Carpenter Tan Holdings Limited

譚木匠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 837)

2011

INTERIM REPORT

* *For identification purpose only*

CONTENTS

EXECUTIVE DIRECTORS
Mr. Tan Chuan Hua *(Chairman)*
Mr. Geng Chang Sheng
Mr. Tan Di Fu

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

MEMBERS OF THE AUDIT COMMITTEE
Mr. Chau Kam Wing, Donald *(Chairman)*
Madam Du Xin Li
Mr. Yu Ming Yang

MEMBERS OF THE REMUNERATION COMMITTEE
Mr. Chau Kam Wing, Donald *(Chairman)*
Madam Du Xin Li
Mr. Yu Ming Yang

COMPANY SECRETARY
Mr. Chan Hon Wan CPA

AUTHORISED REPRESENTATIVES
Mr. Geng Chang Sheng
Mr. Chan Hon Wan

REGISTERED OFFICE
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS
43rd Floor
Future International Building
Guanyinqiao
Jiangbei District
Chongqing
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 1009, 10/F
Nan Fung Commercial Centre
19 Lam Lok Street
Kowloon Bay
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
China Construction Bank
No. 14 Datong Street
Yuzhong District
Chongqing
The PRC

Agricultural Bank of China
Chongqing Branch
Wanzhou Fen Hang Ying Ye Bu
222 Taibai Road
Wanzhou
Chongqing
The PRC

AUDITOR
CCIF CPA Limited
34/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

STOCK CODE
837

COMPANY WEBSITE
www.ctans.com

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% Change
	2011	2010	Increase/
	RMB'000	RMB'000	(Decrease)
Financial Highlights			
Turnover	**114,214**	85,919	32.9%
Cost of sales	**(36,607)**	(30,767)	19.0%
Gross profit	**77,607**	55,152	40.7%
Profit before taxation	**59,478**	38,402	54.9%
Profit attributable to owners	**40,152**	29,224	37.4%
Basic earnings per share (RMB cents)	**16.1**	11.7	37.6%

	At 30 June	At 31 December	
	2011	2010	
Liquidity and Gearing			
Current ratio[(1)]	**4.85**	9.39	(48.3)%
Quick ratio[(2)]	**3.83**	7.35	(47.9)%
Gearing ratio[(3)]	**N/A**	N/A	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 loans divided by shareholders' fund. As the Group did not have any bank borrowings as at 30 June 2011 and 31 December 2010 respectively, the calculation of gearing ration is not applicable.

MARKET REVIEW

According to the "Twelfth Five-Year Plan", as an important strategy to expand domestic demand mainly by stipulating consumer demand, consumption has remained the major driver of economic growth in the PRC for several consecutive quarters. In the first half of 2011 (the "Reporting Period"), despite the slight slowdown of economic growth, demand for consumer goods in the PRC remained strong. According to the statistics released by the National Bureau of Statistics of China, the total retail sales of consumer goods for the period reached RMB8,583.3 billion, representing an increase of 16.8% over the corresponding period of the previous year. In addition, the increase of per capita disposal income and the rise in the consumption power also contributed to the continuous fast development of retail industry. It is expected that during the "Twelfth Five-Year" period, retail industry in the PRC will maintain its rapid growth. For the six months ended 30 June 2011(the "period under review"), capitalizing on the development opportunities, the Group continued to extend its geographical coverage of distribution network and strengthen the information technology of our franchise shops to refine the management of its operations, which contributed to the growth of the results of operations.

BUSINESS REVIEW

1. Retail outlets

The Group has developed an extensive retail and distribution network mainly by operating the franchise programme in the PRC and abroad. In addition, the Group has also established self-operated retail shops in Hong Kong. As at 30 June 2011, the Group had 1,190 retail outlets, representing a net increase of 90 shops during the period. The following table sets out the number of the Group's franchised outlets and directly-operated retail outlets:

	As at 30 June 2011		As at 31 December 2010	
	Franchise shops	**Directly-operated outlets**	Franchise shops	Directly-operated outlets
Hong Kong	**0**	**5**	0	4
PRC	**1,177**	**0**	1,089	0
Other countries and regions	**8**	**0**	7	0
Total	**1,185**	**5**	1,096	4

2. Sales network

The PRC Market

The number of the Group's franchise shops in the first half of 2011 increased steadily. As at 30 June 2011, the Group had 1,177 franchise shops in the PRC, representing an increase of 88 shops as compared with that as at 31 December 2010. The franchise shops have a wide geographical coverage spanning 31 provinces and autonomous regions and more than 300 cities. The Group focused on establishing modern shops (Demo shops), which has reached 54 shops, with an aggregate area over 1,334 square metres. The modern shops have a geographical coverage spanning 17 provinces and autonomous regions, mainly in key markets such as Beijing, Shanghai, Tianjin, Guangdong, Liaoning and Yunnan.

In terms of development strategies for its sales network, the Group adopted localized development strategies in different cities in mainland China. In the municipalities directly under the Central Government and provincial capitals, the Group adopted a development strategy of diversifying marketing channel and expanding the sales network in store-in-stores such as shops in shopping malls, to extend the market coverage of its franchise shops and to enhance its brand recognition and popularity in first tier cities. In prefecture-level cities and county-level cities, the Group proactively encouraged its existing franchise shop owners to establish new franchise shops so as to enhance the Group's brand recognition in second and third tier cities.

Overseas market

During the period under review, the Group further expanded its overseas business. As at 30 June 2011, the Group has established 13 franchise shops in Hong Kong and overseas. Plan for opening new stores in New York, the United States was accomplished, and new distributors in countries and regions including Australia, California, the United States and Toronto, Canada were identified. While devoting itself in the development of overseas business, the Group has also taken initiatives to establish its on-line marketing platform targeting overseas markets, such as attending the European Showcase for Brands of China 2011 (2011年中國品牌商品歐洲展) in Birmingham, the United Kingdom, to strengthen its attraction for overseas investment.

3. Sales management

The Group has placed emphasis on the management of franchise shops and self-operated shops. The overall operating results are enhanced through the systematic and strict management model, which can manage the franchise shops and self-operated shops more effectively.

The Group monitors the performance of provincial market managers and adopts a three-level task distribution model in order to guarantee the achievement of its annual sales targets by all staff. Pursuant to such model, the Group assigns the annual sales targets to its sales representatives, who will then assign the targets to the franchise shops and the relevant shop owners will assign the targets to its employees.

The Group sends marketing staff to supervise the franchise shops on a regular basis to ensure effective and standardized daily operations. The Group also monitors the relevant data of sales, inventory and supply chain management through its modernized POS information management system.

In addition, the Group implements a supervisory system by assigning management personnel and the head of sales department of the Group to conduct random inspections of franchise shops from time to time, so as to ensure accurate and timely upload of information, which serve as an important and reliable basis for the Group's decision making of operations and management.

4. Products

As at 30 June 2011, the Group launched 568 products, comprising 218 box sets, 213 lockets, 86 accessories, 23 mirrors and 28 limited editions. In the first half of 2011, the Group launched 153 new products , comprising 42 box sets, 84 lockets, 9 accessories and 18 limited editions.

5. Product development and design

The Group attaches great importance to product development and design and has a technology centre in Wanzhou. As at 30 June 2011, the Group has more than 20 staff in the design and development team and launched five new products and technologies. The achievements of the Group in the reporting period were as follows:

Optimizing craftsmanship

Stability of wood and size of finished goods were improved. The Group mainly developed three kinds of wood, namely Black Ebony, Swartizia Spp and Guibourtia Sp. It also effectively reduced change of shape and cracks of such wooden products by standardizing the size of black horn products.

Upgrading tooth-making technology

The Group implemented an intelligent processing mode with one staff operating multiple machines, which raised work efficiency, reduced operation pressures and enhanced safety.

Drafting industry standard

The Group assisted in drafting industry standard for wooden combs and wooden mirrors, which helped to standardize and promote healthy development of the industry as a leader, and strengthen the position and influence of Carpenter Tan brand in the industry.

6. Production

As at 30 June 2011, the Wanzhou Factory of the Group had a total of 755 full-time production staff and the main products were combs and mirrors. Actual output and comparison with the corresponding period last year are set out below:

	As at 30 June	
	2011 **Output** **(Unit)**	2010 Output (Unit)
Combs	**2,257,400**	1,961,000
Mirrors and others	**406,300**	281,000

7. Marketing and promotion

The Group attaches great importance to marketing and promotion. During the period under review, the Group organized a series of promotion and advertising campaigns to enhance the visibility and awareness of the Group. The campaign mainly included shop promotion in weekends and public holidays as well as media promotion.

On 23 May 2011, Healthy Lifestyle (健康生活), a programme in the Lifestyle Channel of Beijing Television, introduced combing as a healthy habit, which also displayed shops and products of Carpenter Tan.

8. Information Management

The Group monitors information of sales, inventory and supply chain management via a comprehensive system. Under the system, all of the franchise shops upload daily sales information through the POS system, which allows the Group to understand the purchase, sales and inventory status of all franchise shops and coordinate their daily sales. The Group also carries out random inspection in the shops based on the supervisory system to ensure accurate and timely upload of information, which serves as an important basis for the Group's decision making of operations and management.

9. Awards and accreditation

During the period under review, the Group was awarded as one of the "Top 120 China Chained Franchise Shops in 2010 (2010年度中國特許經營連鎖120強)" by the China Chain Store and Franchise Association. Moreover《蝶舞花香》,《鵲橋相會》and《重慶印象》, engraving products of the Group, were awarded gold and silver medals respectively in the 2011 China (Chongqing) Art and Craft Industry Fair (2011年中國(重慶)工藝美術產業博覽會).

10. Social Responsibility

The Group is committed to its social responsibilities. Apart from actively expanding business, the Group also makes contribution to society by actively participating in social charity works, increasing donations and subsidies to schools and implementing Rehabilitation Welfare Program for Disabled Persons.

The Group spared no efforts in assisting recruitment of disabled persons. As at 30 June 2011, the Group provided job opportunities for 366 disabled persons. Moreover, they are provided with job training to allow them to earn their own living. The Group is also in strict compliance with the criteria of social welfare.

The Group has set up 5 teams of volunteers, which actively participated in community services during the period under review, including visits to homes for the elderly, the Hope Schools, Huiling School (慧靈智障學校), patients of haemophilia, and families and individuals in need of Wanzhou Factory. Through the above charity works, the Group not only showed its integrity, love, care and patience to the underprivileged, but also allowed the staff to experience the warmth of community and cherish their lives.

FINANCIAL REVIEW

1. Turnover

The Group recorded turnover of approximately RMB114,214,000 for the six months ended 30 June 2011, representing a growth of RMB28,295,000 or 32.9% as compared to approximately RMB85,919,000 for the six months ended 30 June 2010. 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.

	For the six months ended 30 June			
	2011		2010	
	(RMB '000)	**%**	(RMB '000)	%
Sales				
– Combs	**35,016**	**30.7**	28,041	32.6
– Mirrors	**786**	**0.7**	1,233	1.4
– Box sets	**73,022**	**63.9**	51,316	59.8
– Other accessories*	**4,595**	**4.0**	4,764	5.5
Franchise fee income	**795**	**0.7**	565	0.7
	114,214	**100.0**	85,919	100.0

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

2. Cost of Sales

The cost of sales of the Group was approximately RMB36,607,000 for the six months ended 30 June 2011, representing an increase of approximately RMB5,840,000 or 19.0% as compared to approximately RMB30,767,000 for the six months ended 30 June 2010, which was basically consistent with the growth of turnover.

3. Gross Profit and Gross Profit Margin

For the six months ended 30 June 2011, gross profit of the Group was approximately RMB77,607,000, representing an increase of approximately RMB22,455,000 or 40.7% as compared to approximately RMB55,152,000 for the six months ended 30 June 2010. The gross profit margin rose from approximately 64.2% in 2010 to 67.9% in 2011. 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. Moreover, 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.

4. Other Revenue and Net Income

Other revenue and net income was approximately RMB9,429,000 for the six months ended 30 June 2011, representing a decrease of approximately 885,000 or 8.6% as compared to approximately RMB10,314,000 for the six months ended 30 June 2010. The decrease was mainly due to a decrease of fair value appreciation on investment properties.

5. **Selling and Distribution Expenses**

The selling and distribution expenses, mainly including advertising and market expansion expenses, design fees, rental expenses, salaries and benefits, and travelling expenses, amounted to approximately RMB10,798,000 for the six month ended 30 June 2011, representing a decrease of approximately RMB855,000 or 7.3% as compared to RMB11,653,000 for the six months ended 30 June 2010. This decrease was mainly a result of the reduction in rental expenses.

6. **Administrative Expenses**

The administrative expenses of the Group was approximately RMB13,001,000 for the six months ended 30 June 2011, representing an increase of approximately RMB1,787,000 or 15.9% as compared to approximately RMB11,214,000 for the six months ended 30 June 2010. The increase was primarily due to an increase in staff cost and an increase in legal and professional fees.

7. **Profit from operations**

For the six months ended 30 June 2011, profit from operations for the Group amounted to approximately RMB59,549,000, increased by approximately RMB19,695,000 or 49.4% when compared to approximately RMB39,854,000 for the six months ended 30 June 2010. Increase in profit from operations was mainly due to an increase in turnover and gross profit for the six months ended 30 June 2011.

8. **Finance costs**

For the six months ended 30 June 2011, finance costs amounted to approximately RMB71,000, decreased by approximately RMB1,381,000 or 95.1% when compared to approximately RMB1,452,000 for the six months ended 30 June 2010. The decrease was mainly due to the decrease in bank loan interest as a result of the reduction in bank borrowings.

9. **Profit before taxation**

For the six months ended 30 June 2011, profit before taxation for the Group amounted to approximately RMB59,478,000, increased by approximately RMB21,076,000 or 54.9% when compared to approximately RMB38,402,000 for the six months ended 30 June 2010. Increase in profit before taxation was mainly due to an increase in turnover and gross profit for the six months ended 30 June 2011.

10. **Income tax expenses**

For the six months ended 30 June 2011, income tax expenses for the Group amounted to approximately RMB19,326,000, increased by approximately RMB10,148,000 or 110.6% when compared to approximately RMB9,178,000 for the six months ended 30 June 2010. This increase was mainly due to an increase in profit before taxation and the profit tax rate. The effective tax rate for the six months ended 30 June 2011 was 32.5% when compared to 23.9% for the six months ended 30 June 2010. Details of income tax expenses are set forth in note 7 to the unaudited interim financial report.

11. **Profit for the Period**

The profit for the six months ended 30 June 2011 was approximately RMB40,152,000, representing an increase of RMB 10,928,000 or 37.4% as compared to approximately RMB29,224,000 in the corresponding period of 2010. The increase was due to the growth of profit margin as well as turnover.

12. Liquidity and capital resources

The Group has met its working capital needs mainly through cash generated from operations and various short-term bank borrowings when required. During the Reporting Period, the Group did not have any bank borrowings. Taking into account the cash flow generated from operation and the bank borrowing facilities available to the Group, the directors of the Company are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 30 June 2011, the Group had cash and cash equivalents of RMB178,144,000 mainly generated from operations of the Group and funds raised by the Company.

13. Cash flows

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repay interest and principal due on its indebtedness and provide funds for capital expenditures and growth of the Group's operations.

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from payments for the sale of the Group's products. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB30,955,000, representing an increase of net cash generated from operating activities of RMB20,565,000 from RMB10,390,000 for the six months ended 30 June 2010. The increase was primarily due to the continued growth of the Group's operations.

Net cash used in investing activities

The Group's net cash outflow used in investing activities amounted to RMB882,000 during the Reporting Period, representing a decrease of RMB261,000 as compared with the cash outflow of RMB1,143,000 for the six months ended 30 June 2010. The decrease is mainly due to the reduction in payment for purchasing fixed assets.

Net cash used in from financing activities

The Group's net cash used in financing activities amounted to RMB33,132,000 during the Reporting Period, representing an increase of RMB33,132,000 as compared with RMB nil for the six months ended 30 June 2010. The increase was primarily due to repayment of dividends declared by the Company and its subsidiaries.

14. Capital structure

Indebtedness

As at 30 June 2011 and during the Reporting Period, the Group did not have any bank borrowings.

Gearing ratio

As at 30 June 2011 and 31 December 2010, the Group did not have any bank borrowings. The calculation of gearing ratio was not meaningful.

Pledge of assets

As at 30 June 2011, the Group did not have any assets pledged to the banks (31 December 2010: nil).

Capital expenditure

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and motor vehicles. The Group's capital expenditures amounted to RMB955,000 and RMB1,466,000 for the Reporting Period and the six months ended 30 June 2010 respectively.

Foreign exchange risk

The major business of the Group has used RMB and HK$ as the transaction and bookkeeping currencies. The Group expects that RMB will maintain a stable development. The Group has no major risks in changes in other currency exchange.

15. Contingent liabilities, legal and potential proceedings

As at 30 June 2011, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

16. Major acquisitions and disposals

For the six months ended 30 June 2011, the Group has not made any material acquisition and disposal.

17. Ongoing concern

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a "going concern" basis.

OUTLOOK

Against the backdrop of the rapid economic development and transformation of the growth of the PRC, the retail industry will blossom under the implementation of the Twelfth Five-Year Plan and the support of the PRC government's policies. The Group is confident of its future development.

The Group will continue to expand its retail network in the second half of 2011. The franchise network will be expanded to major developed cities and coastal areas, including Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, Fujian, Liaoning, Hubei, Hunan, Shandong and Anhui, based on the development needs of its franchise system. As modern shops (demo shops) will continue to be the development focus of the Group's retail system, the Group plans to open 20 modern shops (demo shops) in tier-1 developed municipalities and provincial cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing and Wuhan in the second half of 2011.

With regard to the expansion of overseas market, the Group intends to focus on the Asian market, in particular the Hong Kong and Singapore markets. In the second half of 2011, the Group plans to open 2 franchise shops in Hong Kong and 1 franchise shop in Singapore. It will also assist the Australian agent to open 2 to 3 franchise shops or concessionary counters. The Group will gradually penetrate to other overseas markets when opportunity arises in order to increase market share of the products under the "Carpenter Tan" brand and boost its exports.

In addition to expansion of sales network, the Group will also put emphasis on the continuous improvement of production quality and capacity. It has started to recruit new staff and reinforce training. The Group will prepare to carry out two-shift work schedule according to production needs.

In the second half of 2011, the Group will enhance production efficiency by upgrading technology, improving management and optimizing procedures. In order to raise the Group's competitiveness in the industry and facilitate its comprehensive development, the Group will endeavour to enhance craftsmanship, equipment and technology, production procedures and standard technology.

Looking forward, the Group will continue to expand its domestic and overseas sales networks and enhance market shares in a practical and active manner. To cater for the increasing market demands and consolidate its leading position in the retail market and high-end wooden products industry in China, efforts will be made to raise product quality and production capacity. The Group will strive to become the "Leading Brand of Wooden Comb Products in the World (全世界以木為本質的梳理用品的第一品牌)" and bring remarkable returns to shareholders.

For the above plans for future development, the Group will utilise the internal resources of the Group and/or the proceeds that the Company obtained from listing on the Stock Exchange on 29 December 2009.

HUMAN RESOURCES AND TRAINING

As at 30 June 2011, the Group had employed a total of 957 employees in the mainland China, Hong Kong and overseas, with a total staff cost of approximately RMB21,147,000 (2010: RMB15,543,000) for the Reporting Period.

In addition to providing employment opportunities for disabled persons, the Group is committed to seeking talents and retaining capable staff. Through various incentive schemes, forums and activities, the Group encourages all staff to participate in product design and development. In addition, the future success of the Group is mainly attributable to the effort of our executive Directors. Therefore, the Group entered into service agreements with all executive Directors with an initial term of three years from 29 December 2009, being the date on which the shares of the Company first commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited.

The attitude, behaviour, belief and value of the staff of the Company are highly influenced by our corporate culture. Based on our corporate value of "Honesty, Work and Happiness", the Group always educates its staff and franchisees about the importance of honesty to customers and encourages its employees to progress and pursue excellence through sharing and on-the-job training. As a result, the staff will feel happy as the customers are satisfied.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2011, 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 30 June 2011, 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	Approximate percentage of shareholding
Tan Chuan Hua (Note 1)	Interest in a controlled Corporation	169,700,000	67.88%
Geng Chang Sheng	Beneficial owner	1,326,597	0.53%
Tan Cao	Beneficial owner	4,422,584	1.77%

Note:

1. Tan Chuan Hua 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%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2011, 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
Tan Chuan Hua (note 1)	Interest in a controlled Corporation	169,700,000	Long	67.88%
Fan Cheng Qin (note 2)	Interest in a controlled Corporation	169,700,000	Long	67.88%
Lead Charm (note 3)	Beneficial owner	169,700,000	Long	67.88%

Notes:

1. Tan Chuan Hua is deemed to be interested in 169,700,000 Shares held by Lead Charm by virtue of his 51% interest in Lead Charm under Part XV of the SFO. Mr. Tan is a controlling shareholder within the meaning of the Listing Rules.

2. 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. Ms. Fan is a controlling shareholder within the meaning of the Listing Rules.

3. Lead Charm is a controlling shareholder within the meaning or otherwise by virtue of the Listing Rules.

SHARE OPTION SCHEME

The Company operates a share option scheme ("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 was conditionally approved by a written resolution of the shareholders of the Company dated 17 November 2009. Details of the Share Option Scheme are set out in the prospectus of the Company dated 15 December 2009.

As at 30 June 2011, no share option was granted based on the Share Option Scheme.

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 of Hong Kong Limited on 29 December 2009, after deducting the related issuance expenses, amounted to approximately HK$132,900,000 (equivalent to approximately RMB116,800,000). As at 30 June 2011, the Group had used net proceeds of approximately RMB24,575,000, of which RMB8,100,000 had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, RMB5,275,000 for enhancement for sales network and sales support services, construction of production base and RMB11,200,000 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$24,000,000 for setting up high-end home accessories shops in the PRC and the application of HK$6,000,000 for setting up lifestyle handicraft stores. As disclosed in the Company's 2010 annual report, 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 studying other alternative business development opportunities, which would generate better investment return to the Group's shareholders.

CAPITAL COMMITMENT

As at 30 June 2011, the Group had capital commitment amounted to approximately RMB195,000. (31 December 2010: RMB1,496,000).

PUBLIC FLOAT

According to information disclosed publicly and as far as the directors of the Company (the "Directors") are aware, during the Reporting Period and up to the date of this interim report, at least 25% issued shares of the Company has been held by public shareholders.

DIVIDENDS

Pursuant to a resolution passed by the shareholders of the Company on 23 May 2011, the Company declared the audited distributable profits as at 31 December 2010 amounting to approximately HK$39,275,000 (equivalent to approximately RMB33,062,000) to the shareholders of the Company.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN DIRECTORS' INFORMATION

The Company's independent non-executive director, Mr. Chau Kam Wing Donald was appointed as finance director of Winox Holdings Limited (stock code: 6838) on 11 March 2011, the company was listed on the main board of The Stock Exchange of Hong Kong Limited on 20 July 2011. In addition Mr. Chau had been retired from the office of independent non-executive director of China Nonferrous Metals Company Limited (stock code: 8306) on 5 May 2011.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2011, 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. 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 arrangement 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 arrangement outlined above is beneficial to the Company and its business.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his or her compliance with the Model Code for the six months ended 30 June 2011. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished price sensitive information, has been requested to comply with the written guidelines. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee on 17 November 2009 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in appendix 14 to the Listing Rules.

The Audit Committee currently comprises the three independent non-executive Directors, namely, Mr. Chau Kam Wing, Donald, Madam Du Xin Li and Mr. Yu Ming Yang. Mr. Chau is the Chairman of the Audit Committee, and he possesses recognised professional qualifications in accounting as required by the Listing Rules.

The audit committee has reviewed the Company's unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 with the management of the Group and external independent auditors and agreed with the accounting treatment adopted by the Company.

DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2011 will be duly despatched to shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.ctans.com).

By order of the Board
Carpenter Tan Holdings Limited
Tan Chuan Hua
Chairman

Hong Kong, 26 August 2011

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

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CARPENTER TAN HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 34 which comprises the condensed consolidated statement of financial position of Carpenter Tan Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2011 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34"), Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with HKAS 34.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 26 August 2011

Betty P.C. Tse
Practising Certificate Number P03024

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED

	Note	Six months ended 30 June 2011 (unaudited) RMB'000	2010 (unaudited) RMB'000
Turnover	5	**114,214**	85,919
Cost of sales		**(36,607)**	(30,767)
Gross profit		**77,607**	55,152
Other revenue		**9,429**	10,314
Selling and distribution expenses		**(10,798)**	(11,653)
Administrative expenses		**(13,001)**	(11,214)
Other operating expenses		**(3,688)**	(2,745)
Profit from operations		**59,549**	39,854
Finance costs	6(a)	**(71)**	(1,452)
Profit before taxation	6	**59,478**	38,402
Income tax	7	**(19,326)**	(9,178)
Profit for the period		**40,152**	29,224
Attributable to			
Owners of the Company		**40,152**	29,224
Earnings per share	8		
Basic and diluted		**RMB16.1cents**	RMB11.7cents

The accompanying notes form part of this interim financial report.

FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**40,152**	29,224
Other comprehensive income for the period (after tax)		
Exchange differences on translation of financial statements of foreign operations	**(95)**	(1,216)
Income tax related to components of other comprehensive income	**—**	—
Other comprehensive income for the period	**(95)**	(1,216)
Total comprehensive income for the period	**40,057**	28,008
Attributable to		
Owners of the Company	**40,057**	28,008

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	30 June 2010 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Non-current assets			
Property, plant and equipment	9(a)	**32,576**	33,110
Prepaid lease payments		**19,622**	19,881
Investment properties	9(b)	**41,800**	41,800
Intangible assets		**—**	—
		93,998	94,791
Current assets			
Prepaid lease payments		**518**	518
Inventories		**59,836**	53,213
Trade receivables	10	**1,021**	1,171
Other receivables, deposits and prepayments		**45,987**	8,406
Cash and cash equivalents		**178,144**	181,298
		285,506	244,606
Current liabilities			
Trade payables	11	**4,602**	3,009
Other payables and accruals		**19,039**	18,089
Income tax payable		**13,041**	4,939
Dividends payable		**22,168**	—
		(58,850)	(26,037)
Net current assets		**226,656**	218,569
Total assets less current liabilities		**320,654**	313,360
Non-current liabilities			
Deferred tax liabilities		**11,416**	11,099
Deferred income		**934**	952
		(12,350)	(12,051)
NET ASSETS		**308,304**	301,309
Capital and reserves			
Share capital	13	**2,200**	2,200
Share premium and reserves		**306,104**	299,109
TOTAL EQUITY		**308,304**	301,309

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED

		Attributable to owners of the Company								
	Note	Share capital	Share premium	Capital reserve	Statutory reserves	Other reserve	Property revaluation reserve	Currency translation reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010		2,200	114,674	2,767	65,454	17,738	1,723	304	54,198	259,058
Dividends	12	—	—	—	—	—	—	—	(22,950)	(22,950)
Transfer to reserve		—	—	—	4,055	—	—	—	(4,055)	—
Total comprehensive income for the period		—	—	—	—	—	—	(1,216)	29,224	28,008
At 30 June 2010 (unaudited)		2,200	114,674	2,767	69,509	17,738	1,723	(912)	56,417	264,116
At 1 January 2011		**2,200**	**114,674**	**2,767**	**79,106**	**17,738**	**1,723**	**(619)**	**83,720**	**301,309**
Dividends	12	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(33,062)**	**(33,062)**
Transfer to reserve		**—**	**—**	**—**	**4,952**	**—**	**—**	**—**	**(4,952)**	**—**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**(95)**	**40,152**	**40,057**
At 30 June 2011 (unaudited)		**2,200**	**114,674**	**2,767**	**84,058**	**17,738**	**1,723**	**(714)**	**85,858**	**308,304**

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED

	Note	Six months ended 30 June	
		2011	2010
		(unaudited)	(unaudited)
		RMB'000	RMB'000
Net cash generated from operating activities		**30,955**	10,390
Net cash used in investing activities		**(882)**	(1,143)
Net cash used in financing activities		**(33,132)**	—
Net (decrease)/increase in cash and cash equivalents		**(3,059)**	9,247
Cash and cash equivalents at 1 January		**181,298**	194,797
Effect of foreign exchange rate changes, net		**(95)**	(1,214)
Cash and cash equivalents at 30 June		**178,144**	202,830

The accompanying notes form part of this interim financial report.

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by Company's audit committee and Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except as otherwise set out in the accounting policies.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS7 disclosures for first-time adopters[3]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments[3]

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 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures - Transfer of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interest in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2012
[4] Effective for annual periods beginning on or after 1 July 2012

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about the components of the Group. The 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 information is presented accordingly.

The Group's turnover and results from operations are 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 is no transactions with a single external customer equal to or greater than 10% of the Group's total revenues.

4. SEASONALITY OF OPERATIONS

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

5. TURNOVER

Turnover represents the net invoiced value of goods sold to customers, less value-added tax and sales tax, returns and allowances, and franchise fee income. An analysis of the Group's turnover for the period is as follows:

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of goods	**113,419**	85,354
Franchise fee income	**795**	565
	114,214	85,919

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
a) Finance costs		
– Interest on bank and other borrowings wholly repayable within five years	**—**	1,315
– Imputed interest expense on long-term payable	**71**	137
Total interest expense on financial liabilities not at fair value through profit or loss	**71**	1,452

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
b) Other items		
Auditor's remuneration	**276**	263
Amortisation of prepaid lease payments	**248**	248
Amortisation of intangible assets	**—**	31
Cost of inventories	**36,607**	30,767
Depreciation	**1,449**	1,932
Impairment on trade and other receivables	**27**	—
(Gain)/loss on disposal of property, plant and equipment	**(38)**	51
Operating lease rentals in respect of land and buildings	**2,397**	3,469
Staff costs (including directors' emoluments)	**21,147**	15,543

7. INCOME TAX

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax - Hong Kong Profits Tax	**—**	—
Current tax - the PRC Enterprise Income Tax	**17,263**	6,931
Deferred taxation	**2,063**	2,247
	19,326	9,178

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 for 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 and income tax refund in the Group's consolidated income statement on an accrual basis.

In addition, on 2 November 2006, Ziqiang Muye obtained the SAT's approval for a concessionary income tax rate reduced from 33% to 15% for the five years from 1 January 2006 to 31 December 2010 according 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 reduced 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.

7. INCOME TAX – *continued*

Notes: – *continued*

iii) Due to the expiry of preferential tax policies from 1 January 2011, the provision for PRC income tax for Ziqiang Muye and Carpenter Tan is calculated on the statutory income tax rate of 25% on their assessable profits.

The Group is uncertain that Ziqiang Muye and Carpenter Tan will be eligible for income tax rate of 15% under the new preferential tax policies granted to companies located in western part of the PRC in accordance with Caisui (2011) No. 58, as the list of national encouraged business activities eligible for Caisui (2011) No. 58 is not yet announced as at the date of this report.

iv) 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% (2010: 25%) except for Ziqiang Muye and Carpenter Tan which were eligible for the income tax concessions according to the preferential tax policies from 1 January 2006 to 31 December 2010 and 1 January 2009 to 31 December 2010 respectively, as stated in notes 7(i) and 7(ii).

v) 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.

vi) No provision for Hong Kong profits tax has been made for the periods ended 30 June 2011 and 2010 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for the above periods.

vii) Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caisui (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 RMB 2,063,000 (2010: RMB1,432,000) in respect of the withholding income tax on dividends has been recognised by the Group during the six months ended 30 June 2011. Withholding tax of RMB1,745,000 (2010: RMB Nil) was paid during the six months ended 30 June 2011 in related to deferred tax liabilities on dividend from prior years.

8. 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 period, calculated as follows:

i) Profit attributable to owners of the Company

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**40,152**	29,224

ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**250,000,000**	250,000,000

b) Diluted earnings per share

There were no dilutive potential shares in issue during the period, the diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2011 and 2010.

9. FIXED ASSETS

a) Acquisitions and disposals

During the six months ended 30 June 2011, the group acquired items of property, plant and equipment with a cost of RMB955,000 (2010: RMB1,466,000). Items of property, plant and equipment with a total carrying amount of RMB33,000 (2010: RMB247,000) were disposed of during the six months ended 30 June 2011, resulting in a gain on disposal of RMB38,000 (2010: loss on disposal of RMB51,000).

b) Valuation

The fair value of the Group's investment properties as at 30 June 2011 was arrived at on the basis of the valuation carried out on that day by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited have among its employee 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. A net gain of RMB Nil (2010: RMB3,260,000) , and deferred tax of RMB Nil (2010: RMB815,000), have been recognised in these financial statements for the period.

10. TRADE RECEIVABLES

Ageing analysis of trade receivables (net of allowance for doubtful debts) is as follows:

	At 30 June 2011 (unaudited) RMB'000	At 31 December 2010 (audited) RMB'000
0 to 30 days	**828**	865
31 to 60 days	**38**	197
61 to 90 days	**39**	40
91 to 180 days	**32**	34
181 to 365 days	**71**	21
Over 1 year	**13**	14
Trade debtors, net of allowance for doubtful debts	**1,021**	1,171

Credit terms within 30 days are granted to those customers with high credibility.

11. TRADE PAYABLES

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

	At 30 June 2011 (unaudited) RMB'000	At 31 December 2010 (audited) RMB'000
0 to 30 days	**3,482**	2,227
31 to 60 days	**763**	251
61 to 90 days	**173**	74
91 to 180 days	**24**	9
181 to 365 days	**43**	374
Over 1 year	**117**	74
	4,602	3,009

12. DIVIDENDS

i) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB Nil).

ii) Dividends payable to owners attributable to the previous financial year, approved and paid during the interim period:

	At 30 June	
	2011 (unaudited) RMB'000	2010 (unaudited) RMB'000
Final dividend in respect of the financial year ended 31 December 2010, approved and paid during the current interim period, of RMB13.22cents per ordinary share (2010: RMB9.18cents)	**33,062**	22,950

13. SHARE CAPITAL

	Number of shares	HK$'000	Amount equivalent to RMB$'000
Ordinary shares of HK$0.01			
Authorised:			
As at 31 December 2010 and 30 June 2011	10,000,000,000	100,000	87,926
Issued and fully paid:			
As at 31 December 2010 and 30 June 2011	250,000,000	2,500	2,200

14. CAPITAL COMMITMENTS

At 30 June 2011, capital commitments not provided for in the financial statements were as follows:

	At 30 June 2011 (unaudited) RMB'000	At 31 December 2010 (audited) RMB'000
Contracted but not provide for in respect of		
– property, plant and equipment	**195**	1,496

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2011 and 31 December 2010.