操), aged 47, is a Non-executive Director responsible for the corporate financial activity and legal matters of the Group. He is currently the director of Kau Luk Investment Company Limited（歌樂投資有限公司）of which the principal business is investment. 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 Chuan Hua, 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 and Mr. Tan Di Fu. He joined the Group in August 2003 and was appointed as the Director on 30 August 2006.

Mr. Liu Chang (劉暢), aged 37, 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.

Independent non-executive Directors

Madam Du Xin Li (杜新麗), aged 54, is an Independent Non-executive Director. Madam 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 the Independent Non-executive Director on 4 September 2007.

Mr. Yu Ming Yang (余明陽), aged 46, 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 Shandong Haodanjia Ocean Development Company Limited(山東好當家海洋發展有限公司), the shares of which are listed on the Shanghai 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 the Independent Non-executive Director on 4 September 2007.

Mr. Chau Kam Wing, Donald, aged 48, has over 20 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a master degree in business administration from the University of San Francisco, US in 2000. He is also a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is an independent non-executive director of China Water Affairs Group Limited and Zhejiang Shibao Company Limited, which are listed on the Main Board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited and China Nonferrous Metals Company Limited, which are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chau has been appointed as an independent non-executive director of the Company since 17 November 2009.

SENIOR MANAGEMENT

Madam Fan Cheng Qin (范成琴) aged 46, 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 Chuan Hua, the mother of Mr. Tan Di Fu, the elder sister-in-law of both Mr. Tan Cao and Madam Tan Yao.

Madam Tan Yao (譚堯) aged 41, is the deputy general manager of the Group responsible for assisting Mr. Tan Chuan Hua 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 Chongging Three Gorges Gas (Group) Company Limited（重慶三峽燃氣（集團）有限公司） during May 2002 to January 2005. Madam Tan is the younger sister of Mr. Tan Chuan Hua and Mr. Tan Cao, the younger sister-in-law of Madam Fan Cheng Qin, and the aunt of Mr. Tan Xiao Chuan and Mr. Tan Di Fu.

Madam Wang Ping (王萍), aged 46, is the managing director of Chongqing Meiyu Accessories Company Limited(重慶美裕飾品有限公司） ("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.

Mr. Luo Hong Ping (羅洪平), aged 42, 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 37, 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 34, 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 50, 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.

The Group recognises the value and importance of high corporate governance standards in the enhancement of corporate performance and accountability

The Board is committed to creating value and maximizing returns to the shareholders while striving to maintain high standards of corporate governance. The Board will continue to review and enhance the quality of corporate goverance practices with reference to local and international standards.

The Company since its listing on the Stock Exchange on 29 December 2009 (the "Listing Date"), has adopted and complied with all applicable code provisions under the Code on Corporate Governance Practices ("CG Code") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from provision A.2.1 of the CG Code.

The CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Mr. Tan Chuan Hua holds both the positions of the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that vesting the role of both positions in Mr. Tan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element in the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the directors (the "Directors"), all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the financial year ended 31 December 2010.

BOARD OF DIRECTORS

The Board is responsible for formulating the Group's overall strategic policies, setting objectives for the management and monitoring the performance of the management.

The Board comprises eight Directors, including three Executive Directors, two non-executive Directors (the "Non-executive Directors") and three independent non-executive Directors (the "Independent Non-executive Directors"). The Non-executive Directors and the Independent Non-executive Directors have diverse business and professional backgrounds and have brought in a wealth of experience and expertise that promote the best interests of the Group and the shareholders.

All the Directors are aware of their collective and individual responsibilities to the shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

The Company has appointed three Independent Non-executive Directors that met the requirements of the Listing Rules, with at least one Independent Non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise. The Board has received from each of the Independent Non-executive Directors an annual confirmation of his independence and considers that all the Independent Non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Pursuant to the Articles of Association of the Company, one third of the Directors shall retire from office by rotation at each annual general meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. According, Mr. Tan Di Fu (being an Executive Director), Mr. Tan Cao (being a Non-executive Director), Mr. Yu Ming Yang and Madam Du Xin Li (being Independent Non-executive Directors) shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, shall offer themselves for re-election. None of the Directors for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation other than statutory compensation.

BOARD COMMITTEES

The Board has established two committees, namely the Audit Committee and the Remuneration Committee, to oversee particular aspects of the Company's affairs. Both of the committees have been established with written terms of references in compliance with the CG Code as set out in Appendix 14 to the Listing Rules.

A summary of the membership, duties and responsibilities of each of the committees are set out below:

AUDIT COMMITTEE

The Company established the Audit Committee on 17 November 2009. 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.

Duties and responsibilities Include:

- provide an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems;
- review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process;
- monitor the integrity of the Company's financial statements, annual report and accounts; and
- review the Group's financial and accounting policies and practices.

The Audit Committee had reviewed the internal control and annual results of the Group for the year ended 31 December 2010 and the accounting principles and practices adopted by the Group. Our Financial Controller, external auditor and senior management attended the meetings to answer questions raised by the Audit Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 17 November 2009. 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.

Duties and responsibilities include:

- recommend to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- review and approve performance - based remuneration by reference to corporate goals and objectives;
- review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct; and
- consider the granting of share options to the Directors pursuant to any share option scheme adopted by the Company.

The Remuneration Committee had reviewed the policy and structure of the remuneration for Directors and senior management of the Group for the year ended 31 December 2010.

BOARD MEETINGS AND INDIVIDUAL ATTENDANCES

The Board is scheduled to meet regularly at least four times a year, and the Directors will receive at least 14 days' prior written notice of such meetings. For any ad hoc Board meetings, the Directors are given as much notice as is reasonably practicable in those circumstances.

Details of the Directors' attendance at the Board meetings and the Board committee meetings held in the financial year ended 31 December 2010 are set forth in the following table:

Number of meetings held during the year	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. Tan Chuan Hua (Chairman)	4/4	—	—
Mr. Geng Chang Sheng	4/4	—	—
Mr. Tan Di Fu	4/4	—	—
Non-executive Directors			
Mr. Tan Cao	4/4	—	—
Mr. Liu Chang	4/4	—	—
Independent Non-Executive Directors			
Madam Du Xin Li	4/4	2/2	2/2
Mr. Yu Ming Yang	4/4	2/2	2/2
Mr. Chau Kam Wing, Donald	4/4	2/2	2/2

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs, results and cash flow of the Group in accordance with relevant law and disclosure requirements under the Listing Rules. The external auditors are responsible for forming an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders as a body and for no other purpose.

INTERNAL CONTROL AND INTERNAL COMPLIANCE GUIDELINES

The Board has overall responsibility for maintaining the soundness and effectiveness of the internal control and risk management systems of the Group. Such systems are designed to meet the Group's particular needs and address the risk by which it is exposed. Procedures have been set up for safeguarding the Group's assets against any unauthorized use or disposition and ensuring an appropriate maintenance of accounting records and the availability of reliable financial information for internal or external use.

The Board has engaged an external consultant to conduct a review of the effectiveness of the Group's internal control systems, workflows and the management systems which were assessed to be satisfactory and were functioning properly in compliance with the internal compliance guidelines to safeguard the Group's assets.

For the year ended 31 December 2010, the Board had, through the Audit Committee's reviews, reviewed the findings of the external consultant, reviewed the Group's internal control procedures and compliance with the internal compliance guidelines and considered them having been effectively implemented and properly complied with.

COMPLIANCE ADVISER

Pursuant to the compliance adviser agreement dated 14 December 2009 entered into between the Company and First Shanghai Capital Limited ("First Shanghai"), First Shanghai has been appointed as the compliance adviser as required under the Listing Rules for the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the year ended 31 December 2010. First Shanghai has received a fee for acting as the Company's compliance adviser during the period.

As notified by First Shanghai, save as disclosed above, neither First Shanghai nor its respective directors, employees or associates (as defined in the Listing Rules) had any interest in the shares of the Company, or had any options or rights to subscribe for or to nominate persons to subscribe for the shares of the Company as at 31 December 2010.

Pursuant to Rule 3A. 23 of the Listing Rules, First Shanghai is required to 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 the prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the 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.

EXTERNAL AUDITOR'S REMUNERATION

For the year ended 31 December 2010, the total remuneration for the audit services provided by the external auditor amounted to RMB960,000 (equivalent to approximately HK$1,110,000).

For the year ended 31 December 2010, the total remuneration for the permissible non-audit services (namely, review of the Group's internal control system) provided by the external auditors amounted to RMB100,000 (equivalent to approximately HK$116,000).

CCIF CPA Limited has been recommended by the Audit Committee and endorsed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting.

INVESTOR RELATIONS

The Company believes that effective communications with the investment community are pivotal in enhancing investors' understanding of the Company's business and development. To achieve this and to enhance transparency, the Company maintains a proactive approach in promoting investor relations and communications. As such, the objectives of the Company's investor relations policy is to enable investors to have access, on a fair and timely basis, to information relating to the Group so that they can make informed decisions.

Investors are welcome to share their views with the Board by writing to the Company or sending enquiries to the Company's website at www. ctans. com. The website also enables investors and the public to obtain up-to-date corporate information of the Group.

On behalf of the Board
Carpenter Tan Holdings Limited
Tan Chuan Hua
Chairman

Hong Kong, 25 March 2011

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. 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 and distribution 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).

RESULTS AND DIVIDENDS

The Group's profit of the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 40 to 44.

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend of HK15.71 cents per share (equivalent to approximately RMB13.22 cents per share) for the financial year ended 31 December 2010 to the shareholders whose names appear on the register of members of the Company on Monday, 23 May 2011, subject to the approval of the Company's annual general meeting to be held on Monday, 23 May 2011. The dividend payout ratio is 63% of the distributable profit of the Company (after deducting the non-distributable statutory reserves of RMB13,652,000 for the year ended 31 December 2010). The above-mentioned final dividend is expected to be paid on Tuesday, 21 June 2011.

The register of members of the Company will be closed from Tuesday, 17 May 2011 to Monday, 23 May 2011, both days inclusive, during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend and attending the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 16 May 2011.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group's capital commitments were approximately RMB1.5 million (2009 : RMB0.1 million), all of which were related to acquisition of property, plant and equipment.

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

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 29 December 2009 (the "Listing Date"), after deducting of the related issuance expenses, amounted to approximately HK$132.9 million (equivalent to approximately RMB116.8 million). As at 31 December 2010, the Group had used net proceeds of approximately RMB23.1 million of which RMB7.9 million had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, RMB4.0 million for enhancement for sales network and sales support services, construction of production base and RMB11.2 million as working capital. The remaining net proceeds have been deposited into banks which are intended to be applied in accordance with the proposed application set forth in the Company's prospectus dated 15 December 2009 except for the proposed application of HK$24.0 million for setting up high-end home accessories shops in the PRC and the application of HK$6.0 million for setting up lifestyle handicraft stores. Due to the change in market environment and the Group's business strategy, the Group has decided to hold-up the business plan in developing the high-end home accessories shops and lifestyle handicraft stores.

The Board is now studying other alternative business development opportunities, which would generate better investment return to the Group's shareholders.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued capital were held by members of the public for the year ended 31 December 2010 and up to the date of this report as required under the Listing Rules.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Consolidated Statement of Changes in Equity on page 45 and note 33 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Law"), amounted to RMB87,679,000, of which RMB33,100,000 (equivalent to approximately HK$39,300,000) has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year (2009: RMB2,639).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set forth in note 16 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The fair value increase on investment properties arising on revaluation amounting to approximately RMB7,150,000 has been credited to the consolidated income statement. Details of movements in the investment properties of the Group are set out in note 18 to the consolidated financial statements of the Company for the year ended 31 December 2010.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2010 are set out in note 20 to the financial statements.

DIRECTORS

The Directors of the Company during the financial year ended 31 December 2010 and up to the date of this annual report have been:

Executive Directors
Mr. Tan Chuan Hua (Chairman)
Mr. Geng Chang Sheng
Mr. Tan Di Fu (appointed on 18 August 2010)

Non-executive Directors
Mr. Tan Cao
Mr. Liu Chang

Independent Non-Executive Directors
Madam Du Xin Li
Mr. Yu Ming Yang
Mr. Chau Kam Wing, Donald

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors and senior management of the Company are set out in the "Biography of Directors and Senior Management" section on pages 19 to 23.

DIRECTORS' SERVICE CONTRACTS

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 and benefits under statutory retirement scheme which have been agreed with the Company.

    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 which has been agreed with the Company.

(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 which has been agreed with the Company.

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).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2010, none of the Directors was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2010, the interests and short positions of the Directors in the share, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ('SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers ("Model Code") were as below:

Interests in shares of the Company:

Name of Director	Capacity/Nature of interest	Number of securities *(Note 1)*	Approximate percentage of shareholding
Tan Chuan Hua *(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 Investments Limited ("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
Tan Chuan Hua	Lead Charm	Beneficial owner	51%
Tan Cao	Fame Good Investments Limited ("Fame Good")	Beneficial owner	24.81%
Geng Chang Sheng	Fame Good	Beneficial owner	7.44%

SENIOR MANAGEMENT'S INTEREST IN SECURITIES

Interest in the shares of associated corporations

Name	Name of associated corporations	Capacity/ Nature of interest	Approximate percentage of shareholding in associated corporations
Fan Cheng Qin	Lead Charm	Beneficial owner	49%
Tan Yao	Fame Good	Beneficial owner	14.89%
Tan Xiao Chuan	Fame Good	Beneficial owner	3.47%
Huang Chao	Fame Good	Beneficial owner	2.98%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2010, the interests and long positions of every persons in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register maintained and kept by the Company under section 336 of the SFO were as below:

Interests in the Shares of the Company

Name	Capacity/ Nature of interest	Number of shares	Position	Approximate percentage of shareholding
Fan Cheng Qin *(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. Fan Cheng Qin 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. Fan Cheng Qin 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including directors, eligible employees, consultants, suppliers, customers, any shareholder of each member of the Group or associated company or any of their respective associates, who contribute to the success of the Group. The Share Option Scheme conditionally approved by a written resolution of the shareholders of the Company dated 17 November 2009.

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. 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. 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).

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.

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. 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.

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.

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.

As at 31 December 2010, no option has been granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the paragraph headed "Share Option Scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions set out in the paragraph headed "Related Party Transactions", at the end of the year or at any time during the year, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2010 are set out in note 36 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION AND DISPOSAL OF THE GROUP

For the year ended 31 December 2010, the Group did not have any material acquisition and disposal.

PLEDGE OF ASSETS

As at 31 December 2010, the Group did not have any assets pledged to the bank (2009: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations. Bank loans will be raised occasionally to meet the different demands of its business. As at 31 December 2010, the Group did not raise any bank loan (2009: RMB50 million) and held approximately RMB181.3 million (2009: RMB194.8 million) cash reserves. As at 31 December 2010, the gearing ratio (total borrowings to shareholders' fund) is at the level of nil (2009: 19.3%). The Group's principal operations are transacted and recorded in Renminbi and Hong Kong dollars. The Group expects that Renminbi will appreciate in a stable pattern in the future. The Group has no significant exposure to other foreign exchange fluctuations.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 3.6% of the Group's total revenue and sales to the largest customer accounted for approximately 0.8% of the Group's total revenue for the year 2010. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 39.8% of the Group's total purchases and purchases from the largest supplier accounted for approximately 11.7% of the Group's total purchases for the year 2010.

None of the Directors, their associates, or any shareholder which to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

AUDITOR

The financial statements were audited by CCIF CPA Limited who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Tan Chuan Hua
Chairman

Hong Kong, 25 March 2011

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
CARPENTER TAN HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Carpenter Tan Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 40 to 107, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 25 March 2011

Betty P.C. Tse
Practising Certificate Number P03024

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	5	**189,418**	139,791
Cost of sales		**(69,240)**	(54,464)
Gross profit		**120,178**	85,327
Other revenue	6	**23,725**	18,158
Administrative expenses		**(24,192)**	(18,402)
Selling and distribution expenses		**(24,038)**	(19,001)
Other operating expenses		**(7,635)**	(5,360)
Profit from operations		**88,038**	60,722
Finance costs	7	**(2,446)**	(2,964)
Profit before taxation	8	**85,592**	57,758
Income tax	9	**(19,468)**	(11,836)
Profit for the year		**66,124**	45,922
Attributable to			
Owners of the Company	14	**66,124**	45,922
Earnings per share	15		
Basic and diluted		**RMB26 cents**	RMB24 cents

The notes on pages 48 to 107 form part of these financial statements.

	2010 RMB'000	2009 RMB'000
Profit for the year	**66,124**	45,922
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of foreign operations	**(923)**	683
Income tax related to components of other comprehensive income	**—**	—
Other comprehensive income for the year	**(923)**	683
Total comprehensive income for the year	**65,201**	46,605
Attributable to		
Owners of the Company	**65,201**	46,605

The notes on pages 48 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	16	**33,110**	35,779
Prepaid lease payments	17	**19,881**	20,430
Investment properties	18	**41,800**	34,650
Intangible assets	19	**—**	500
		94,791	91,359
Current assets			
Prepaid lease payments	17	**518**	495
Inventories	21	**53,213**	42,041
Amount due from a director	36(a)	**—**	14
Trade receivables	22	**1,171**	427
Other receivables, deposits and prepayments	23	**8,406**	13,960
Cash and cash equivalents	25	**181,298**	194,797
		244,606	251,734
Current liabilities			
Bank loans	27	**—**	50,000
Trade payables	28	**3,009**	3,245
Other payables and accruals	29	**18,089**	19,489
Income tax payable	24(a)	**4,939**	2,329
		(26,037)	(75,063)
Net current assets		**218,569**	176,671
Total assets less current liabilities		**313,360**	268,030
Non-current liabilities			
Deferred tax liabilities	24(b)	**11,099**	6,142
Long-term payable	30	**—**	1,851
Deferred income	31	**952**	979
		(12,051)	(8,972)
NET ASSETS		**301,309**	259,058

The notes on pages 48 to 107 form part of these financial statements.

	Notes	2010 RMB'000	2009 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**2,200**	2,200
Share premium and reserves	33	**299,109**	256,858
TOTAL EQUITY		**301,309**	259,058

Approved and authorised for issue by the board of directors on 25 March 2011.

Tan Chuan Hua

Geng Chang Sheng

The notes on pages 48 to 107 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Investment in a subsidiary	20	**47**	47
Current assets			
Other receivables, deposits and prepayments	23	**1,493**	7,016
Amounts due from subsidiaries	20	**80,587**	7,435
Cash and cash equivalents	25	**14,990**	130,584
		97,070	145,035
Current liabilities			
Amounts due to subsidiaries	26	**8,465**	22,388
Other payables and accruals	29	**922**	5,865
		(9,387)	(28,253)
Net current assets		**87,683**	116,782
NET ASSETS		**87,730**	116,829
CAPITAL AND RESERVES			
Share capital	32	**2,200**	2,200
Share premium and reserves	33	**85,530**	114,629
TOTAL EQUITY		**87,730**	116,829

Approved and authorised for issue by the board of directors on 25 March 2011.

Tan Chuan Hua

Geng Chang Sheng

The notes on pages 48 to 107 form part of these financial statements.

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000	**Statutory reserves** RMB'000	**Other reserves** RMB'000	**Property revaluation reserve** RMB'000	**Currency translation reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2009	47	—	2,767	57,974	17,738	1,723	(379)	30,756	110,626
Profit for the year	—	—	—	—	—	—	—	45,922	45,922
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	—	683	—	683
Total comprehensive income for the year	—	—	—	—	—	—	683	45,922	46,605
Capitalisation issue	1,604	(1,604)	—	—	—	—	—	—	—
Shares issued under the placing and public offering	549	141,199	—	—	—	—	—	—	141,748
Shares issuance cost	—	(24,921)	—	—	—	—	—	—	(24,921)
Dividends	—	—	—	—	—	—	—	(15,000)	(15,000)
Transfer to reserve	—	—	—	7,480	—	—	—	(7,480)	—
At 31 December 2009	2,200	114,674	2,767	65,454	17,738	1,723	304	54,198	259,058
At 1 January 2010	**2,200**	**114,674**	**2,767**	**65,454**	**17,738**	**1,723**	**304**	**54,198**	**259,058**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**66,124**	**66,124**
Exchange differences on translation of financial statements of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**(923)**	**—**	**(923)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(923)**	**66,124**	**65,201**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(22,950)**	**(22,950)**
Transfer to reserve	**—**	**—**	**—**	**13,652**	**—**	**—**	**—**	**(13,652)**	**—**
At 31 December 2010	**2,200**	**114,674**	**2,767**	**79,106**	**17,738**	**1,723**	**(619)**	**83,720**	**301,309**

The notes on pages 48 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Operating activities			
Profit before taxation		**85,592**	57,758
Adjustments for:			
Interest expenses		**2,446**	2,964
Interest income		**(616)**	(149)
Change in fair value of investment properties		**(7,150)**	(5,350)
Loss on disposal of property, plant and equipment		**1,913**	930
Depreciation		**3,681**	3,258
Amortisation of prepaid lease payments		**518**	495
Amortisation of intangible assets		**125**	—
Provision for sales returns		**3,687**	—
Impairment on trade receivables		**4**	—
Impairment on intangible assets		**375**	—
(Reversal of impairment loss)/ impairment on other receivables		**(520)**	456
Write-down on inventories		**2,275**	1,392
Write off of trade payables		**—**	(189)
Write off of other payables		**(614)**	—
Government grant released from deferred income		**(27)**	(21)
Operating profit before working capital changes		**91,689**	61,544
Increase in inventories		**(13,447)**	(2,489)
Decrease in amounts due from directors		**14**	4,720
Decrease in amounts due from other related parties		**—**	25
Increase in trade receivables		**(748)**	(7)
Decrease in other receivables, deposits and prepayments		**6,074**	4,570
Decrease in amount due to ultimate holding company		**—**	(607)
(Decrease)/increase in trade payables		**(236)**	818
(Decrease)/increase in other payables and accruals		**(4,601)**	7,620
Cash generated from operations		**78,745**	76,194
Interest received		**616**	149
Interest paid		**(2,169)**	(2,564)
Income tax paid, net		**(11,901)**	(6,363)
Net cash generated from operating activities		**65,291**	67,416

The notes on pages 48 to 107 form part of these financial statements.

	Notes	2010 RMB'000	2009 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(3,176)**	(3,601)
Purchase of intangible assets		**—**	(500)
Prepaid lease payments		**—**	(26)
Proceeds from disposal of property, plant and equipment		**244**	114
Land deposits refunded		**8**	—
Net cash used in investing activities		**(2,924)**	(4,013)
Financing activities			
Proceeds from issue of new shares		**—**	141,748
Dividend paid		**(22,950)**	(45,000)
Share issuance costs		**—**	(24,921)
New bank loans raised		**—**	50,000
Repayment of bank loans		**(50,000)**	(40,000)
Repayment of long-term payable		**(2,000)**	(2,000)
Net cash (used in)/generated from financing activities		**(74,950)**	79,827
Net (decrease)/increase in cash and cash equivalents		**(12,583)**	143,230
Cash and cash equivalents at beginning of year		**194,797**	50,883
Effect of foreign exchange rate changes, net		**(916)**	684
Cash and cash equivalents at end of year	25	**181,298**	194,797
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**181,298**	194,797

The notes on pages 48 to 107 form part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 June 2006 as an exempted company with limited liability under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and at 43rd Floor, Future International Building, Guanyinqiao, Jiangbei District, Chongqing, the People's Republic of China (the "PRC") respectively.

The functional currency of the Company and its subsidiaries in Hong Kong, and its subsidiaries in the PRC are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency for easy reference for international investors.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in (i) design, manufacture and distribution of small size wooden handicrafts and accessories, including wooden combs, wooden mirrors, wooden box set and other wooden accessories and adornments, under the brand name of "Carpenter Tan"; (ii) the operation of a franchise and distribution network primarily in the PRC (iii) the operation of retail 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, which was ceased during the year due to the change in market environment and the Group's business strategy.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in RMB, rounded to the nearest thousand except for per share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties are stated at their fair value as set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less impairment losses (See note 2(h)).

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

d) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (see note 2(h)).

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 profit or loss during the period in which they are incurred.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	Over the unexpired lease terms
Leasehold improvements	Over the unexpired lease terms but not exceeding 5 years
Plant and machinery	5 to 10 years
Furniture and equipment	5 to 6 years
Motor vehicles	5 to 6 years

Construction in progress represents buildings, leasehold improvements or plant and equipment 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 the 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 profit or loss.

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 profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

e) Leased assets – *continued*

iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(f)).

f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(e)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are carried at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(q)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(e)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(e)).

g) Intangible assets

Intangible assets with finite useful lives acquired by the Group are carried at cost less accumulated amortisation and impairment losses (see note 2(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful life. Both the period and method of amortisation are reviewed annually.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

h) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

h) Impairment of assets – *continued*

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under operating lease;

— intangible assets; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

i) Inventories

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

Cost is calculated using the weighted average cost formula 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 the write-down or loss occurs. The amount of any reversal of any write-down of inventories, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts (see note 2(h)).

k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

o) Income tax – *continued*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

p) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(q) 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, provision for sales returns, value-added tax and sale tax. 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.

r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position are translated into Renminbi at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve.

s) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

t) 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 profit or loss 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.

u) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors, which is the Group's chief operative decision maker ("CODM"), for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually materially operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations - plan to sell the controlling interest in a subsidiary
- Amendment to HKAS 39, Financial instruments: Recognition and measurement — eligible hedged items
- Improvements to HKFRSs (2009)
- HK(IFRIC) – Int 17, Distributions of non-cash assets to owners
- HK(Int) 5, Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendment to HKAS 39 and the issuance of HK (Int) 5 have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) – Int 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

3. CHANGES IN ACCOUNTING POLICIES – *continued*

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination occurred on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  — Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  — If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  — If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  — In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

3. CHANGES IN ACCOUNTING POLICIES – *continued*

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  — If the Group acquires an additional interest in a non-wholly-owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  — If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

3. CHANGES IN ACCOUNTING POLICIES – *continued*

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

  — If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interest s will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly-owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- As a result of the amendment to HKAS 17, *Leases*, arising from the "*Improvements to HKFRSs (2009)*" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

4. 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) Depreciation and amortisation

The Group reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation and amortisation expenses charge for the year. The useful lives of assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

b) 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.

c) Valuation of investment properties

Investment properties are included in the consolidated 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 end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

d) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

e) 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 ageing 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 have 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 uncollectible amounts may be higher than the amount estimated.

f) Provision for sales returns

The franchisees of the Group are allowed (after deducting certain administrative charges, if applicable): (i) to exchange or refund for defective products; (ii) to return products previously purchased upon the cessation of franchise agreement; and (iii) to exchange or refund for the slow moving products purchased more than six months but less than one year. The amount of the products exchanged or refunded by a particular franchisee for a year should not exceed 3% of its total purchase for that year (except those returns resulted from the cessation of franchise agreements).

The Group makes provision for sales returns based on the Group's past return experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the past return experience is not indicative of future returns. Any increase or decrease in the provision would affect profit or loss.

g) 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.

5. TURNOVER

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. An analysis of the Group's turnover for the year is as follows:

	2010 **RMB'000**	2009 RMB'000
Sales of goods	**187,932**	138,228
Franchise fee income	**1,486**	1,563
	189,418	139,791

6. OTHER REVENUE

	2010 RMB'000	2009 RMB'000
Other revenue		
Change in fair value of investment properties (note 18)	**7,150**	5,350
Government grant	**86**	114
Government grant released from deferred income (note 31)	**27**	21
Interest income on financial assets not at fair value through profit or loss - bank interest income	**616**	149
PRC VAT refunds (note 9a(i))	**12,046**	10,683
Subcontracting income	**22**	35
Rental income from operating leases	**1,908**	725
Reversal of impairment loss on other receivables (note 23(a))	**520**	—
Write off of trade payables	**—**	189
Write off of other payables*	**614**	—
Others	**736**	892
	23,725	18,158

* Other payables represent certain administrative expenses accrued in previous years which are no longer payable. Hence, the other payables are written off accordingly and are recognised as other revenue.

7. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**2,169**	2,564
Imputed interest expense on long-term payable	**277**	400
Total interest expense on financial liabilities not at fair value through profit or loss	**2,446**	2,964

8. PROFIT BEFORE TAXATION

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

	2010 RMB'000	2009 RMB'000
a) Staff costs (including directors' emoluments)		
– Salaries and other benefits	**30,189**	22,597
– Contribution to retirement scheme	**961**	473
Total staff costs	**31,150**	23,070
b) Other items		
Auditor's remuneration	**960**	718
Amortisation of prepaid lease payments (note 17)	**518**	495
Amortisation of intangible assets (note 19)	**125**	—
Cost of inventories (notes 8(i) and 21)	**69,240**	54,464
Depreciation (note 16)	**3,681**	3,258
Impairment on intangible assets (note 19)	**375**	—
Impairment on trade receivables (note 22)	**4**	—
Impairment on other receivables (note 23)	**—**	456
Listing fee	**—**	507
Loss on disposal of property, plant and equipment	**1,913**	930
Operating lease rentals in respect of land and buildings	**7,286**	6,260
Provision for sales returns (note 29(a))	**3,687**	—
Write-down on inventories (note 21)	**2,275**	1,392
Gross rental income from investment properties	**(1,908)**	(725)
Less: Direct outgoings	**186**	167
Net rental income	**(1,722)**	(558)

Notes:

(i) Cost of inventories includes approximately RMB19,096,000 (2009: RMB13,149,000) relating to staff costs, depreciation and operating lease rentals, which are included in the respective total amounts disclosed separately above.

9. INCOME TAX

a) Taxation in the consolidated income statements represents:

	2010 RMB'000	2009 RMB'000
Current tax		
PRC enterprise income tax (notes 9a(i), (ii) and (iii))	**13,519**	7,798
Hong Kong profits tax (note 9a(v))	**—**	—
	13,519	7,798
Underprovision in prior years, net		
PRC enterprise income tax	**992**	280
Deferred tax		
Current year (note 24(b))	**4,957**	3,758
Total	**19,468**	11,836

Notes:

(i) Chongqing City Wan Zhou Qu Ziqiang Muye Company Limited ("Ziqiang Muye"), a wholly-owned subsidiary of the Company, is a registered social welfare enterprise since 29 April 2004. Pursuant to the notice on preferential tax policies to social welfare enterprise issued by the State Administration of Taxation (the "SAT"), Ministry of Finance of the PRC effective from 1 October 2006, Ziqiang Muye is entitled to income tax concessions on a double deduction of salaries paid to its employees with disabilities, and VAT refund which is equivalent to the number of employees with disabilities multiplied by a specified annual cap amount as determined by the SAT.

The Group recognised the VAT refund in the Group's consolidated income statement on an accrual basis. The amounts of the VAT refunded to the Group during the year are detailed in note 6.

In addition, on 2 November 2006, Ziqiang Muye obtained the SAT's approval for a concessionary income tax rate reduction from 33% to 15% for the five years from 1 January 2006 to 31 December 2010 according to the preferential tax policies granted to companies located in western part of the PRC and the national encouraged business activities.

(ii) On 19 May 2010, Chongqing Carpenter Tan Handicrafts Company Limited ("Carpenter Tan"), a wholly-owned subsidiary of the Company, obtained the SAT's approval for a concessionary income tax rate reduction from 25% to 15% for two years for 1 January 2009 to 31 December 2010 according to the preferential tax policies granted to companies located in western part of the PRC and the national encouraged business activities.

(iii) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2009: 25%) except for Ziqiang Muye and Carpenter Tan. Ziqiang Muye and Carpenter Tan follow the income tax concessions as stated in note 9(i) and 9(ii) above according to the tax preferential policies, respectively.

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

9. INCOME TAX – *continued*

a) Taxation in the consolidated income statements represents: – *continued*

Notes: – *continued*

(v) No provision for Hong Kong profits tax has been made for the years ended 31 December 2010 and 2009 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for above years.

(vi) 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 place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. Deferred tax liabilities of RMB3,170,000 (2009: RMB2,420,000) in respect of the withholding income tax on dividends has been recognised by the Group for the year ended 31 December 2010.

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

	2010	2009
	RMB'000	RMB'000
Profits before tax	**85,592**	57,758
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**22,773**	15,302
Tax effect of non-deductible expenses	**780**	616
Tax effect of non-taxable incomes	**(48)**	(2,691)
Effect of tax concessions granted to a subsidiary (note 9(a)(i))	**(1,726)**	(1,146)
Effect of concessionary tax rate granted to subsidiaries (note 9(a)(i) and (ii))	**(8,899)**	(4,156)
Unrecognised temporary differences	**588**	281
Unrecognised tax losses	**1,838**	961
Utilisation of tax losses previously not recognised	**—**	(1)
Withholding tax on dividends	**3,170**	2,420
Underprovision in prior years, net	**992**	280
Others	**—**	(30)
Actual tax expenses	**19,468**	11,836

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 December 2010

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Executive directors					
Tan Chuan Hua	—	331	83	13	427
Geng Chang Sheng	—	87	77	—	164
Tan Di Fu (appointed on 18 August 2010)	—	239	72	13	324
Independent non-executive directors					
Du Xin Li	80	—	—	—	80
Yu Ming Yang	80	—	—	—	80
Chau Kam Wing, Donald	120	—	—	—	120
Non-executive directors					
Tan Cao	80	—	—	—	80
Liu Chang	80	—	—	—	80
	440	657	232	26	1,355

10. DIRECTORS' EMOLUMENTS – *continued*

For the year ended 31 December 2009

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Executive directors					
Tan Chuan Hua	—	251	59	5	315
Geng Chang Sheng	—	176	55	—	231
Independent non-executive directors					
Du Xin Li	20	—	—	—	20
Wong Yik Chung, John (resigned on 10 November 2009)	—	—	—	—	—
Yu Ming Yang	20	—	—	—	20
Chau Kam Wing, Donald (appointed on 17 November 2009)	—	—	—	—	—
Non-executive directors					
Tan Cao	47	—	—	—	47
Liu Chang	47	—	—	—	47
	134	427	114	5	680

For the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived or agreed to wave any remuneration for the years ended 31 December 2010 and 2009.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included two directors (2009: two) of the Company whose emolument is disclosed in note 10 above. Details of the emoluments paid by the Group to the remaining three (2009: three) non-director individuals during the year are as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other allowances	**652**	415
Bonus	**102**	109
Retirement scheme contributions	**40**	20
	794	544

The emoluments fell within the following band:

	2010 Number of individuals	2009 Number of individuals
Nil up to HK$1,000,000	**3**	3

12. SEGMENT REPORTING

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

Over 90% of the Group's turnover, results and assets are derived from a single business segment which is 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. Activities outside the PRC are insignificant. The principal assets of the Group are located in the PRC. Accordingly, no analysis by geographical segment is provided.

Major customers

No analysis of the Group's turnover and contribution from operations by major customers has been presented as there are no transactions with a single external customer equal to or greater than 10% of the Group's total revenues.

13. DIVIDENDS

During the year, dividend paid and proposed to owners of the Company comprised:

	2010	2009
	RMB'000	RMB'000
Interim dividends declared and paid of RMBNil per ordinary share (2009: RMB3)	**—**	15,000
Final dividend proposed after the end of the reporting period of RMB13.22 cents per ordinary share (2009: RMB9.18 cents):	**33,062**	22,950
	33,062	37,950

The directors recommend the payment of a final dividend of RMB13.22 cents per ordinary share, totaling RMB33,062,000. Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 23 May 2011. These financial statements do not reflect this dividend payable.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of approximately RMB2,950,000 (2009: profit of RMB13,807,000) which has been dealt with in the financial statements of the Company.

15. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings per share

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

(i) Profit attributable to owners of the Company

	2010	2009
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**66,124**	45,922

15. BASIC AND DILUTED EARNINGS PER SHARE – *continued*

a) Basic earnings per share – *continued*

(ii) Weighted average number of ordinary shares

	Number of shares	
	2010	2009
	'000	'000
Issued ordinary shares at 1 January	**250,000**	187,500
Effect of shares issued under placing and public offer	**—**	514
Weighted average number of ordinary shares at 31 December	**250,000**	188,014

In determining the weighted average number of ordinary shares in issue, a total of 187,500,000 ordinary shares were deemed to be in issue on 1 January 2009, comprising 5,000,000 ordinary shares in issue as at 1 January 2009 and 182,500,000 ordinary shares issued as at 29 December 2009 pursuant to the capitalisation issue.

b) Diluted earnings per share

There were no dilutive potential shares in issue during the year. The diluted earnings per share is the same as the basic earnings per share during the years ended 31 December 2010 and 2009.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000 (note 16a)	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2009	17,163	9,927	12,874	4,080	3,557	1,288	48,889
Additions	236	2,405	406	110	247	197	3,601
Disposals	—	(1,769)	—	(90)	(290)	—	(2,149)
Transfer	—	—	65	—	—	(65)	—
Exchange adjustments	—	(1)	—	—	—	—	(1)
At 31 December 2009	17,399	10,562	13,345	4,100	3,514	1,420	50,340
At 1 January 2010	17,399	10,562	13,345	4,100	3,514	1,420	50,340
Additions	—	663	557	653	503	800	3,176
Disposals	—	(3,395)	(29)	(589)	(628)	—	(4,641)
Transfer	—	—	155	243	—	(398)	—
Exchange adjustments	—	(21)	—	(2)	—	—	(23)
At 31 December 2010	17,399	7,809	14,028	4,405	3,389	1,822	48,852

16. PROPERTY, PLANT AND EQUIPMENT – *continued*

The Group

	Buildings RMB'000 (note 16a)	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation							
At 1 January 2009	1,314	2,091	4,843	2,310	1,850	—	12,408
Charge for the year	382	914	1,001	500	461	—	3,258
Written back on disposals	—	(830)	—	(54)	(221)	—	(1,105)
At 31 December 2009	1,696	2,175	5,844	2,756	2,090	—	14,561
At 1 January 2010	1,696	2,175	5,844	2,756	2,090	—	14,561
Charge for the year	390	1,438	1,049	479	325	—	3,681
Written back on disposals	—	(1,709)	(29)	(348)	(398)	—	(2,484)
Exchange adjustments	—	(15)	—	(1)	—	—	(16)
At 31 December 2010	2,086	1,889	6,864	2,886	2,017	—	15,742
Carrying amount							
At 31 December 2010	15,313	5,920	7,164	1,519	1,372	1,822	33,110
At 31 December 2009	15,703	8,387	7,501	1,344	1,424	1,420	35,779

Notes:

a) All buildings are situated in the PRC under medium-term leases and are held for the Group's own use.

17. PREPAID LEASE PAYMENTS

The Group

	Land use rights RMB'000 (Note 17b)	Land deposits RMB'000 (Note 17c(i) to (ii))	Total RMB'000
Cost			
At 1 January 2009	22,031	724	22,755
Addition	—	26	26
At 31 December 2009	22,031	750	22,781
At 1 January 2010	22,031	750	22,781
Transfer (note 17c(ii))	742	(742)	—
Amount refunded (note 17c(ii))	—	(8)	(8)
At 31 December 2010	22,773	—	22,773
Accumulated amoritsation			
At 1 January 2009	1,361	—	1,361
Amortisation for the year	495	—	495
At 31 December 2009	1,856	—	1,856
At 1 January 2010	1,856	—	1,856
Amortisation for the year	518	—	518
At 31 December 2010	2,374	—	2,374
Carrying amount			
At 31 December 2010	20,399	—	20,399
At 31 December 2009	20,175	750	20,925

17. PREPAID LEASE PAYMENTS – *continued*

Notes:

a) Analysed for reporting purposes as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Current portion	**518**	495
Non-current portion	**19,881**	20,430
	20,399	20,925

b) The Group's land use rights in the PRC are held under the following lease terms:

	The Group	
	2010	2009
	RMB'000	RMB'000
Medium-term leases	**20,399**	20,925

c) i) For the year ended 31 December 2009, the deposits that were made for the acquisition of the land use rights in the PRC were included in non-current portion of prepaid lease payments.

ii) In relation to the deposit of RMB750,000 as at 31 December 2009, the Group obtained the land use right title in January 2010 at a cost of RMB742,000 and the balance of RMB8,000 was returned from the vendor.

18. INVESTMENT PROPERTIES

	The Group
	RMB'000
Fair value	
At 1 January 2009	29,300
Change in fair value	5,350
At 31 December 2009	34,650
At 1 January 2010	34,650
Change in fair value	7,150
At 31 December 2010	41,800

a) The fair value of the Group's investment properties as at 31 December 2010 was 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 have among its employees members of the Hong Kong Institute of Surveyors who 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.

18. INVESTMENT PROPERTIES – *continued*

b) The Group's investment properties comprise land use rights in the PRC under the following lease term:

	The Group	
	2010	2009
	RMB'000	RMB'000
Medium-term leases	**39,400**	32,800
Long leases	**2,400**	1,850
	41,800	34,650

c) Investment properties leased out under operating leases

The Group leases out properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group's total future minimum lease receivables under non-cancellable operating leases in respect of investment properties are disclosed in note 35(b)(ii).

19. INTANGIBLE ASSETS

The Group

	Licence RMB'000 (note a)	Trademark RMB'000 (note b)	Total RMB'000
Cost			
At 1 January 2009	—	1,037	1,037
Addition	500	—	500
At 31 December 2009	500	1,037	1,537
At 1 January 2010 and 31 December 2010	500	1,037	1,537
Accumulated amortisation and impairment			
At 1 January 2009 and 31 December 2009	—	1,037	1,037
At 1 January 2010	—	1,037	1,037
Amortisation	125	—	125
Impairment	375	—	375
At 31 December 2010	500	1,037	1,537
Carrying amount			
At 31 December 2010	—	—	—
At 31 December 2009	500	—	500

a) The licence represented the franchise fee paid for operating a restaurant in Chongqing, PRC. Amortisation expense for 2010 was included in administrative expenses in the consolidated income statement. Due to poor performance, the restaurant ceased operation in December 2010. The franchise fee paid is not recoverable and full impairment loss for the then remaining carrying amount was recognised.

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

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	RMB'000
Investments in unlisted shares at cost	**47**	47
Amounts due from subsidiaries	**80,587**	7,435
	80,634	7,482

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Details of subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Issued /registered and fully paid-up capital	Principal activities	Legal form
Carpenter Tan (BVI) Holdings Group Co., Ltd ("CTBVI")	British Virgin Islands 2 July 2004	100%	—	USD50,000	Investment holding	Private limited liability company
Hong Kong Carpenter Tan Company Limited ("CTHK")	Hong Kong 10 September 2004	—	100%	HK$1	Investment holding	Private limited liability company
Carpenter Tan Development Company Limited ("CT Development")	Hong Kong 18 March 2009	—	100%	HK$10,000	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company
Chongqing Carpenter Tan Handicrafts Company Limited ("Carpenter Tan")	The PRC 6 March 1997	—	100%	RMB 100,000,000	Design, manufacture and distribution of small size wooden handicrafts and accessories and the operation of a franchise network	Wholly foreign-owned enterprise

20. INTERESTS IN SUBSIDIARIES – *continued*

Name of subsidiary	Place and date of incorporation	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Issued /registered and fully paid-up capital	Principal activities	Legal form
Chongqing Little Carpenter Handicrafts Company Limited ("Little Carpenter")	The PRC 6 August 2003	—	100%	RMB1,000,000	Distribution of small size wooden handicrafts and accessories*	Sino-foreign equity joint venture company
Chongqing City Wan Zhou Qu Ziqiang Muye Company Limited ("Ziqiang Muye")	The PRC 26 February 2004	—	100%	RMB2,000,000	Manufacture of small size wooden handicrafts and accessories	Domestic enterprise
Chongqing Meiyu Accessories Company Limited ("CQMY")	The PRC 25 April 2006	—	100%	RMB 12,000,000	Manufacturing, processing and sale of wooden household products and accessories*	Domestic enterprise
Chongqing Carpenter Tan Lifestyle Handicrafts Store Company Limited ("Lifestyle Handicrafts Company")	The PRC 10 January 2007	—	100%	RMB5,000,000	Sale of high-end home accessories and Chinese style furniture*	Domestic enterprise
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*	Domestic enterprise
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*	Domestic enterprise

20. INTERESTS IN SUBSIDIARIES – *continued*

Name of subsidiary	Place and date of incorporation	Attributable equity interest held by the Company		Issued /registered and fully paid-up capital	Principal activities	Legal form
		Directly	Indirectly			
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*	Domestic enterprise
Beijing Carpenter Tan Handicrafts Company Limited ("Beijing Carpenter Tan")	The PRC 12 November 2008	—	100%	RMB 10,000,000	Property investment	Domestic enterprise
Chongqing Hao Yu Handicrafts Company Limited ("Hao Yu Handicrafts")	The PRC 6 August 2008	—	100%	RMB100,000	Sale of high-end home accessories and Chinese style furniture*	Domestic enterprise
Jiangsu Carpenter Tan Tourism Development Company Limited	The PRC 29 October 2010	—	100%	RMB 10,000,000	Inactive	Domestic enterprise

* Due to change in market environment and the Group's business strategy, these subsidiaries ceased business during the year.

21. INVENTORIES

	The Group	
	2010	2009
	RMB'000	RMB'000
Raw materials	**35,232**	26,469
Work-in-progress	**6,846**	3,737
Finished goods	**11,135**	11,835
	53,213	42,041

The analysis of the amount of inventories recognised as an expense is as follows:

	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	**66,965**	53,072
Write-down of inventories	**2,275**	1,392
	69,240	54,464

22. TRADE RECEIVABLES

Customers are generally required to make payments for orders 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:

	The Group	
	2010	2009
	RMB'000	RMB'000
Trade receivables	**1,178**	430
Less: Allowance for doubtful debts (note 22(b))	**(7)**	(3)
	1,171	427

22. TRADE RECEIVABLES – *continued*

a) Ageing analysis of trade receivables is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
0 to 30 days	**865**	327
31 to 60 days	**197**	20
61 to 90 days	**40**	17
91 to 180 days	**34**	55
181 to 365 days	**21**	4
Over 1 year	**21**	7
	1,178	430

b) Movements in the allowance account 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 written off against trade receivables directly.

The movements in the allowance account for doubtful debts are as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**3**	3
Impairment loss recognised	**4**	—
At 31 December	**7**	3

Impairment of trade receivables are considered individually by reference to their ageing and their recoverability. The Group does not hold any collateral over these balances.

22. TRADE RECEIVABLES – *continued*

c) The ageing analysis of trade receivables that are not impaired.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Past due but not impaired		
31 to 60 days past due	**197**	20
61 to 90 days past due	**40**	17
91 to 180 days past due	**34**	55
181 to 365 days past due	**21**	4
More than 1 year past due	**14**	4
	306	100
Neither past due nor impaired	**865**	327
	1,171	427

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management of the Group believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**3,565**	10,257	**1,493**	7,016
Less: Allowance for doubtful debts (note 23(a))	**—**	(520)	**—**	—
	3,565	9,737	**1,493**	7,016
Trade and other deposits	**2,427**	2,585	**—**	—
Prepayments	**1,306**	775	**—**	—
VAT and other non-income tax recoverable	**1,108**	863	**—**	—
	8,406	13,960	**1,493**	7,016

a) Movements in allowance account for doubtful debts

Impairment loss in respect of other receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The allowance made related to long overdue debts and was not expected to be recovered.

A reversal of approximately RMB520,000 was made in the current financial year when the debts which were previously impaired were recovered during the year.

The movements in the allowance account for doubtful debts are as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**520**	64
Impairment loss recognised	**—**	456
Reversal of impairment loss recognised in prior year	**(520)**	—
At 31 December	**—**	520

24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2010	2009
	RMB'000	RMB'000
Provision for the year	**13,519**	7,798
Underprovision in prior years, net	**992**	280
	14,511	8,078
Tax paid	**(11,901)**	(6,363)
	2,610	1,715
Balance of provision for income tax related to prior years	**2,329**	614
Net income tax payable	**4,939**	2,329

b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group			
	Revaluation surplus of land and buildings	**Fair value changes of investment properties**	**Withholding tax on dividends**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	574	558	1,252	2,384
Charge to consolidated income statement for the year (note 9(a))	—	1,338	2,420	3,758
At 31 December 2009	574	1,896	3,672	6,142
At 1 January 2010	**574**	**1,896**	**3,672**	**6,142**
Charge to consolidated income statement for the year (note 9(a))	**—**	**1,787**	**3,170**	**4,957**
At 31 December 2010	**574**	**3,683**	**6,842**	**11,099**

24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of accumulative tax losses of RMB19,252,000 (2009: RMB11,941,000) 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 one to five years, except for an amount of RMB6,670,000 (2009: RMB3,453,000) which do not expire under current tax legislation.

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**181,298**	194,797	**14,990**	130,584

Bank balances carry interest at market rates ranging from 0.1% to 1.2% (2009: 0.1% to 0.5%).

26. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

27. BANK LOANS

	The Group	
	2010	2009
	RMB'000	RMB'000
Bank loans repayable within one year, unsecured	**—**	50,000

a) All bank loans were denominated in RMB and were fully settled during the year.

b) During the year, the bank loans carried prevailing market interest rate in the PRC, except for the bank loans of RMB40,000,000 (2009: RMB40,000,000) which carry fixed interest rate of 5.58% (2009: 5.58%). The weighted average effective interest rates are 5.51% (2009: 5.51%).

c) As at 31 December 2009, unsecured bank loans of RMB10,000,000 were guaranteed by a subsidiary.

28. TRADE PAYABLES

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

	The Group	
	2010	2009
	RMB'000	RMB'000
0 to 30 days	**2,227**	2,251
31 to 60 days	**251**	601
61 to 90 days	**74**	181
91 to 180 days	**9**	64
181 to 365 days	**374**	76
Over 1 year	**74**	72
	3,009	3,245

29. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**5,142**	10,272	**922**	5,865
Current portion of long-term payable (note 30)	**1,851**	1,723	**—**	—
	6,993	11,995	**922**	5,865
Provision for sales returns (note 29(a))	**3,687**	—	**—**	—
VAT and other non-income tax payables	**1,810**	1,569	**—**	—
Trade deposits received	**5,599**	5,925	**—**	—
	18,089	19,489	**922**	5,865

29. OTHER PAYABLES AND ACCRUALS – *continued*

(a) A reconciliation of the provision for sales returns is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**—**	—
Addition during the year	**3,687**	—
At 31 December	**3,687**	—

The provision for sales returns is estimated based on the expected total sales returns for the year less the actual sales returns already taken place during the year.

No provision was made in previous year as the expected sales return was not significant to the Group.

30. LONG-TERM PAYABLE

	The Group	
	2010	2009
	RMB'000	RMB'000
Long-term payable	**1,851**	3,574
Current portion (note 29)	**1,851**	1,723
Non-current portion	**—**	1,851
	1,851	3,574

Long-term payable is repayable as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 year	**1,851**	1,723
After 1 year but within 2 years	**—**	1,851
	1,851	3,574

30. LONG-TERM PAYABLE – *continued*

The long-term payable represents the balance of consideration of RMB15,810,000 payable for the acquisition of certain building and land use rights by the Group's subsidiary Carpenter Tan from Wanzhou District Asset Operation Company（萬州區資產經營公司）(the "Creditor"), an independent third party.

Prior to 21 July 2008, the balance of the consideration was payable between 2002 to 2021 by twenty annual instalments. 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, it was agreed that the then outstanding balance as at 21 July 2008 of approximately RMB7,994,000 is to be repaid by three equal annual installments of RMB2,000,000 each in 2008, 2009 and 2010 and the balance of approximately RMB1,994,000 in 2011.

The long-term payable is unsecured and interest-free and has been discounted to its present value at an effective interest rate of 7.74%.

31. DEFERRED INCOME

Deferred income represents government grant received by the Group. The grant aimed to subsidise the Group for purchasing certain property, plant and equipment. Government grant is recognised as income over the useful lives of the relevant assets. During the year, the entire grant was spent for its intended purpose and the deferred income of RMB27,000 (2009: RMB21,000) was released to profit or loss.

32. SHARE CAPITAL

The Company

	Number of shares	Amount	Amount Equivalent to
		HK$'000	RMB$'000
Ordinary shares of HK$0.01			
Authorised:			
At 1 January 2009	38,000,000	380	354
Increase in authorised share capital (note a)	9,962,000,000	99,620	87,572
At 31 December 2009, 1 January 2010 and 31 December 2010	10,000,000,000	100,000	87,926
Issued and fully paid:			
At 1 January 2009	5,000,000	50	47
Capitalisation issue (note b)	182,500,000	1,825	1,604
Share issued under the placing and public offering (note c)	62,500,000	625	549
At 31 December 2009, 1 January 2010 and 31 December 2010	250,000,000	2,500	2,200

32. SHARE CAPITAL – *continued*

(a) Authorised share capital of the Company

The Company was incorporated on 20 June 2006 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares at a par value of HK$0.01 each. On 17 November 2009, the authorised share capital of the Company was increased to HK$100,000,000 by the creation of a further 9,962,000,000 ordinary shares at a par value of HK$0.01 each.

All shares rank pari passu in respect of voting rights, dividends and distribution of net assets.

(b) Capitalisation issue

On 29 December 2009, pursuant to a resolution of shareholders of the Company passed on 17 November 2009, a bonus issue of 182,500,000 ordinary shares of HK$0.01 each of the Company were made to the existing shareholders. The amount was paid up in full by applying an amount of HK$1,825,000 (equivalent to RMB1,604,000) standing to the credit of the share premium account of the Company.

(c) Issue of share under the placing and public offering

On 29 December 2009, the Company issued 62,500,000 ordinary shares of HK$0.01 each, at a price of HK$2.58 per share in connection with the placing and public offering, and raised gross proceeds of approximately HK$161,250,000 (equivalent to RMB141,748,000). The proceeds of HK$625,000 (equivalent to RMB549,000) representing the par value of the shares so issued were credited to the Company's share capital. The remaining proceeds of HK$160,625,000 (equivalent to RMB141,199,000), before the share issue expenses of RMB24,921,000, were credited to the share premium account.

(d) Capital 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 year.

The capital structure of the Group consists of (i) debts, comprising bank loans and long-term payable, add proposed final dividends deducting cash and cash equivalents; and (ii) equity attributable to owners 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 new share issues of the Company, repayment of debts as well as the raising of new debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32. SHARE CAPITAL – *continued*

(d) Capital management – *continued*

The details of the net debt to equity ratio of the Group are as follows:

	2010 RMB'000	2009 RMB'000
Current liabilities		
Bank loans	—	50,000
Non-current liabilities		
Long-term payable	—	1,851
Total debt	—	51,851
Add: Proposed final dividends	33,062	22,950
Less: Cash and cash equivalents	(181,298)	(194,841)
Net debt	N/A	N/A
Total equity	301,309	259,058
Less: Proposed final dividends	(33,062)	(22,950)
Adjusted equity	268,247	236,108
Net debt to equity ratio	N/A	N/A

33. RESERVES

The Group

	Attributable to owners of the Company							
	Share premium RMB'000 (note a)	Capital reserve RMB'000 (note b)	Statutory reserves RMB'000 (note c)	Other reserves RMB'000 (note d)	Property revaluation reserve RMB'000 (note e)	Currency translation reserve RMB'000 (note f)	Retained profits RMB'000	Total RMB'000
At 1 January 2009	—	2,767	57,974	17,738	1,723	(379)	30,756	110,579
Profit for the year	—	—	—	—	—	—	45,922	45,922
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	683	—	683
Total comprehensive income for the year	—	—	—	—	—	683	45,922	46,605
Capitalisation issue (note 32(b))	(1,604)	—	—	—	—	—	—	(1,604)
Shares issued under the placing and public offering (Note 32(c))	141,199	—	—	—	—	—	—	141,199
Share issuance cost	(24,921)	—	—	—	—	—	—	(24,921)
Dividends	—	—	—	—	—	—	(15,000)	(15,000)
Transfer to reserve	—	—	7,480	—	—	—	(7,480)	—
At 31 December 2009	114,674	2,767	65,454	17,738	1,723	304	54,198	256,858
At 1 January 2010	**114,674**	**2,767**	**65,454**	**17,738**	**1,723**	**304**	**54,198**	**256,858**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**66,124**	**66,124**
Exchange differences on translation of financial statements of foreign operations	**—**	**—**	**—**	**—**	**—**	**(923)**	**—**	**(923)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**(923)**	**66,124**	**65,201**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(22,950)**	**(22,950)**
Transfer to reserve	**—**	**—**	**13,652**	**—**	**—**	**—**	**(13,652)**	**—**
At 31 December 2010	**114,674**	**2,767**	**79,106**	**17,738**	**1,723**	**(619)**	**83,720**	**299,109**

33. RESERVES – *continued*

The Company

	Attributable to owners of the Company			
	Share premium RMB'000 (note a)	Currency translation reserve RMB'000 (note f)	Retained profits RMB'000	Total RMB'000
At 1 January 2009	—	7	98	105
Profit for the year	—	—	13,807	13,807
Exchange differences on translation of financial statements of foreign operations	—	1,043	—	1,043
Total comprehensive income for the year	—	1,043	13,807	14,850
Capitalisation issue (note 32(b))	(1,604)	—	—	(1,604)
Shares issued under the placing and public offering (Note 32(c))	141,199	—	—	141,199
Share issuance cost	(24,921)	—	—	(24,921)
Dividends	—	—	(15,000)	(15,000)
At 31 December 2009	114,674	1,050	(1,095)	114,629
At 1 January 2010	**114,674**	**1,050**	**(1,095)**	**114,629**
Loss for the year	**—**	**—**	**(2,950)**	**(2,950)**
Exchange differences on translation of financial statements of foreign operations	**—**	**(3,199)**	**—**	**(3,199)**
Total comprehensive income for the year	**—**	**(3,199)**	**(2,950)**	**(6,149)**
Dividends	**—**	**—**	**(22,950)**	**(22,950)**
At 31 December 2010	**114,674**	**(2,149)**	**(26,995)**	**85,530**

Notes:

a) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

b) Capital reserve

Capital reserve represents the excess of paid-up capital over the registered capital of the companies comprising the Group.

33. RESERVES – *continued*

Notes: – *continued*

c) 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 associations, 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 years' losses, expand the existing operations or convert into additional capital of the subsidiaries. During the year, the Company's wholly-owned subsidiary Chongqing Carpenter Tan Handicrafts Company Limited ("Carpenter Tan") increased its registered capital to RMB100,000,000. An additional amount of RMB7,606,000, being 10% of Carpenter Tan's profit before appropriation for the year, was transferred to this reserve in accordance with the provisions set above. As the other PRC subsidiaries of the Group either had a loss for the years ended 31 December 2009 and 2010 or their respective statutory surplus reserves have reached 50% of their respective registered capital, the PRC subsidiaries did not make any transfer of their profit to this reserve for the years ended 31 December 2009 and 2010 accordingly.

ii) Enterprise development and staff welfare funds

Pursuant to regulations in the PRC, the Company's wholly-owned 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 value-added tax, as further detailed in note 9a(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 RMB6,046,000 (2009: RMB7,480,000) of its net profit to these funds for the year ended 31 December 2010.

d) Other reserve

Other reserves represent the difference between the consideration for acquisition of the subsidiaries paid by the Group and the nominal value of the paid-up capital of the subsidiaries. The details of other reserves are as follows:

i) The Group acquired at nil consideration 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. 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 contributed Carpenter Tan to the Group for a nil consideration. The Group recognised the nominal amount of the shares acquired in the other reserves 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 reserves of approximately RMB359,000 on the Share Swap during the year ended 31 December 2007.

33. RESERVES – *continued*

Notes: – *continued*

e) 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 2(d) and (f).

f) Currency translation reserve

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 2(r).

g) Distributable reserves

Distributable reserves of the Company as at 31 December 2010 was RMB87,679,000 (2009: RMB113,579,000).

34. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	The Group	
	2010	2009
	RMB'000	RMB'000
Financial assets		
Amount due from a director	**—**	14
Trade receivables	**1,171**	427
Other receivables	**3,565**	9,737
Bank balances and cash	**181,298**	194,797
Loans and receivables (including cash and cash equivalents)	**186,034**	204,975
Financial liabilities		
Bank loans	**—**	50,000
Trade payables	**3,009**	3,245
Other payables	**6,993**	11,995
Long-term payable	**—**	1,851
Financial liabilities at amortised cost	**10,002**	67,091

34. FINANCIAL INSTRUMENTS – *continued*

b) Financial risk management objectives and policies

Details of the Group's financial instruments as stated in note 34(a) are disclosed in the 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 exposures and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

	2010 RMB'000	2009 RMB'000
Assets		
HK$	**21,291**	144,027
US$	**482**	473
Euro	**69**	6
	21,842	144,506
Liabilities		
HK$	**1,212**	6,122
US$	**—**	—
Euro	**—**	—
	1,212	6,122

34. FINANCIAL INSTRUMENTS – *continued*

b) Financial risk management objectives and policies – *continued*

i) *Currency risk* – continued

Sensitivity analysis

The Group is mainly exposed to Hong Kong Dollars ("HK$"), United States Dollars ("US$") and Euro ("Euro").

The following table details 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 for a 5% change in foreign currency rate. A positive number indicates an increase in profit where RMB weaken against the relevant foreign currencies. For a 5% strengthening 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.

	2010		2009	
	Effect on profit after tax and retained profits RMB'000	**Effect on other components of equity RMB'000**	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
HK$	**115**	**888**	38	6,857
US$	**7**	**18**	5	18
Euro	**1**	**—**	1	—
	123	**906**	44	6,875

34. FINANCIAL INSTRUMENTS – *continued*

b) Financial risk management objectives and policies – *continued*

ii) Interest rate risk

The Group is exposed to interest rate risk mainly from bank deposits and bank borrowings (see notes 25 and 27) of the Group. Bank deposits and bank borrowings 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 exposures 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 end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used, which represents management's assessment of reasonable possible changes 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 year ended 31 December 2010 would increase by approximately RMB1,811,000 (2009: RMB1,447,000). An equal and opposite impact on the Group's profit for the respective years would result if the interest rates had been 100 basis points lower.

iii) Credit risk

As at 31 December 2010, 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 arising from the carrying amounts of the respective recognised financial assets as stated in note 34(a).

The management considers the credit risk exposure of the Group's trade receivables is low as sales are generally settled before delivery of products or within 30 days. The directors of the Company review the recoverable amount of each individual debt regularly 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 in liquid funds is limited because the counterparties are banks with high credit ratings assigned.

34. FINANCIAL INSTRUMENTS – *continued*

b) Financial risk management objectives and policies – *continued*

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 internally 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 flow	Total carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009							
Bank loans	5.51%	50,000	—	—	—	50,000	50,000
Trade payables	—	3,245	—	—	—	3,245	3,245
Other payables (excluding current portion of long-term payable)	—	10,272	—	—	—	10,272	10,272
Long-term payable (including current portion of long-term payable)	7.74%	2,000	1,994	—	—	3,994	3,574
		65,517	1,994	—	—	67,511	67,091

34. FINANCIAL INSTRUMENTS – *continued*

b) Financial risk management objectives and policies – *continued*

iv) Liquidity risk – continued

	Weighted average effective interest rate RMB'000	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2010							
Trade payables	—	3,009	—	—	—	3,009	3,009
Other payables (excluding current portion of long-term payable)	—	5,142	—	—	—	5,142	5,142
Long-term payable (including current portion of long-term payable)	7.74%	1,994	—	—	—	1,994	1,851
		10,145	—	—	—	10,145	10,002

c) Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

35. COMMITMENTS

a) Capital commitments

At 31 December 2010, capital commitments not provided for in the financial statements were as follows:

	2010	2009
	RMB'000	RMB'000
Contracted but not provided for in respect of		
– property, plant and equipment	**1,496**	52
– prepaid lease payments	**—**	43
	1,496	95

b) Operating lease commitments

i) At 31 December 2010, the total future minimum lease payables under non-cancellable operating leases in respect of premises are as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**3,408**	7,161
After one year but within five years	**162**	10,741
After five years	**—**	6,452
	3,570	24,354

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 a retail shop leased by the Group. In general, these contingent rents are calculated with reference to 15% of the retail shop's turnover using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rental payable. No contingent rent was paid during the year.

(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. At 31 December 2010, the total future minimum lease receivables under non-cancellable operating leases in respect of premises are as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**1,808**	1,494
After one year but within five years	**963**	2,030
	2,771	3,524

36. RELATED PARTY TRANSACTIONS

a) Except for those disclosed elsewhere in these financial statements, the Group had balances due from related parties as at 31 December 2010 as follows:

	2010			2009		
	Trade	Non-trade	Total	Trade	Non-trade	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Geng Chang Sheng	—	—	—	—	14	14
Total due from related parties	—	—	—	—	14	14

b) Maximum non-trade outstanding balances due from related parties disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances are as follows:

	2010	2009
	RMB'000	RMB'000
Directors and key management members		
Geng Chang Sheng	14	14
Su Jian Ping	131	131

c) Key management compensation

Remuneration for key management personnel of the Group including certain amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	2,083	1,199
Retirement scheme contributions	66	25
	2,149	1,224

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) The amounts due from related parties were unsecured, interest-free and had no fixed terms of repayment.

37. ULTIMATE HOLDING COMPANY

At 31 December 2010, the directors consider the ultimate holding company of the Company to be Lead Charm Investments Limited, a company incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following Amendments, new Standards and Interpretations which are not yet effective for the year ended 31 December 2010.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 [1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets [3]
HKFRS 9	Financial Instruments [4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [5]
HKAS 24 (as revised in 2009)	Related Party Disclosures [6]
HKAS 32 (Amendments)	Classification of Rights Issues [7]
HK (IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [6]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010 – *continued*

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will have a signficant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) - Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) -Int 19 will affect the required accounting. In particular, under HK(IFRIC) -Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The Group is in the process of making an assessment of what the impact of other amendments 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.

FINANCIAL SUMMARY

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**189,418**	139,791	108,656	123,169	95,398
Profit before taxation	**85,592**	57,758	32,185	48,332	39,365
Income tax	**(19,468)**	(11,836)	(6,311)	(6,866)	(2,528)
Profit for the year	**66,124**	45,922	25,874	41,466	36,837
Attributable to					
Owners of the Company	**66,124**	45,922	25,874	41,515	36,976
Minority interests	**—**	—	—	(49)	(139)
Assets and liabilities					
Total assets	**339,397**	343,093	203,167	159,973	132,885
Total liabilities	**(38,088)**	(84,035)	(92,541)	(46,650)	(48,927)
Minority interests	**—**	—	—	—	(1,061)
Equity attributable to owners of the Company	**301,309**	259,058	110,626	113,323	82,897

Note:

The summary of the results and assets and liabilities for each of the three years ended 31 December 2008 were extracted from the Company's prospectus dated 15 December 2009 and prepared on a combined basis as if the current structure of the Group has been in existence throughout the years.