CARPENTER TAN HOLDINGS LIMITED

譚木匠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 837)

2013 Interim Report

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

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

Mr. Chau Kam Wing, Donald
Mr. Yu Ming Yang
Madam Du Xin Li

MEMBERS OF THE AUDIT COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Du Xin Li

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Du Xin Li

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Du Xin Li

COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

AUTHORISED REPRESENTATIVES

Mr. Geng Chang Sheng
Mr. Chan Hon Wan *CA*

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Butterfield House
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CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

PRINCIPAL BANKERS

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The PRC

Agricultural Bank of China
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The PRC

AUDITOR

Crowe Horwath (HK) CPA Limited
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STOCK CODE

837

COMPANY WEBSITE

www.ctans.com

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% Change
	2013	2012	Increase/
	RMB'000	RMB'000	(Decrease)
Financial Highlights			
Turnover	**135,241**	132,734	1.9%
Cost of sales	**(42,479)**	(44,322)	(4.2)%
Gross profit	**92,762**	88,412	4.9%
Profit before taxation	**76,932**	68,830	11.8%
Profit attributable to owners	**61,334**	67,549	(9.2)%
Basic earnings per share (RMB cents)	**24.5**	27.0	(9.3)%
	At 30 June	At 31 December	
	2013	2012	
Liquidity and Gearing			
Current ratio[(1)]	**4.6**	10.9	(57.8)%
Quick ratio[(2)]	**4.1**	9.3	(55.9)%
Asset - liability ratio[(3)]	**11.3%**	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) Asset - liability ratio is calculated as total bank borrowings divided by total assets and multiply by 100%. As the Group did not have any bank borrowings as at 31 December 2012, the calculation of asset – liability ratio is not applicable.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Since 2013, global economic environment has remained weak, and the economic growth momentum in China is starting to weaken, while a slowdown in retail sales growth is underway. In the first half of 2013, total retail sales of consumer goods in China amounted to RMB11,076.4 billion, representing an increase of 12.7% over the previous year. The growth rate was 1.7 percentage points lower than that of last year, which indicated that the retail industry in China has entered a low profit margin era. In the meantime, foreign trade of China was under consolidation, and a low and steady growth model would become a long-term trend. Despite the current business environment, there are still great market potentials for the wooden crafts industry which advocates personality and is a combination of culture and arts.

Facing the changing business environment in the first half of 2013, the Group always sought to identify new profit drivers in a prudent manner. While expanding its distribution network, the Group also continued to optimize the sales process system, sales service system and management process of franchised shops, as well as established a new e-commerce brand in the first half of the year.

Capitalizing on the development opportunities during the Reporting Period, the Group strengthened the information technology of our franchised shops to refine the management of its operations, which maintained the growth of the results of operations and achieved growth in business results.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Retail outlets

The Group has developed an extensive distribution and retail network in the PRC and abroad by operating the franchise programme and self-operated retail shops. As at 30 June 2013, the Group had 1,387 franchised shops in the PRC and another 6 in other countries and regions. The following table sets out the number of the Group's franchised outlets and directly-operated retail outlets:

	As at 30 June 2013		As at 31 December 2012	
	Franchised shops	**Directly-Operated outlets**	Franchised shops	Directly-operated outlets
Hong Kong	**—**	**6**	—	6
PRC	**1,387**	**—**	1,416	—
Other countries and regions	**6**	**—**	7	—
Total	**1,393**	**6**	1,423	6

2. Sales network

The PRC market

As at 30 June 2013, the number of franchise shops of the Group in the PRC amounted to 1,387. From January to June, 67 new franchise shops were established and 96 franchise shops were closed, representing a decrease of 29 shops. Five new modern shops (model shops) were established in Chongqing, Shenzhen, Chengdu; one flagship store was established in Suqian, Jiangsu; and one TANS shop was established in Wanzhou. Meanwhile, the Group also proactively refined the assessment of the franchisees, adopted strict sourcing procedures for new franchisees, enhanced integrated assessment, restricted and eliminated underperformed franchisees and franchise shops, as well as, offered greater growth potential and favourable policies to quality franchisees.

As for the strategic layout, the Group devoted to improve the single-store sales of franchise shops by focusing on quality franchisees and the development of provincial capitals, municipalities directly under the Central Government and major cities according to the current situation in the PRC market. The Group also continued to expand the sales network by developing quality department stores (such as Wanda, Capital Land, Ginza and Rainbow) and retail points in urban complex based on the development and changes of the modern commercial activities.

Overseas market

The Group continued its business expansion in overseas market. As at 30 June 2013, the Group established a total of 12 shops in overseas market, including 6 self-operated retail shops in Hong Kong, 3 franchised shops in Singapore, 1 franchised shop in Korea and 2 franchised shops in Canada.

The Group expanded its businesses by conducting sales through agents and general distributors. The products under the brand name "Carpenter Tan" has been sold in various overseas countries and regions, including Germany, United Kingdom, France, Spain, Australia, United States, Canada, Japan, Taiwan and Russia.

3. **Sales management**

The Group has placed great emphasis on the upgrade and management of its marketing system and has formulated a standardized service procedure for franchised shops. It also continued to assess the service of franchised shops and regional management was based on the result of assessment. Besides, the Group also established a supervising team independent of the provincial managers and assistant managers. The team conducted monthly random inspection on the shops and supervised the operation of the franchised shops, which resulted in the enhancement of a uniform image and service level for the franchised shops.

In addition to standardized management and supervision, the Group provided one week regular training to new franchisees in each quarter. The training aimed at consolidating the team spirit, brand awareness and service-providing concept of the franchisees. According to the statistics of the Group, sales of the franchised shops improved after the training of franchisees.

The Group further enhanced information management in respect of sales, inventory and supply chain. All franchised shops were requested to conduct monthly stocktaking and upload the sales data on time, in order to ensure the accuracy of sales and inventory data. The franchised shops without uploading data and conducting stocktaking would be punished accordingly and were requested to rectify within a time limit. The sales and inventory data of the franchisd shops would be kept and analysed monthly, which provided strong information support to sales management.

MANAGEMENT DISCUSSION AND ANALYSIS

4. **Products**

As at 30 June 2013, Carpenter Tan has launched a total of 571 products, comprising of 155 lockets, 274 box sets, 33 mirrors, 82 accessories and 27 limited and regional editions. During the Reporting Period, the Group launched a total of 30 new products, comprising of 22 box sets and 6 accessories.

In May 2013, the Group launched an online sale of the brand Mini Wood (小木頭) on the platform of T-mall under Alibaba Group. The core positioning of Mini Wood, target customers of which are young consumer group born in 1980s and 1990s, is the integration of innovation and playfulness, with a view to satisfy demands from different consumer groups via products with characteristics of advocating personalization. The brand proactively interacted with the end-customer market by creating innovative design concepts and extending product lines, which achieved the target of "being a dream brand created by customers" ultimately. Since the development of the products, 99 designs have been assessed and 68 new products have been launched successfully. In 2013, it is planned to develop 80 products for the year.

5. **Development and design**

The Group has been placing great emphasis on new product development and design. As at 30 June 2013, the Group's technology centre in Wanzhou engaged more than 20 people to design and develop products, and a total of 258 samples of new products (30 were launched) and 12 new technologies were developed, which mainly focus on environmental friendly comb structure and the enhancement of materials application and craftsmanship.

6. **Production**

As at 30 June 2013, the Wanzhou Factory of the Group had a total of 748 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:

Actual output (piece)

	For the six months ended 30 June	
	2013	2012
Combs	**2,085,172**	2,735,215
Mirrors and others	**400,173**	278,507

7. **Marketing and promotion**

The Group attaches great importance to marketing and promotion. During the Reporting Period, the Group organized a series of promotion and advertising campaigns (including retail point promotion in weekends and public holidays such as Chinese New Year, Valentine's Day, Women's Day, Mother's Day and Father's Day) which effectively enhanced the awareness and brand image of the Group in the community. In the meantime, the Group organized four community promotion campaigns in Kunming and Zhengzhou in the first half of 2013, and the shops in both cities attracted significant publicity during the promotion period, which helped to further enhance brand image and recognition of the Group.

8. **Awards and accreditation**

During the Reporting Period, the Group received several awards, including the membership certification of "China Chain Store & Franchise Association" issued by China Chain Store & Franchise Association, the title of "National Welfare Enterprises Demonstration Unit" awarded by China Association of Social Welfare, as well as "Chongqing Labor Medal" granted by China Chongqing General Union to Mr. Tan Chuan Hua in recognition of our advanced business management as well as the contribution to social welfare. In addition, the Group also received three product awards from the Organizing Committee of the Sixth China (Chongqing) Crafts, Gifts and Home Decorations Expo. The winning entries are namely "Three Gorges Soul" (三峽魂), which is a carving comb made by Cao Jing You; "Feast" (金玉滿堂) which is a crafted carving comb made by Cui Xiong Wen, and "Fishermen Homecoming" (漁者歸來), which is a crafted carving comb made by Yu Da Hong. These products fully demonstrated the Group s leading position in design capabilities within the industry as well as its superb craftsmanship.

SOCIAL RESPONSIBILITIES

Apart from actively expanding its businesses, the Group has never forgotten to contribute to the community. We are enthusiastic to participate in social welfare activities, and care about disabled people. Our donations to academic scholarships will gradually increase, and we are implementing schemes for the rehabilitation of disabled people. As at 30 June 2013, Carpenter Tan had provided a total of 318 employment opportunities for disabled people. We also strictly comply with the welfare conditions so that disabled people can earn a living on their own.

During the Reporting Period, the Group has been actively involved in community caring activities. We have visited and assisted nursing homes, Hope Primary School, Huiling School for the Retarded, haemophilia patients and distressed families and individuals about Wanzhou factories incident. Through these caring activities, Carpenter Tan demonstrated their sincerity, love, caring and patience to contribute to the community.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. Turnover

The Group recorded turnover of approximately RMB135,241,000 for the six months ended 30 June 2013, representing a growth of RMB2,507,000 or 1.9% as compared to approximately RMB132,734,000 for the six months ended 30 June 2012. The growth was attributable to the enhanced competitiveness by grasping opportunities in the recovery of the China economy, which resulted in an increase in sales of products.

	For the six months ended 30 June			
	2013		2012	
	(RMB'000)	**%**	(RMB'000)	%
Sales				
– Combs	**43,085**	**31.9**	41,359	31.2
– Mirrors	**801**	**0.6**	797	0.6
– Box sets	**86,057**	**63.6**	85,132	64.1
– Other accessories*	**4,858**	**3.6**	4,723	3.6
Franchise fee income	**440**	**0.3**	723	0.5
	135,241	**100.0**	132,734	100.0

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

2. Cost of Sales

The cost of sales of the Group was approximately RMB42,479,000 for the six months ended 30 June 2013, representing a decrease of approximately RMB1,843,000 or 4.2% as compared to approximately RMB44,322,000 for the six months ended 30 June 2012, the decrease in cost of sales is mainly due to the increase in gross profit margin as a result of the increase in online sales.

3. Gross Profit and Gross Profit Margin

For the six months ended 30 June 2013, gross profit of the Group was approximately RMB92,762,000, representing an increase of approximately RMB4,350,000 or 4.9% as compared to approximately RMB88,412,000 for the six months ended 30 June 2012. The gross profit margin increased from approximately 66.6% in 2012 to 68.6% in 2013. The increase in gross profit margin was mainly due to the increase in online sales which have a higher gross profit margin.

4. Other Revenue and Other Net Income

Other revenue and other net income comprise of PRC VAT refunds, fair value change in investment properties, bank interest income and rental income. Other revenue and net income was approximately RMB14,351,000 for the six months ended 30 June 2013, representing an increase of approximately RMB4,809,000 or 50.4% as compared to approximately RMB9,542,000 for the six months ended 30 June 2012. The increase was mainly due to an increase in fair value change in investment properties, bank interest income and rental income.

5. Selling and Distribution Expenses

The selling and distribution expenses, mainly including advertising and market expansion expenses, design fees, rental expenses, transportation fee, salaries and benefits, and travelling expenses, amounted to approximately RMB13,858,000 for the six month ended 30 June 2013, representing an increase of approximately RMB688,000 or 5.2% as compared to RMB13,170,000 for the six months ended 30 June 2012. This increase was mainly a result of the increase in salaries and benefits.

6. Administrative Expenses

The administrative expenses of the Group was approximately RMB11,631,000 for the six months ended 30 June 2013, representing a decrease of approximately RMB547,000 or 4.5% as compared to approximately RMB12,178,000 for the six months ended 30 June 2012. The decrease was primarily due to a decrease in salaries and benefits.

7. Profit from Operations

For the six months ended 30 June 2013, profit from operations for the Group amounted to approximately RMB76,972,000, increased by approximately RMB8,142,000 or 11.8% when compared to approximately RMB68,830,000 for the six months ended 30 June 2012. Increase in profit from operations was mainly due to an increase in turnover, gross profit and other revenue and other net income for the six months ended 30 June 2013.

8. Finance Costs

For the six months ended 30 June 2013, finance costs amounted to approximately RMB40,000, increased by approximately RMB40,000 when compared to nil for the six months ended 30 June 2012. The increase was mainly due to the increase in bank loan interest as a result of the increase in bank borrowings.

9. Profit Before Taxation

For the six months ended 30 June 2013, profit before taxation for the Group amounted to approximately RMB76,932,000, increased by approximately RMB8,102,000 or 11.8% when compared to approximately RMB68,830,000 for the six months ended 30 June 2012. Increase in profit before taxation was mainly due to an increase in turnover, gross profit and other revenue and other net income for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

10. Income Tax Expenses

For the six months ended 30 June 2013, income tax expenses for the Group amounted to approximately RMB15,598,000, increased substantially by approximately RMB14,317,000 or 1,117.6% when compared to approximately RMB1,281,000 for the six months ended 30 June 2012. This increase was mainly due to the fact that in last year 2012, preferential tax policies granted to companies located in western part of China has been approved, the Group's subsidiaries wrote back the over provision for income tax made in 2011 of RMB13,278,000 which was calculated on the statutory income tax rate of 25%.

The effective tax rate for the Reporting Period was 20.3% when compared to 21.2% for the six months ended 30 June 2012 (excluding the write back of over provision for income tax). 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 2013 was approximately RMB61,334,000, representing a decrease of RMB6,215,000 or 9.2% as compared to approximately RMB67,549,000 in the corresponding period of 2012. The decrease was primarily due to the write back of the over provision for income tax in 2012 by the Group.

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 effective interest rate for floating rate loans was from 1.2% to 1.5%. 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 2013, the Group had cash and bank balances of RMB315,506,000 mainly generated from operations of the Group and funds raised by the Company in December 2009.

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 RMB57,373,000, representing an increase of net cash generated from operating activities of RMB4,918,000 from RMB52,455,000 for the six months ended 30 June 2012. 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 RMB1,727,000 during the Reporting Period, representing an increase of RMB714,000 as compared with the cash outflow of RMB1,013,000 for the six months ended 30 June 2012. The increase is mainly due to the increase in property, plant and equipment during the Reporting Period.

Net cash used in financing activities

The Group's net cash used in financing activities amounted to RMB71,039,000 during the Reporting Period, representing an increase of RMB24,239,000 as compared with the net cash used in financing activities of RMB46,800,000 for the six months ended 30 June 2012. The increase was primarily due to the increase in pledged bank deposits made by the Group during the Reporting Period.

14. Capital Structure

Indebtedness

All the borrowings of the Group as at 30 June 2013 was approximately RMB63,736,000, which will be due within one year. During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 30 June 2013, the Group's gearing ratio was 11.3% (31 December 2012: 0%), calculated as the total bank borrowings divided by total assets multiplied by 100%. The increase was mainly due to the increase in bank borrowings.

Pledge of assets

As at 30 June 2013, the Group has pledged assets of bank deposits to the banks with the total carrying amount of approximately RMB71,700,000 (31 December 2012: 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 RMB1,779,000 and RMB1,020,000 for the Reporting Period and the six months ended 30 June 2012 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.

MANAGEMENT DISCUSSION AND ANALYSIS

15. Contingent Liabilities, Legal and Potential Proceedings

As at 30 June 2013, 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 2013, 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

Although the economic outlook for the second half of 2013 is not optimistic, there will be thousands of shopping malls and over 300 mixed use urban complex each year. Upon these construction projects commence their operations, there will be enormous growth in retail space, which will be positive to the development of our brand.

For 2013 and 2014, the Group is planning to create appropriate mechanisms of building our brands, image and products that aim at shopping malls and mixed use urban complex. We will also tap into systems of chain department store and mixed use urban complex in full force so as to enhance efforts in promoting our brands and expanding our market share.

Other than maintaining our existing sales platform, the Group will also actively explore new sales channels with emerging home appliances vendors, such as 1mall, Gome Mall and Suning Tesco. We will also adopt new means of promotion, such as official Weibo account, public Weixin messaging platform and QR code scanning to further promote our brand. These measures will improve the awareness of general consumers on the culture of hair grooming and healthy living tips. The Group plans to achieve its recognition in the home appliances vendors market through the brand of "Mini Wood" within one to two years, and secure competitive marketing advantages accordingly.

In view of overall strategy deployment, the Group will engage in promotions at the central business district of provincial capitals, municipalities and major cities, and continue to expand at immigration control hubs, particularly expanding at airport terminals. During the second half of 2013, the Group plans to open 90 franchise stores that are mainly concentrated at Beijing and first and second tier cities in Jiangsu, Guangdong, Henan and Hubei areas.

In respect of the development in overseas markets, the Group will continue to adopt means such as agency, distribution, single-store franchise and authorised online sales, and focus on developing the general distribution and existing franchised shops in Singapore and Australia. This will ensure a sustained and healthy development in overseas markets. Meanwhile, the Group will devote more efforts to solicit new customers in Europe and other new markets through participating in overseas exhibitions and the online platform. Moreover, it is planned by the Group that one more store directly operating by the Group will open in Hong Kong and one franchised store will open in Canada during the second half of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

In the course of expanding the sales network, the Group also placed attention to enhance operation efficiency and productivity. Our online appraisal system had been upgraded with collective training on recently recruited franchisee and staff improved. We also organize conferences for shopkeepers so as to strengthen the training and management of franchised stores. The Group is also building a database template that can consolidate analysis of information management, and provide a valid basis for marketing decisions.

In addition, the Group will improve the practical operation manual for managers at provincial level, so as to further enhance the efficiency of the franchise system, and to ensure standardized governance over marketing staff. We will also increase headcount for marketing staff in Beijing and key areas such as Jiangsu, Guangdong and Zhejiang to enhance the service standards.

Looking ahead, the Group will continue to uphold its pragmatic, pioneering and innovative visions, and further develop the sales network in Mainland China and overseas markets with a view to increase our market share. Our operation efficiency will enhance comprehensively and more efforts will be devoted to promote our brand. These measures will satisfy the growing demand in the market, whilst preserving and lifting the Group's leading position in the retail and luxury wood products industry of China, and bring remarkable long-term returns to its investors.

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 of Hong Kong Limited (the "Stock Exchange") on 29 December 2009.

HUMAN RESOURCES AND TRAINING

As at 30 June 2013, the Group had employed a total of 1,002 employees in Mainland China, Hong Kong and overseas, with a total staff cost of approximately RMB20,073,000 (2012: RMB21,894,000) for the Reporting Period.

In addition to providing job opportunities to the disabled, the Group has attached high emphasis on the self upgrade of its staff. By holding various themed exhibitions, workshops, seminars and staff training, the working skills and marketing strategies, techniques and methods of the staff as well as their sense of belonging to the Group were further enhanced. During the Reporting Period, in order to develop team spirits, courtesy, production management and accounting practice of the staff, the Group provided the staff various on-job training in various forms such as face to face teaching and examination to consolidate and spread the corporate culture of Carpenter Tan.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2013, 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 2013, 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	3,450,584	1.38%

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 2013, 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 LeadCharm 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 LeadCharm 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 2013, no share option was granted based on the Share Option Scheme.

CAPITAL COMMITMENT

As at 30 June 2013, the Group had capital commitment amount to approximately RMB205,000 (31 December 2012: RMB533,000).

OTHER INFORMATION

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 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 2013, the Company declared the audited distributable profits as at 31 December 2012 amounting to approximately HK$78,150,000 (equivalent to approximately to RMB63,075,000) to the shareholders of the Company. The dividend was fully paid on 25 June 2013 by the internal cash resources of the Company.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: Nil).

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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, after deducting the related issuance expenses, amounted to approximately HK$132,900,000 (equivalent to approximately RMB116,800,000). As at 30 June 2013, the Group had used net proceeds of approximately RMB42,000,000, of which RMB14,800,000 had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, RMB15,000,000 for enhancement for sales network and sales support services, construction of production base and RMB12,200,000 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 RMB19,500,000 (HK$24,000,000) for setting up high-end home accessories shops in the PRC and the application of RMB4,900,000 (HK$6,000,000) for setting up lifestyle handicraft stores.

As disclosed in the Company's 2011 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.

CORPORATE GOVERNANCE PRACTICES

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

During the Reporting Period, the Company complied with the code provisions as set out in the CG Code, other than code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, 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 2013. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished inside information, has been requested to comply with the written guidelines. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the period.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established an audit committee on 17 November 2009 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The primary duties of the audit committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor are independent and the audit process is effective. The audit committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The audit committee also serves as a channel of communication between the Board and the external auditor.

The audit committee currently comprises the three independent non-executive Directors, namely, Mr. Yu Ming Yang, Madam Du Xin Li and Mr. Chau Kam Wing, Donald. 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 2013 with the management of the Group and the 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 2013 will be duly despatched to shareholders of the Company and published on the websites of the Stock Exchange (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, 29 August 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

Crowe Horwath

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

REVIEW REPORT TO THE BOARD OF DIRECTORS OF
CARPENTER TAN HOLDINGS LIMITED
譚木匠控股有限公司
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 36 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 2013 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-month 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.

INDEPENDENT AUDITOR'S REVIEW REPORT

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 2013 is not prepared, in all material respects, in accordance with HKAS 34.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 August 2013

Betty P.C. Tse
Practising Certificate Number P03024

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013 - UNAUDITED

	Note	Six months ended 30 June 2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Turnover	5	**135,241**	132,734
Cost of sales		**(42,479)**	(44,322)
Gross profit		**92,762**	88,412
Other revenue and other net income		**14,351**	9,542
Selling and distribution expenses		**(13,858)**	(13,170)
Administrative expenses		**(11,631)**	(12,178)
Other operating expenses		**(4,652)**	(3,776)
Profit from operations		**76,972**	68,830
Finance costs	6(a)	**(40)**	—
Profit before taxation	6	**76,932**	68,830
Income tax	7	**(15,598)**	(1,281)
Profit for the period		**61,334**	67,549
Attributable to			
Owners of the Company		**61,334**	67,549
Earnings per share	8		
Basic and diluted		**RMB24.5 cents**	RMB27.0 cents

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013 - UNAUDITED

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**61,334**	67,549
Other comprehensive income for the period (after tax)		
Exchange differences arising on translation of functional currency to presentation currency	**742**	(433)
Total comprehensive income for the period	**62,076**	67,116
Attributable to		
Owners of the Company	**62,076**	67,116

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Non-current assets			
Property, plant and equipment	9(a)	32,054	31,775
Prepaid lease payments	10	18,586	18,845
Investment properties	9(b)	50,750	47,330
Intangible assets	11	—	—
		101,390	97,950
Current assets			
Prepaid lease payments	10	518	518
Inventories		58,071	59,689
Trade receivables	12	1,000	942
Other receivables, deposits and prepayments		14,874	8,036
Pledged bank deposits	13	71,700	—
Cash and bank balances		315,506	330,147
		461,669	399,332
Current liabilities			
Bank loans, secured	13	63,736	—
Trade payables	14	3,861	1,997
Other payables and accruals		24,931	29,693
Income tax payable		6,900	4,841
		(99,428)	(36,531)
Net current assets		362,241	362,801
Total assets less current liabilities		463,631	460,751
Non-current liabilities			
Deferred tax liabilities		23,661	19,764
Deferred income		864	882
		(24,525)	(20,646)
NET ASSETS		439,106	440,105
Capital and reserves			
Share capital	16	2,200	2,200
Share premium and reserves		436,906	437,905
TOTAL EQUITY		439,106	440,105

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013 - UNAUDITED

		Attributable to owners of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Property revaluation reserves RMB'000	Currency translation reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012 (audited)		2,200	114,674	2,767	97,385	17,738	1,723	(1,373)	125,949	361,063
Dividends	15	—	—	—	—	—	—	—	(46,800)	(46,800)
Transfer to reserve		—	—	—	4,829	—	—	—	(4,829)	—
Total comprehensive income for the period		—	—	—	—	—	—	(433)	67,549	67,116
At 30 June 2012 (unaudited)		2,200	114,674	2,767	102,214	17,738	1,723	(1,806)	141,869	381,379
At 1 January 2013 (audited)		**2,200**	**114,674**	**2,767**	**117,512**	**17,738**	**1,723**	**(1,693)**	**185,184**	**440,105**
Dividends	15	—	—	—	—	—	—	—	**(63,075)**	**(63,075)**
Transfer to reserve		—	—	—	**5,521**	—	—	—	**(5,521)**	—
Total comprehensive income for the period		—	—	—	—	—	—	**742**	**61,334**	**62,076**
At 30 June 2013 (unaudited)		**2,200**	**114,674**	**2,767**	**123,033**	**17,738**	**1,723**	**(951)**	**177,922**	**439,106**

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013 - UNAUDITED

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	**57,373**	52,455
Net cash used in investing activities	**(1,727)**	(1,013)
Net cash used in financing activities	**(71,039)**	(46,800)
Net (decrease)/increase in cash and cash equivalents	**(15,393)**	4,642
Cash and cash equivalents at 1 January	**330,147**	250,790
Effect of foreign exchange rate changes, net	**752**	(436)
Cash and cash equivalents at 30 June	**315,506**	254,996

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 judgements, 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 2012 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 the Company's audit committee and the 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 for investment properties which are stated at fair values.

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 2012, except as described below.

In the current interim period, the Group has adopted and applied, for the first time, the following new or revised HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Impairment of Assets[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 January 2015

Save as disclosed in the annual report for the year ended 31 December 2012, the directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and 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-maker ("CODM") of the Group, for the purpose of resources allocation and performance assessment.

Management considers the business from a product perspective and assesses its performance based on revenues derived from a board range of sales of wooden handicrafts and accessories. 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 geographical information 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 revenue.

4. SEASONALITY OF OPERATIONS

In general, the Group has experienced seasonal fluctuations in sales. It records higher sales in March to 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 made by the franchisees prior to festivals/holidays so as to prepare for the peak seasons of their retail business during festivals/holidays in May (Labour Day), October (National Day), December (Christmas and New Year) and January/February (Lunar New Year).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of goods	**134,801**	132,012
Franchise fee income	**440**	722
	135,241	132,734

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
a) Finance costs		
- Interest on bank loans	**40**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**40**	—
b) Other items		
Auditor's remuneration	**264**	266
Amortisation of prepaid lease payments	**259**	259
Cost of inventories (notes 6(i))	**42,479**	44,322
Depreciation	**1,476**	1,432
Impairment on trade and other receivables	**54**	24
(Gain)/loss on disposal of property, plant and equipment	**(38)**	9
Operating lease rentals in respect of land and buildings	**2,653**	2,536
Staff costs (including directors' emoluments)	**20,073**	21,894

Notes:

(i) Cost of inventories includes approximately RMB12,409,000 (2012: RMB15,265,000) relating to staff costs, depreciation and operating lease rentals, which are included in the respective total amounts disclosed separately above.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

7. INCOME TAX

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax (notes 7(i), (ii), (iii) and (iv))	**11,702**	10,979
Hong Kong profits tax (note 7(vi))	**—**	—
Withholding tax on dividends	**—**	2,440
	11,702	13,419
Overprovision in prior years, net		
PRC Enterprise Income Tax	**(1)**	(13,277)
Deferred tax		
Distribution of dividends	**—**	(2,440)
Current period	**3,897**	3,579
Total	**15,598**	1,281

Notes:

i) Chongqing Wanzhou District Zi Qiang Wood Works Co., Ltd. ("Zi Qiang Wood Works") and Chongqing Carpenter Tan Handicrafts Co., Ltd. ("Carpenter Tan"), wholly-owned subsidiaries, obtained approval from the Wanzhou Bureau of the State Administration of Taxation ("WBSAT") for a concessionary Enterprise Income Tax rate of 15% for five years from 1 January 2006 to 31 December 2010 and for two years from 1 January 2009 to 31 December 2010 respectively according to the preferential tax policies granted to companies located in western part of the PRC and involved in national encouraged business activities.

ii) Due to the expiry of preferential tax policies from 1 January 2011, the provision for PRC income tax for Zi Qiang Wood Works and Carpenter Tan for the year ended 31 December 2011 was calculated on the statutory Enterprise Income Tax rate of 25% on their assessable profits because as at the approval date of the consolidated financial statements for the year ended 31 December 2011, the Group was uncertain whether Zi Qiang Wood Works 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 Caishui (2011) No. 58, since the list of national encouraged business activities in the western region eligible for Caishui (2011) No. 58 was not yet announced by then.

iii) On 6 April 2012, the State Administration of Taxation of The People's Republic of China issued notice No. 12 which specified that prior to the announcement of the list of national encouraged business activities in the western region, enterprises can tentatively apply for the concessionary Enterprise Income Tax rate of 15% from 2011 in accordance with Caishui (2011) No. 58, provided that these enterprises fall under the categories of several other published lists of encouraged business activities. Such concession will be revoked if the enterprises subsequently do not fall under the list of national encouraged business activities in the western region when it is announced.

On 29 May 2012, both Zi Qiang Wood Works and Carpenter Tan obtained the approval from WBSAT under notice No. 12 to enjoy concessionary Enterprise Income Tax rate of 15% from 1 January 2011 to 31 December 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

7. INCOME TAX (Continued)

Notes: (Continued)

As such, the directors of the Company considered that Zi Qiang Wood Works and Carpenter Tan should continue to enjoy the preferential tax rate of 15% from 1 January 2011, and decided to write back the over provision for income tax for the year ended 31 December 2011 of RMB13,278,000 which was calculated on the statutory income tax rate of 25%.

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% (2012: 25%), except for Zi Qiang Wood Works and Carpenter Tan which were eligible for the income tax concessions according to the preferential tax policies, as stated in note 7(i), (ii) and (iii) above.

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 period ended 30 June 2013 and 2012 as the Hong Kong subsidiaries did not have assessable profits subject to Hong Kong profits tax for these periods.

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 and is calculated as follows:

i) Profit attributable to owners of the Company

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**61,334**	67,549

ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**250,000**	250,000

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 2013 and 2012.

9. FIXED ASSETS

a) Acquisitions and disposals

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of RMB1,779,000 (2012: RMB1,020,000). Items of property, plant and equipment with a total carrying amount of RMB14,000 (2012: RMB16,000) were disposed of during the six months ended 30 June 2013, resulting in a gain on disposal of RMB38,000 (2012: loss on disposal of RMB9,000).

b) Valuation

The fair value of the Group's investment properties as at 30 June 2013 was arrived at on the basis of a 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 has among its employee members of the Hong Kong Institute of Surveyors who have appropriate qualifications and recent experience 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. The fair value of the investment properties was RMB50,750,000 as at 30 June 2013 (as at year ended 31 December 2012: RMB47,330,000). Fair value gain of RMB3,420,000 (2012: RMBNil) and deferred tax of RMB855,000 (2012: RMBNil) thereon have been recognised in these financial statements for the period.

10. PREPAID LEASE PAYMENTS

On 11 May 2011, 萬州經濟技術開發區土地儲備中心 issued a notice to Carpenter Tan for the resumption of the land use right of a piece of land in Chongqing Wanzhou District (the "Land") having a carrying amount of RMB7,208,000 as at 30 June 2013 (as at year ended 31 December 2012: RMB7,289.000). The Group originally intended to erect a production complex on the Land but no construction activity has been commenced up to the date of this report.

On 8 February 2012, Carpenter Tan received another notice from 萬州經濟技術開發區管理委員會, informing the company that the Land will be resumed by the government and Carpenter Tan will be compensated through exchange with another piece of land. The Group is still negotiating with the relevant local authorities for the terms of resumption and agreement has not been reached up to the date of this report. The management expects that the fair value of the land exchanged as compensation will not be lower than the carrying amount of the land resumed. Since the Group has not commenced the development of the production complex on the Land, there is no material adverse effect on the business operation and financial position to the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

11. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
At 1 January 2012, 31 December 2012 and 30 June 2013	1,037
Accumulated amortisation and accumulated impairment	
At 1 January 2012, 31 December 2012 and 30 June 2013	1,037
Carrying amount	
At 30 June 2013	—
At 31 December 2012	—

12. TRADE RECEIVABLES

Ageing analysis of trade receivables (net of allowance for doubtful debts) is presented based on invoice date as of the end of the reporting period as follows:

	At 30 June 2013 (unaudited) RMB'000	At 31 December 2012 (audited) RMB'000
0 to 30 days	**931**	848
31 to 60 days	**23**	8
61 to 90 days	**7**	4
91 to 180 days	**25**	26
181 to 365 days	**7**	50
Over 1 year	**7**	6
Trade receivables, net of allowance for doubtful debts	**1,000**	942

Customers are generally required to make payments for orders prior to delivery of goods. Credit terms within 30 days are granted to those customers with high credibility.

13. BANK LOANS, SECURED

During the six months ended 30 June 2013, the Group obtained bank loans of RMB63,736,000 (2012: RMB Nil) for the payment of final dividend for the financial year ended 31 December 2012. The loans are secured by standby documentary credit of Carpenter Tan and pledged of RMB71,700,000 time deposits for the standby documentary credit.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

14. TRADE PAYABLES

The credit terms granted by the suppliers are generally 30 days. Ageing analysis of trade payables is presented based on invoice date as of the end of the reporting period as follows:

	At 30 June 2013 (unaudited) RMB'000	At 31 December 2012 (audited) RMB'000
0 to 30 days	**2,516**	1,492
31 to 60 days	**661**	309
61 to 90 days	**153**	54
91 to 180 days	**390**	14
181 to 365 days	**48**	31
Over 1 year	**93**	97
	3,861	1,997

15. DIVIDENDS

i) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: RMBNil).

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

	At 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2012, approved and paid during the current interim period, of RMB25.23 cents per ordinary share (2012: in respect of the financial year ended 31 December 2011, RMB18.72 cents)	**63,075**	46,800

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

16. SHARE CAPITAL

	Number of shares	HK$'000	Amount equivalent to RMB$'000
Ordinary shares of HK$0.01			
Authorised:			
As at 31 December 2012 and 30 June 2013	10,000,000,000	100,000	87,926
Issued and fully paid:			
As at 31 December 2012 and 30 June 2013	250,000,000	2,500	2,200

17. CAPITAL COMMITMENTS

At 30 June 2013, capital commitments not provided for in the financial statements were as follows:

	At 30 June 2013 (unaudited) RMB'000	At 31 December 2012 (audited) RMB'000
Contracted but not provided for in respect of - property, plant and equipment	**205**	533

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2013 and 31 December 2012.