INTERIM REPORT 2014

CARPENTER TAN HOLDINGS LIMITED

譚木匠控股有限公司*

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

(STOCK CODE : 837)

* For identification purpose only

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 Huang Zuoan

MEMBERS OF THE AUDIT COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Huang Zuoan

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Huang Zuoan

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Huang Zuoan

COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

AUTHORISED REPRESENTATIVES

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

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STOCK CODE

837

COMPANY WEBSITE

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FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2014 RMB'000	2013 RMB'000	% Change Increase/ (Decrease)
Financial Highlights			
Turnover	**149,741**	135,241	10.7%
Cost of sales	**(49,851)**	(42,479)	17.4%
Gross profit	**99,890**	92,762	7.7%
Profit before taxation	**82,486**	76,932	7.2%
Profit attributable to owners	**66,572**	61,334	8.5%
Basic earnings per share (RMB cents)	**26.6**	24.5	8.6%
	At 30 June 2014	At 31 December 2013	
Liquidity and Gearing			
Current ratio[(1)]	**3.29**	4.51	(27.1)%
Quick ratio[(2)]	**2.93**	3.98	(26.4)%
Asset - liability ratio[(3)]	**18.4%**	10.4%	8.0%

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%.

MARKET REVIEW

During the six months ended 30 June 2014 (the "Reporting Period"), total retail sales of consumer goods in China amounted to RMB12,419.9 billion, representing a nominal growth of 12.1% over the previous year. The e-commerce was quickly emerging, which indicated that the retail industry in China has slowly entered a low profit margin era. In the meantime, foreign trade of China was under consolidation, and a low and steady growth model might 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 nature and is a combination of culture and arts.

Facing the changing business environment in the Reporting Period, the Company and its subsidiaries (the "Group") alway sought to seeking new profit sources in a prudent manner. The moving east of the Group's management centre in the first half of the year broke the traditional management practice, changed the management structure, implemented a horizontal management approach and a balanced online and offline marketing strategy, integrated the external and internal development resources, as well as, reinforced an honest and pragmatic brand marketing strategy. As for the development of offline franchised shops, the Group exercised stringent control over development quality, closed and relocated stores with unsatisfactory performance and image, focused in assisting the stores to adhere to our corporate culture of "Honesty, Work and Happiness", persistently optimized the sales process system, sales service system and management process system of franchised shops. On the online front, the Group nurtured a team of young professionals, strengthened the management of marketing and services, emphasized brand concept, and refused to provide poor services. In respect of the research and development of brands, the Group engaged a famous design team in the Greater China region and a design team from Japan to enhance the brand image and products of the Company, and continued the social welfare campaign, "To Comb Mum's hair" (給媽媽梳頭), reforestation and activities of supporting the disadvantaged groups, which acted as effective means to promote our brands and received favourable response.

During the Reporting Period, capitalizing on the development opportunities and a team of young professionals with a pragmatic approach, the Group strengthened the information technology of our franchised shops, nurtured a team of young professionals for internet marketing, refined the management of its operations, and achieved a growth in business results.

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 2014, the Group had 1,446 franchised shops in the PRC and another 4 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 2014		As at 31 December 2013	
	Franchised shops	**Directly-Operated outlets**	Franchised shops	Directly-operated outlets
Hong Kong	**—**	**5**	—	7
PRC	**1,446**	**—**	1,427	—
Other countries and regions	**4**	**—**	6	—
Total	**1,450**	**5**	1,433	7

2. Sales network

The PRC market

As at 30 June 2014, the number of franchised shops of the Group in the PRC amounted to 1,446. From January to June, 52 new franchised shops were established and 33 franchised shops were closed, representing a net increase of 19 shops. Nine new modern shops (model shops) were established in Beijing, Shanghai, Fujian, Zhejiang and Hebei; and one TANS shop was established in Beijing. 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 franchised shops, as well as, offered greater growth potential and favourable policies to quality franchisees.

As for the strategic layout, the Group expanded the core franchised shops in municipalities directly under the Central Government, provincial capitals and some major cities according to the current situation in the market and the developement strategy of Carpenter Tan; ensured a stable deployment of core business districts by setting up requirements of multi-franchised shops and no distance restriction in the core business districts; and encouraged and supported the expansion of flagship stores in municipalities directly under the Central Government, provincial capitals and some major cities. Moreover, the Group selected core business districts in the county cities with better ranking for trial expansion as planned, with a view to play a significant role model. The Group also strengthened the co-operation with major chained department stores and commercial property projects so as to restrict the development of pure supermarket system, as well as, adopted a cautious approach towards the large chained supermarket system based on the situation in the districts, in order to achieve a steady growth of business.

Overseas market

The Group continued its business development in overseas market. As at 30 June 2014, the Group established a total of nine franchised shops in overseas market, including five in Hong Kong, two in Singapore, one in Korea and two in Canada.

The Group developed 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, Japan, Taiwan, Russia, India and Bangladesh.

3. Sales management

In early 2014, management of the Group conducted on-site inspections on the quality of franchised shops and in-depth interviews with franchisees in more than ten major targeted provinces such as Beijing, Shanghai, Tianjin, Jiangsu, Zhejiang, Fujian and Shandong, so as to resolve the operating difficulties via communication, convey the unique brand concept and marketing concept of Carpenter Tan, and provide intellectual support to the franchisees.

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.

4. E-commerce

In 2014, the e-commerce business of the Group focused on Lynx PC-based flagship shop, Lynx wireless-based flagship shop, Jingdong PC-based flagship shop, Jingdong wireless-based flagship shop, Jingdong mini-shop, 一號店 flagship shop, Suning Tesco flagship shop, Amazon flagship shop, Dangdang flagship shop, and CCB good financial business flagship shop. These flagship shops are responsible for their own business operations, warehouse storage and have logistics providers in place to deliver distribution services.

The Group advocated the emotional experiences of family, friendship and love with a focus on brand culture, and continuously communicated the brand culture and concept via vehicles, so as to maintain and expand the position of Carpenter Tan in the combs and related products industry. Capitalizing on its own brand character and sense of uniqueness, the Group also participated in marketing activities on the online platform for the purpose of enhancing the turnover rate of commodities and improving sales.

5. Products

As at 30 June 2014, Carpenter Tan has launched a total of 430 products, comprising 105 lockets, 241 box sets, 25 mirrors and 59 accessories. During the Reporting Period, the Group launched a total of 19 new products, including 13 box sets, 2 lockets, and 4 the third generation insert-teeth combs. There are 100 products specially developed for online sales, which are mainly combs.

6. Development and design

The Group has been placing great emphasis on new product development and design. As at 30 June 2014, the Group's technology centre in Wanzhou engaged more than 20 people to design and develop products, and a total of 140 samples of new products (80 were launched) and 6 new technologies were developed, which mainly focus on environmental friendly comb structure and the enhancement of materials application and craftsmanship. The third generation insert-teeth comb is our key research and development project in the year.

7. Production

As at 30 June 2014, 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	
	2014	2013
Combs	**1,888,825**	2,085,172
Mirrors and others	**507,719**	400,173

8. **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) and marketing activities for snowball investors and for the launch of the third generation insert-teeth combs, which effectively enhanced the awareness and brand reputation of the Group in the community. During the Reporting Period, the Group organized 28 social welfare campaigns, "To Comb Mum's hair" (給媽媽梳頭) in major cities, which attracted significant publicity and participation, as well as further enhanced brand image and recognition of the Carpenter Tan.

9. **Awards and accreditation**

During the Reporting Period, the Group received several awards, including being named as the "National Model Family of Staff"by the All-China Federation of Trade Unions, awarded the second prize in the E-commerce "Alimama Contest 2014" and "China Best Small and Medium-sized Enterprises 2014" by Forbes.

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 of 30 June 2014, Carpenter Tan had provided a total of 320 employment opportunities for disabled people. We also strictly comply with the welfare conditions so as to relieve pressure and burden for the local government, as well as provide an opportunity for disabled people to earn a living on their own. Disabled people working in Carpenter Tan are able to live with value and dignity, and comprehending a sense of contentment rarely found in the community.

During the Reporting Period, in view of human indifference nowadays and the social phenomenon of interest above all, the Group insists to organize social welfare campaign "To Comb Mum's hair" (給媽媽梳頭). Carpenter Tan offers specified products such as complimentary combs to filial children in order "To Comb Mum's hair", in wake of family love and to convey its message of thanksgiving and returns to parents.

Afforestation is a social welfare project driven by the Group in long term, which requires each employee to plant at least one tree per year, in order to show appreciation to the planet through action, and to retain green environment, land and water for future generations.

The Group offers help to disadvantaged groups and participates in community caring activities. Each participant has been involved in community caring activities, visited and assisted nursing homes, in which they do cleaning, massaging, combing and chatting with the elderly every month on a regular basis; assists students of Hope Primary School to establish correct values; performs counseling to people with intellectual disabilities, encouraging them to draw paintings with our support on sales planning, which enables them to realise social value and brings hope to their parents and the community; helps hemophilia patients design their own paper cutting patterns, which makes them more marketable, so as to relieve their economic burden; cares for the needs of the disabled working in factories by providing and replacing prostheses and helping their distressed families. Through yearly donation and caring activities, the Group is leading its employees to pursue values beyond materialism and promoting the value of “It is more blessed to give than to receive”, while constantly helping the society and disadvantaged groups. By doing so, we recognise the fortune of living a healthy life with a sense of integrity and happiness as a giver.

FINANCIAL REVIEW

1. Turnover

The Group recorded turnover of approximately RMB149,741,000 for the six months ended 30 June 2014, representing a growth of RMB14,500,000 or 10.7% as compared to approximately RMB135,241,000 for the six months ended 30 June 2013. 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			
	2014		2013	
	(RMB'000)	**%**	(RMB'000)	%
Sales				
– Combs	**49,704**	**33.2**	43,085	31.9
– Mirrors	**1,005**	**0.7**	801	0.6
– Box sets	**93,802**	**62.6**	86,057	63.6
– Other accessories*	**5,010**	**3.3**	4,858	3.6
Franchise fee income	**220**	**0.2**	440	0.3
	149,741	**100.0**	135,241	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 RMB49,851,000 for the six months ended 30 June 2014, representing an increase of approximately RMB7,372,000 or 17.4% as compared to approximately RMB42,479,000 for the six months ended 30 June 2013, the increase in cost of sales is in line with the increase in turnover and the increase in cost of materials for the Reporting Period.

3. Gross Profit and Gross Profit Margin

For the six months ended 30 June 2014, gross profit of the Group was approximately RMB99,890,000, representing an increase of approximately RMB7,128,000 or 7.7% as compared to approximately RMB92,762,000 for the six months ended 30 June 2013. The gross profit margin decreased from approximately 68.6% in 2013 to 66.7% in 2014. The decrease in gross profit margin was mainly due to the adjustment of sales mix of the Group, during the Reporting Period to cope with the change in market situation, the Group launched various new middle pricing product lines in order to widen the customer base and increase sales volume.

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 RMB16,372,000 for the six months ended 30 June 2014, representing an increase of approximately RMB2,021,000 or 14.1% as compared to approximately RMB14,351,000 for the six months ended 30 June 2013. The increase was mainly due to an increase in bank interest 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 RMB15,286,000 for the six month ended 30 June 2014, representing an increase of approximately RMB1,428,000 or 10.3% as compared to RMB13,858,000 for the six months ended 30 June 2013. This increase was mainly a result of the increase in promotional expenses for on-line sales.

6. **Administrative Expenses**

The administrative expenses of the Group was approximately RMB14,071,000 for the six months ended 30 June 2014, representing an increase of approximately RMB2,440,000 or 21.0% as compared to approximately RMB11,631,000 for the six months ended 30 June 2013. The increase was primarily due to an increase in salaries and benefits.

7. **Profit from Operations**

For the six months ended 30 June 2014, profit from operations for the Group amounted to approximately RMB83,017,000, increased by approximately RMB6,044,000 or 7.9% when compared to approximately RMB76,972,000 for the six months ended 30 June 2013. Increase in profit from operations was mainly due to an increase in gross profit of approximately RMB 7,128,000 and other revenue and other net income of approximately RMB2,021,000 which was partially off-set by the increase in operating expenses of approximately RMB3,105,000 for the six months ended 30 June 2014.

8. **Finance Costs**

For the six months ended 30 June 2014, finance costs amounted to approximately RMB531,000, increased by approximately RMB491,000 when compared to approximately RMB40,000 for the six months ended 30 June 2013. 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 2014, profit before taxation for the Group amounted to approximately RMB82,486,000, increased by approximately RMB5,553,000 or 7.2% when compared to approximately RMB76,932,000 for the six months ended 30 June 2013. Increase in profit before taxation was mainly due to an increase in profit from operation of approximately RMB6,044,000 which was partially off-set by the increase in finance cost of approximately RMB491,000 for the Reporting Period.

10. Income Tax Expenses

For the six months ended 30 June 2014, income tax expenses for the Group amounted to approximately RMB15,914,000, increased slightly by approximately RMB316,000 or 2.0% when compared to approximately RMB15,598,000 for the six months ended 30 June 2013. This increase was mainly due to an increase in profit before tax for the Reporting Period.

The effective tax rate for the Reporting Period was 19.3% which was very close to 20.3% for the six months ended 30 June 2013. 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 2014 was approximately RMB66,572,000, representing an increase of RMB5,238,000 or 8.5% as compared to approximately RMB61,334,000 in the corresponding period of 2013.

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 1.55% to 2.39%. 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 publication of this report.

As at 30 June 2014, the Group had cash and bank balances of RMB336,577,000 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 generated 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 approximately RMB54,620,000 representing a decrease of net cash generated from operating activities of approximately RMB2,753,000 from approximately RMB57,373,000 for the six months ended 30 June 2013. The decrease was primarily due to the decrease in other payable and accruals.

Net cash used in investing activities

The Group's net cash outflow used in investing activities amounted to approximately RMB75,639,000 during the Reporting Period, representing an increase of approximately RMB2,212,000 as compared with the cash outflow of approximately RMB73,427,000 for the six months ended 30 June 2013. The increase is mainly due to the increase in pledged bank deposits during the Reporting Period.

Net cash generated from financing activities

The Group's net cash inflow generated from financing activities amounted to approximately RMB3,596,000 during the Reporting Period, representing an increase of approximately RMB2,935,000 as compared with the net cash inflow generated from financing activities of approximately RMB661,000 for the six months ended 30 June 2013. The increase was primarily due to the increase in new bank loan raised during the Reporting Period.

14. Capital Structure

Indebtedness

All the borrowings of the Group as at 30 June 2014 was approximately RMB133,350,000, 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 2014, the Group's gearing ratio was 18.4% (31 December 2013: 10.4%), 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 2014, the Group has pledged assets of bank deposits to the banks with the total carrying amount of approximately RMB146,700,000 (31 December 2013: RMB71,700,000).

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 RMB931,000 and RMB1,779,000 for the Reporting Period and the six months ended 30 June 2013 respectively.

Foreign exchange risk

The major business of the Group has used RMB and HK$ as the transaction and bookkeeping currencies. The Group faces foreign exchange risk arising from RMB and HK$. The Group has no major risks in changes in other currency exchange.

15. Contingent Liabilities, Legal and Potential Proceedings

As at 30 June 2014, 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 2014, the Group has not made any material acquisition and disposal.

17. Going Concern

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

OUTLOOK

Offline Business

The general plan of the Group in second half of 2014 is to develop and open stores in steady pace, mainly focusing on first-tier and second-tier cities like Beijing, Jiangsu, Guangdong, Henan and Hubei, with an emphasis on core business district and urban complex development. The Group aims at opening 90 stores in second half of the year, with a planned net increase of 30 stores annually.

The visual image of the brand will be enhanced, starting from trial launches in key regions by further improving store image, VI systems, packaging and product lines to look more modern, stylish and elegant, while retaining the cultural features of Carpenter Tan.

The Group will recruit more market management staff, pay more visits to franchised shops, finalise visiting process, strengthen management on visits, improve quality of visits, as well as quantify and refine management information. By reinforcing training efforts, Carpenter Tan's corporate culture of "Integrity, Labor, Happiness" can be integrated into franchised shops, in order to achieve emotional business, and to reflect unique characteristics and humanistic care of the brand.

The development strategy of overseas markets mainly lies in location arrangement and control, particularly enhancing control and guidance to existing markets in Singapore and Canada. It is planned that one franchise shop will be opened in Russia, one in Taiwan and one store directly operated by the Group will be opened in Hong Kong in the second half of the year.

Online Business

The Group will continue to promote the concept of the brand and enhance service quality. By widening the differences between Carpenter Tan and other brands, consumers can be aware of the online status of our wooden combs.

Marketing strategies driven by emotional appeal are ongoing, whereas online communication of brand culture is reinforced. By widening the differences between exclusive online product and same category of brands, strengths of our brands in the industry are fully leveraged, combined with the development of major platform to achieve small yet appealing, special and refined results. Differences among same category of brands are continuously widened, thereby highlighting the leading position of the Carpenter Tan brand in the industry.

The Group is endeavored to establish platforms, create innovative marketing campaigns and promotion, while actively to participate in marketing campaigns and resources promotion organised by these platforms. Through upgrading UI of the store, the turnover rate of the store will be further enhanced, amount of customer service will be reduced and service quality will be improved, thus enhancing our brand influence and sales. Also, the Group will optimize inputs to existing promotional tools, such as The Express (直通車), Diamond Booths (鑽石展位) and JD Business Class (京東商務艙).

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. The Group is devoted to making contributions to the society by organising ongoing charity activities such as "To Comb Mum's hair" and leading employees to perform afforestation. The Group provides support and assistance to employees who are dedicated to help disadvantaged groups. Despite our small size, the Group will strive to be a quality and socially responsible corporation, so as to establish a positive brand value in society 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 of 30 June 2014, the Group had a total of 923 employees in Mainland China, Hong Kong and overseas, with a total labor cost of approximately RMB24,625,000 (2013: approximately RMB20,073,000) during the Reporting Period.

In addition to providing job opportunities to the disabled, the Group has attached high emphasis to 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2014, 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 2014, 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	1,854,584	0.74%

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%

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2014, 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 2014, no share option was granted based on the Share Option Scheme.

CAPITAL COMMITMENT

As at 30 June 2014, the Group had capital commitment amount to approximately RMB2,000 (31 December 2013: RMB21,000).

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 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 22 May 2014, the Company declared the audited distributable profits as at 31 December 2013 amounting to approximately HK$80,050,000 (equivalent to approximately to RMB62,925,000) to the shareholders of the Company. The dividend was fully paid on 27 June 2014 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 2014 (2013: Nil).

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

During the Reporting Period, 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 2014, 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 with banks.

Due to the change in market environment and the Group's business strategy, the Group has held-up the business plan in developing the high-end home accessories shops and lifestyle handicraft stores. The Board is studying the market and other alternative business development opportunities, which would generate better investment return to the Group's shareholders.

OTHER INFORMATION

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 2014. 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.

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 Huang Zuoan 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 2014 with the management of the Group and agreed with the accounting treatment adopted by the Company.

DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2014 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, 28 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2014 – UNAUDITED

	Note	Six months ended 30 June 2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Turnover	5	**149,741**	135,241
Cost of sales		**(49,851)**	(42,479)
Gross profit		**99,890**	92,762
Other revenue and other net income		**16,372**	14,351
Selling and distribution expenses		**(15,286)**	(13,858)
Administrative expenses		**(14,071)**	(11,631)
Other operating expenses		**(3,888)**	(4,652)
Profit from operations		**83,017**	76,972
Finance costs	6(a)	**(531)**	(40)
Profit before taxation	6	**82,486**	76,932
Income tax	7	**(15,914)**	(15,598)
Profit for the period		**66,572**	61,334
Attributable to			
Owners of the Company		**66,572**	61,334
Earnings per share			
Basic and diluted	8	**RMB26.6 cents**	RMB24.5 cents

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014 – UNAUDITED

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**66,572**	61,334
Other comprehensive income for the period (after tax)		
Item that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of leasehold land and buildings held for own use	**14,394**	—
Deferred tax charge arising from revaluation surplus on leasehold land and buildings held for own use	**(3,872)**	—
Surplus on revaluation of leasehold land and buildings held for own use, net of tax	**10,522**	—
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of functional currency to presentation currency	**(1,268)**	742
Total comprehensive income for the period	**75,826**	62,076
Attributable to		
Owners of the Company	**75,826**	62,076

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Non-current assets			
Property, plant and equipment	9(a)	**24,048**	31,825
Prepaid lease payments	10	**13,465**	18,327
Investment properties	9(c)	**83,900**	55,780
Intangible assets	11	**—**	—
Prepayment of acquisition of properties		**33,556**	33,556
		154,969	139,488
Current assets			
Prepaid lease payments	10	**362**	518
Inventories		**62,089**	58,322
Trade receivables	12	**838**	1,722
Other receivables, deposits and prepayments		**23,078**	15,029
Pledged bank deposits	13	**146,700**	71,700
Cash and bank balances		**336,577**	355,245
		569,644	502,536
Current liabilities			
Bank loans, secured	13	**133,350**	66,829
Trade payables	14	**4,792**	3,027
Other payables and accruals		**24,982**	33,524
Income tax payable		**10,008**	8,149
		(173,132)	(111,529)
Net current assets		**396,512**	391,007
Total assets less current liabilities		**551,481**	530,495
Non-current liabilities			
Deferred tax liabilities		**33,285**	25,182
Deferred income		**829**	847
		(34,114)	(26,029)
NET ASSETS		**517,367**	504,466
Capital and reserves			
Share capital	16	**2,200**	2,200
Share premium and reserves		**515,167**	502,266
TOTAL EQUITY		**517,367**	504,466

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014 – 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 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
At 1 January 2014 (audited)		**2,200**	**114,674**	**2,767**	**128,846**	**17,738**	**1,723**	**(113)**	**236,631**	**504,466**
Dividends	15	—	—	—	—	—	—	—	**(62,925)**	**(62,925)**
Transfer to reserve		—	—	—	**3,659**	—	—	—	**(3,659)**	—
Total comprehensive income for the period		—	—	—	—	—	**10,522**	**(1,268)**	**66,572**	**75,826**
At 30 June 2014 (unaudited)		**2,200**	**114,674**	**2,767**	**132,505**	**17,738**	**12,245**	**(1,381)**	**236,619**	**517,367**

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014 – UNAUDITED

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**59,055**	63,938
Interest received	**6,245**	3,117
Interest paid	**(824)**	(40)
Income tax paid, net	**(9,856)**	(9,642)
Net cash generated from operating activities	**54,620**	57,373
Investing activities		
Purchase of property, plant and equipment	**(931)**	(1,779)
Proceeds from disposal of property, plant and equipment	**292**	52
Increase in pledged bank deposits	**(75,000)**	(71,700)
Net cash used in investing activities	**(75,639)**	(73,427)
Financing activities		
Dividend paid	**(62,925)**	(63,075)
New bank loan raised	**66,521**	63,736
Net cash generated from financing activities	**3,596**	661
Net decrease in cash and cash equivalents	**(17,423)**	(15,393)
Cash and cash equivalents at 1 January	**355,245**	330,147
Effect of foreign exchange rate changes, net	**(1,245)**	752
Cash and cash equivalents at 30 June	**336,577**	315,506

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 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 2013 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.

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 2013, except as described below.

In the current interim period, the Group has adopted and applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new interpretation issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable amount disclosures of non-financial assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

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.

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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

5 Effective for annual periods beginning on or after 1 January 2016.

Save as disclosed in the annual report for the year ended 31 December 2013, 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 People’s Republic of China (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.

3. SEGMENT REPORTING *(Continued)*

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).

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	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of goods	**149,521**	134,801
Franchise fee income	**220**	440
	149,741	135,241

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
a) Finance costs		
– Interest on bank loans	**531**	40
Total interest expense on financial liabilities not at fair value through profit or loss	**531**	40
b) Other items		
Amortisation of prepaid lease payments	**220**	259
Cost of inventories (notes 6(i))	**49,851**	42,479
Depreciation	**1,531**	1,476
Impairment on trade and other receivables	**30**	54
Loss/(gain) on disposal of property, plant and equipment	**88**	(38)
Operating lease rentals in respect of land and buildings	**2,651**	2,653
Staff costs (including directors' emoluments)	**24,625**	20,073

Notes:

(i) Cost of inventories includes approximately RMB14,238,000 (2013: RMB12,409,000) relating to staff costs, depreciation and operating lease rentals, which are included in the respective total amounts disclosed separately above.

7. INCOME TAX

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax (notes 7(i), (ii) and (iii))	**11,684**	11,702
Hong Kong profits tax (note 7(v))	**—**	—
	11,684	11,702
Overprovision in prior years, net		
PRC Enterprise Income Tax	**—**	(1)
Deferred tax		
Current period	**4,230**	3,897
Total	**15,914**	15,598

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) On 6 April 2012, the State Administration of Taxation of the PRC issued notice No. 12 which specified that enterprises that fall under the categories of several other published lists of encouraged business activities prior to the announcement of the list of national encouraged business activities in the western region can apply for the concessionary Enterprise Income Tax rate of 15% from 2011 in accordance with Caishui (2011) No. 58. Such concession will be revoked if the enterprises subsequently do not meet the requirement.

   On 29 May 2012, 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.

iii) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2013: 25%), except for Zi Qiang Wood Works and Carpenter Tan which are eligible for the income tax concessions according to the preferential tax policies, as stated in note 7(i) and (ii) above.

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

v) No provision for Hong Kong profits tax has been made for the period ended 30 June 2014 and 2013 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	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	**66,572**	61,334

ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2014	2013
	(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 2014 and 2013.

9. FIXED ASSETS

a) Acquisitions and disposals

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB931,000 (2013: RMB1,779,000). Items of property, plant and equipment with a total carrying amount of RMB380,000 (2013: RMB14,000) were disposed of during the six months ended 30 June 2014, resulting in a loss on disposal of RMB88,000 (2013: gain on disposal of RMB38,000).

b) Change of use of buildings

During the six months ended 30 June 2014, certain buildings of the Group previously held for own use were leased out to independent third parties under operating leases. Upon the change of use, the buildings were revalued at their fair values and a surplus on revaluation of RMB793,000 was recognised in the Group's property revaluation reserve. The buildings were then reclassified as investment properties. The fair values were arrived at on the basis of the valuation carried out by DTZ Debenham Tie Leung Limited, mentioned in (c) below. The fair values were determined by using Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential.

c) Valuation

The fair value of the Group's investment properties as at 30 June 2014 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 fair value of investment properties was determined by using Direct Comparasion Approach by making reference to comparable sales evidence as available in the relevant market or, if applicable, Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential. The fair value of the investment properties was RMB83,900,000 as at 30 June 2014 (as at year ended 31 December 2013: RMB55,780,000). Fair value gain of RMB2,120,000 (2013: RMB3,420,000) and deferred tax of RMB714,000 (2013: RMB855,000) thereon have been recognised in these financial statements for the period.

10. PREPAID LEASE PAYMENTS

a) 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 RMB7,047,000 as at 30 June 2014 (as at year ended 31 December 2013: RMB7,128,000). The Group originally intended to erect a production complex on the Land but no construction activity has 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 municipal government due to town planning and Carpenter Tan will be compensated through an 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. Since the Group has not commenced the development of the Land, there is no material adverse effect on the business operation and financial position of the Group.

b) During the six months ended 30 June 2014, certain pieces of land of the Group previously held for own use were leased out to independent third parties under operating leases. Upon the change of use, the lands were revalued at their fair values and a surplus on revaluation of RMB13,601,000 was recognised in the Group's property revaluation reserve. The lands were then reclassified as investment properties. The fair values were arrived at on the basis of the valuation carried out by DTZ Debenham Tie Leung Limited, mentioned in note 9(c) above. The fair values were determined by using Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential.

11. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
At 1 January 2013, 31 December 2013 and 30 June 2014	1,037
Accumulated amortisation and accumulated impairment	
At 1 January 2013, 31 December 2013 and 30 June 2014	(1,037)
Carrying amount	
At 30 June 2014	—
At 31 December 2013	—

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 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
0 to 30 days	**791**	1,453
31 to 60 days	**7**	202
61 to 90 days	**6**	37
91 to 180 days	**7**	10
181 to 365 days	**11**	16
Over 1 year	**16**	4
Trade receivables, net of allowance for doubtful debts	**838**	1,722

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

As at 30 June 2014, the Group obtained bank loans of RMB133,350,000 (as at year ended 31 December 2013: RMB66,829,000). The loans are secured by standby documentary credit facilities of the Group. The standby documentary credit is supported by bank deposits amounting to RMB146,700,000 (as at year ended 31 December 2013: RMB71,700,000).

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 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
0 to 30 days	**3,544**	2,354
31 to 60 days	**394**	143
61 to 90 days	**298**	207
91 to 180 days	**82**	52
181 to 365 days	**225**	153
Over 1 year	**249**	118
	4,792	3,027

15. DIVIDENDS

i) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil).

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

	At 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2013, approved and paid during the current interim period, of RMB25.17 cents per ordinary share (2013: in respect of the financial year ended 31 December 2012, RMB25.23 cents)	**62,925**	63,075

16. SHARE CAPITAL

	Number of shares	**Amount HK$'000**	**Amount equivalent to RMB$'000**
Ordinary shares of HK$0.01			
Authorised:			
As at 31 December 2013 and 30 June 2014	**10,000,000,000**	**100,000**	**87,926**
Issued and fully paid:			
As at 31 December 2013 and 30 June 2014	**250,000,000**	**2,500**	**2,200**

17. CAPITAL COMMITMENTS

At 30 June 2014, capital commitments not provided for in the financial statements were as follows:

	At 30 June 2014 (unaudited) RMB'000	At 31 December 2013 (audited) RMB'000
Contracted but not provided for in respect of - property, plant and equipment	**2**	21

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2014 and 31 December 2013.