Annual Report
2014

CARPENTER TAN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE
837

* *For identification purpose only*

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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. Yu Ming Yang
Mr. Chau Kam Wing, Donald
Madam Du Xin Li *(retired on 22 May 2014)*
Madam Huang Zuoan *(appointed on 22 May 2014)*

MEMBERS OF THE AUDIT COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Du Xin Li *(retired on 22 May 2014)*
Madam Huang Zuoan *(appointed on 22 May 2014)*

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Du Xin Li *(retired on 22 May 2014)*
Madam Huang Zuoan *(appointed on 22 May 2014)*

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yu Ming Yang
Madam Du Xin Li *(retired on 22 May 2014)*
Madam Huang Zuoan *(appointed on 22 May 2014)*

COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

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COMPANY WEBSITE

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FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2014 RMB'000	2013 RMB'000	% of Increase/ (decrease)
Financial Highlights			
Turnover	**298,269**	280,913	6.2%
Cost of sales	**(101,937)**	(92,596)	10.1%
Gross profit	**196,332**	188,317	4.3%
Profit before taxation	**164,583**	157,139	4.7%
Profit attributable to owners	**128,762**	125,856	2.3%
Basic earnings per share (RMB cents)	**51.50**	50.34	2.3%
Proposed final dividend per share (HK cents)	**32.28**	32.02	1.8%
Liquidity and Gearing			
Current ratio(1)	**2.73**	4.51	(39.5)%
Quick ratio(2)	**2.32**	3.98	(41.7)%
Gearing ratio(3)	**16.8%**	10.4%	61.7%

Notes:

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

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

(3) Gearing ratio is calculated as interest-bearing bank borrowings divided by total assets multiplied by 100%.

Dear Shareholders,

On behalf of the board of directors (the "Board"or "Directors") of Carpenter Tan Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014 (the "Year Under Review") to the shareholders (the "Shareholders") for your review.

The year of 2014 was a year of growth and steady transition while maintaining stability for the Group. Domestic and international economic situations remained complex and volatile, and there were still prominent problems arising from the instability and uncertainties about global economic recovery. As European sovereignty debt crisis worsened and global economic growth remarkably slowed down, China's economy also slowed down. Notwithstanding such situation, the Group captured market opportunities to pursue growth while maintaining stability by way of introducing professional teams, improving brand management and enhancement, implementing the strategy of expanding a diversified marketing channel, which has enabled the Group to record continuously steady growth in business development and financial results.

IMPROVED RESULTS OF OPERATION WHILE MAINTAINING STABILITY

During the Year Under Review, with its sound business development strategies and effective implementation, the Group recorded a turnover of approximately RMB298,269,000 for the year ended 31 December 2014, representing an increase of 6.2% as compared to the previous year. Of which, turnover of combs was approximately RMB80,880,000, accounting for 27.1% of total turnover of the Group, turnover of box sets was approximately RMB201,310,000, accounting for 67.6% of total turnover of the Group, while turnover of mirrors was approximately RMB2,781,000, accounting for 0.9% of total turnover of the Group. Profit attributable to shareholders was approximately RMB128,762,000, representing an increase of 2.3% as compared to the previous year. The overall gross profit margin decreased slightly to 65.8%. Earnings per share was RMB51.50 cents, representing an increase of 2.3% as compared to the previous year. The Board believes that the outstanding performance was attributable to the long-term support from our shareholders. In order to express its gratitude for the support of our shareholders, the Board has recommended the payment of a final dividend of HK$32.28 cents per share for the financial year ended 31 December 2014, amounting to approximately HK$80,700,000, representing a total payout ratio of 50% of the profit for the year or 53% of the distributable profit of the Company (after deducting the non-distributable statutory reserve of RMB7,273,000 for the year ended 31 December 2014). The Board believes that the strong financial position and cash flow of the Group are sufficient to support the long-term development of the Company.

ACTIVE EXPANSION OF SALES CHANNELS

For the year ended 31 December 2014, the Group actively extended the business strategy of developing major franchisees on the basis of strengthening its original franchisee, and achieved business cooperation with some representative franchisees who share common vision with the Group. The store decoration was uplifted with a relatively comprehensive renovation in 2014. The Company decided to launch store decoration with different features according to the market segment such as cultural zone, fashion and stylish zone, arcade zone and shopping mall zone. With the enhancement in image and without change in price, we allow the consumers can enjoy best value to money services. During the Year Under Review, 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.

IMPROVING CORPORATE GOVERNANCE LEVEL

We firmly believe that maintaining a high level of internal control is crucial to the long-term development of the Group. As such, the Company has reinforced internal control of its sales team during the Year Under Review. It sets out standardized targets and schedules in routine visit, franchisee relations, and turnover of its franchisees. Meanwhile, the Group continues to optimize control on workflow and risks of various posts as it makes good use of information technology.

FUTURE OUTLOOK AND STRATEGIES

Although competition in the market will still be very keen in the future, domestic and international economic situations remained complex and volatile, the Group will continue to develop Carpenter Tan into a household brand by continuing to adhere to the traditional Chinese culture and keeping in mind the vision to make Carpenter Tan the world's No.1 brand in wooden combs. We believe that the Group will continue to deliver outstanding results and bring more desired returns for shareholders and investors in the future.

I wish to thank all my fellow directors at the Board, the management and all staff sincerely for the devotion. I also wish to express my heart felt gratitude to the long-term support of our shareholders and our customers. The Group will continue to uphold the practical and innovative principles in its business development, so as to achieve more outstanding results, and bring more desired returns for shareholders and investors in the future.

Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 30 March 2015

OVERVIEW FOR 2014

In 2014, the global economy was still undergoing profound adjustment subsequent to the international financial crisis. The recovery of the global economy was winding, slow and complicated. The economic performances of major economies and the macro-economic policies apparaently developed towards opposite direction. There had not been enough momentum to drive the growth. The growth of economy in China was faced with a period where the pace of growth slowed down. As a result the impact on the sluggish performance, the "triple multiplier" lag out effect for the stimulating policies during its early phase of implementation were more obvious than ever. There had been a distinct slowdown in industrial output and demand for investment was further weaken. The pressure for a downturn of the economy was quite high. It was published earlier by the China National Bureau of Statistics that the inflation rate of China Mainland in December was 1.5%.

In 2014, the retail industry continued to maintain steady growth. The new business models such as Internet shopping and e-commence in the consumption aspect had been developing well. The development trend for the integration of online-to-offline channels for the retail enterprises was further consolidated. Both the internal network platform of the traditional retail enterprises or the cooperation between electrical appliances vendors and the physical stores were further expanded. The household consumption structure continued to improve with the share of developement type and exquisite type increased.

Market statistics: The total annual retail sales of social consumer goods in China reached RM 26,000 billion, an increase of 12.0% as compared with same period last year, with the rate falling by 1 percentage points as compared with the same period last year. The total retail sales in China reached RMB2,789.8 billion, an increase of 49.7%, with the rate higher than the total retail sales of social consumer goods by 37.7 percentage points and equivalent to 10.6% of total retail sales of social consumer goods.

MARKET CONDITIONS AND REVIEW HIGHLIGHTS

In 2014, the retail industry underwent further transformation with competition became more intense and segmentation became more diverse. The industry is facing a new phase of integration and transformation and the retail industry is moving into a phase of slow growth or downward adjustment for a long period of time. Traditional retail chain giants such as Wal-Mart, Carrefour, Tesco, etc. are closing a large number of their outlets. With the policies of restraining three major sources of public entertainment spending, the department store industry is also facing a lot of challenges, and transforming into complex shopping malls. According to the statistics of MallChina, there were more than 3,100 shopping malls in China that had commenced operation, and it will reach 4,000 by 2015.

In order to improve the steadfast and rooted management behavior, the headquarter of the Group was moved from Western China to Eastern China. The traditional rigid bureaucratic management style was crashed and the management structure was enhanced. The management hierarchy was streamlined and became flat. Efficiency was significantly lifted and the style of work became more practical. Both revenue from online and offline sales increased. In order to support and provide return to the offline segment, a three-year plan was set up to motivate the development of the offline segment by reaching 30% of net profit in e-commerce business. The proceeds would be applied as the funds dedicated for the operation of the offline stores, so as to motivate the creation of innovative business models for the offline segment. Franchisees were encouraged to proactively explore the market and gradually apply the O2O model in a robust manner.

The store decoration was uplifted with a relatively comprehensive renovation in 2014. The Company decided to launch store decoration with different features according to the market segment such as cultural area, fashion and stylish area, arcade area and shopping mall area. With the enhancement in image and without change in price, we allow the consumers can enjoy best value to money services.

External and internal resources for research and development were consolidated for which the brand promotion became more courteous and practical. With respect to the development of offline franchised shops, the Group exercised stringent control over development quality, closed and relocated stores with poor performance and image, focused in assisting the stores in conducting pleasant marketing 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, other than developing our own team, 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

Retail outlets

The Group has developed an comprehensive distribution and retail network in the PRC and abroad by operating the franchise programme and self-operated retail shops. As at 31 December 2014, the Group had 1,449 franchised shops in the PRC, another 3 franchised shops in other countries and regions and 4 self-operated retail shops in Hong Kong. The following table sets out the number of the Group's franchised outlets and directly-operated outlets:

Number of shops

	For the year ended 31 December			
	2014		2013	
	Franchised shops	Directly-operated outlets	Franchised shops	Directly-operated outlets
Hong Kong	0	4	0	7
PRC	1,449	0	1,427	0
Other countries and regions	3	0	6	0
Total	1,452	4	1,433	7

Sales network

The PRC market

As at 31 December 2014, the number of franchised shops of the Group in the PRC amounted to 1,449. 25 new modern shops (model shops) were established in Beijing, Chongqing, Shanghai, Zhejiang, Jiangsu, Shandong, Henan, Liaoning, Sichuan and other cities.

With respect to the deployment of strategies, the Group targets at the first tier cities. Faced with high costs, changes in consumption structure and consumption method, the Group concentrated in consolidating its image at the core commercial area and exploring at the emerging complex shopping malls. The store image at the model shops was applied to demonstrate and promote activities at the nearby commercial area, with an aim to gradually cover the emerging complex shopping malls. As to the second tier cities, emphasis was placed on securing core locations at the central business districts of the cities. Franchisees were mainly entered into by way of sales counters, which can lower the investment of the franchisees and secure certain level of profits in the first place. With respect to the third tier cities, the Group already implemented trial at Jiangsu Province, for which the economic fundamentals were well supported. The Group will only expand into other provinces on the bases where both the store image and profitability are assured.

Overseas market

The Group continued its business development in overseas market. As at 31 December 2014, the Group established a total of seven shops in overseas market, including four directly operated outlets in Hong Kong, two franchised shops in Singapore, and one franchised shops 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, Canada, Japan and Taiwan.

E-commerce

During 2014, the e-commerce business department of the Group developed rapidly. On the basis of the original personal computer terminal platform, the Group devoted efforts dedicated to create the mobile application platforms, and adequately adapted to the change of trend among the young consumer groups of shopping on the Internet. In 2014, the share of sales revenue from the mobile application of Tmall.com and personal computer terminal were almost the same. At the same time, efforts were devoted to increase the investment of mobile application for other platforms such as JD.com and yhd.com. The exposure of our brand was further enhanced through interaction with various platforms, which had attracted the young consumer groups to consume. Sales on other Internet platforms such as Amazon, Dangdang, Suning Tesco, and buy.ccb.com also achieved breakthrough. The launch of proprietary brand online in the year of 2013 was suspended as a result of the trademark registration in mid-2014. It is planned that such brand will relaunch upon the enhancement of whole brand image of the Group.

Sales management

In 2014, the Chairman led a team to conduct on-site inspections at first tier market 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.

Products

As at 31 December 2014, Carpenter Tan has launched a total of 438 products, comprising 106 lockets, 246 box sets, 25 mirrors, 61 accessories and a total of 12 sets of limited edition products and regional only products. During the Reporting Period, the Group launched a total of 22 new products, including 18 box sets, 2 lockets, and 2 accessories.

During the year of 2014, Carpenter Tan optimized the product innovation system. The existing product composition was modified with focuses on classical and younger consumer group. Through continuous refining of the product system, the core competence of the products was reinforced. The share of new products will continue to increase alongside with the steady expansion of the share of developed products.

Carpenter Tan always bear a positive attitude to respond to market demands, and steadily proceed to product development. There were more than 190 items in total being reviewed since the research and development of product begun. Currently more than 120 items are successfully launched into the market.

Development and design

The Group has always placed attention to the research and development in the design of new products. The technology centre at Wenzhou, Chongqing, is conducting research and development work on the preserve of wood materials and its stability. The processing technique was also upgraded.

In 2014, the Group achieved special breakthrough with respect to the upgrade of wood materials, which expanded the scale of processing production, and enhanced the feasibility on how to utilize the materials.

Upon the upgrade with the processing technology, the production capacity was increased and the production quality was also improved. With the new breakthrough achieved on the wood drying technology, the Group can further assure to enhance the qualities of its products.

Production

As at 31 December 2014, the Wanzhou Factory of the Group had a total of 613 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 as below:

Actual Production (Pieces)

	For the year ended 31 December	
	2014	2013
Combs	**3,771,990**	3,878,000
Mirrors	**1,059,719**	847,000
Total	**4,831,709**	4,725,000

Technology innovation

The Company published and implemented the "Administration Measures for the Setting Up of Technology Development Project and Reward Management". New breakthrough was achieved in the preserve of wood materials in terms of moisture content, the degree of stress and stress value. With respect to equipment and technology, there had been new breakthrough in the development of new processing equipment for falcon tenon groove, technological change and innovation for the binding of wood, and the developed technologies for three generations of comb technology as well as production capacity. With respect to expertise and operations, there were 7 people and 5 projects passing the review, which were concentrated at processing efficiency, material utilization, reduction of errors, safe production through process optimization, integration of resources, improving efficiency in equipment and space utilization that maximize the value of the Company's assets.

Marketing and promotion

Marketing and promotion were conducted from two main aspects, traditional festivals and community promotions. There were six festival promotions in total, 95 community promotion events and a total of 249 activity days. The Company gave out 24,394 sample combs. During the time when the promotion activities were held, extensive attention was drawn to the stores and the corporate image was enhanced. More people became aware of the Carpenter Tan brand. Meanwhile the sales volume increased as compared with the same period last year.

In order to improve we need to focus at the fundamentals. In 2014 the Group organized more training for the franchisees. There were 19 training sessions covering major regions around the country throughout the year and more than 500 sales staff at the stores attended. The training were focused at four main aspects namely corporate culture, reception process by the sales staff, product sales technique and product display at the stores, for which good results were obtained.

As to the online segment, the e-commerce department conducted brand promotion and marketing activities through the sales platform and social media platform. The change in the consumer's reading habit was traced to strengthen the investment to the proportion of promotion through mobile application. From an analysis of the popular Internet festivals, the Group timely launched online interactive activities for Mother's Day, Lunar July 7th Valentine's Day and "11" November 11 Shopping Festival. More than millions of people effectively participated in these activities. Online promotion for the Group's "To Comb Mum's hair" (給媽媽梳頭) in 2014 were conducted through WeChat, weixin, weitou and TMall.com.

Promotion and innovation of the corporate brand and culture

In 2014, the Group conducted a number of brand promotion activities through different platforms and channels. The Group distributed approximately 500,000 copies of comic book about its brand, reaching over two million people. We also advertised on "China Week", and was interviewed by "Sales and Marketing" about our visions in promotions and branding. All of these initiatives achieved good results.

The Group followed the latest trend in communication, and adopted new media channels such as WeChat and weixin to enhance the brand image and reputation among a wider range of mass. The focus was to maintain the public account of weixin "Carpenter Tan To Comb Mum's hair" (譚木匠給媽媽梳頭) ", which had approximately 163,000 fans in total. The Group continued to organize "To Comb Mum's hair" (給媽媽梳頭) as its major social welfare activities, which effectively linked up online offline effectively. The event was broadcasted and reached 1,300,000 people with 50,000 people participated the activities. The Group also produced a comic movie "The Secret to dry quilt under the sun", which promoted family love and care, and got 1,130,000 clicks. Moreover, the Group also participated in "Snowball 2014 Carnival" activities and was interviewed, which effectively enhanced the brand awareness among the investor group.

Awards and accreditation

During the year under review, the Group has received many honors and awards:

— the Group was awarded the title of "National Model Worker" by China Federation of Trade Unions;

— the Group was awarded the title "Advanced Worker Unit" by Wanzhou District Union;

— the Group was awarded the title "Demonstration House of Workers" by Wanzhou District Union;

— the "Labor Certificate" was granted by Wanzhou District Union to Mr. Tan Chuan Hua, the Chairman of the Group;

— the Group was selected by Forbes as one of most potential SMEs in China;

— the Group was selected by Entrepreneur as the "Top 50 China High Growth Chain Enterprise";

— the Group was selected China Chain Store & Franchise Association as the "Top 120 China Franchise Chain 2013 ";

— the Group was awarded by Chongqing City and Social Council as the "Harmonious AAA grade Labour Enterprise";

— the Group was awarded by Wanzhou District Union as the "Demonstration Unit of Strong Foundation, Governing Norms, Powerful Vitality";

— the Group was awarded by Wanzhou State Taxation and Local Taxation Bureau as the "A-class tax credit enterprise for the year of 2012-2013"

FINANCIAL REVIEW

1. Turnover

The Group recorded turnover of approximately RMB298,269,000 for the year ended 31 December 2014, representing a growth of RMB17,356,000 or 6.2% as compared to that of approximately RMB280,913,000 for the year ended 31 December 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 the number of franchise shops and purchase of products. As at 31 December 2014, the Group had 1,452 franchise shops and 4 directly-operated outlets respectively while as at 31 December 2013, the Group had 1,433 franchise shops and 7 directly-operated outlets respectively. The franchise fee income was approximately RMB655,000 which represents a decrease of approximately RMB420,000 when compared to that of approximately RMB1,075,000 of last year.

	For the year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Sales				
– Combs	80,880	27.1	75,589	26.9
– Mirrors	2,781	0.9	2,569	0.9
– Box sets	201,310	67.6	190,275	67.7
– Other accessories	12,643	4.2	11,405	4.1
Franchise fee income	655	0.2	1,075	0.4
Total	298,269	100.0	280,913	100.0

2. Cost of sales

The cost of sales of the Group was approximately RMB101,937,000 for the year ended 31 December 2014, representing an increase of RMB9,341,000 or 10.1% as compared to that of approximately RMB92,596,000 for the year ended 31 December 2013, which was slightly higher than the growth of turnover.

3. Gross profit and gross profit margin

As at 31 December 2014, gross profit of the Group was approximately RMB196,332,000 representing an increase of RMB8,015,000 or 4.3% as compared to that of approximately RMB188,317,000 for the year ended 31 December 2013. The gross profit margin slightly decreased from 67.0% in 2013 to 65.8% in 2014. The slight decrease in gross profit margin was mainly due to the adjustment of sales mix of the Group.

4. **Other revenue and other net income**

Other revenue and other net income was approximately RMB39,301,000 for the year ended 31 December 2014, representing an increase of RMB916,000 or 2.4% as compared to that of approximately RMB38,385,000 for the year ended 31 December 2013. Other revenue and other net income is mainly comprised of PRC VAT refunds of approximately RMB10,932,000, rental income of approximately RMB5,177,000, interest income of approximately RMB16,293,000 and fair value change of investment properties of RMB4,140,000 respectively (2013: PRC VAT refunds of approximately RMB11,016,000, rental income of approximately RMB4,424,000, interest income of approximately RMB13,582,000 and fair value change of investment properties of RMB8,450,000 respectively).

5. **Selling and distribution expenses**

The selling and distribution expenses amounted to approximately RMB30,076,000 for the year ended 31 December 2014, representing a decrease of RMB334,000 or 1.1% as compared to that of approximately RMB30,410,000 for the year ended 31 December 2013. The selling and distribution expenses mainly including advertising and market expansion expenses of RMB2,160,000, delivery charges of RMB6,343,000, rental expenses of RMB4,132,000, salaries and benefits of RMB7,264,000 and travelling expenses of RMB1,504,000 respectively (2013: advertising and market expansion expenses of RMB2,630,000, delivery charges of RMB5,087,000, rental expenses of RMB5,525,000 salaries and benefits of RMB9,331,000 and travelling expenses of RMB1,697,000 respectively).

6. **Administrative expenses**

The administrative expenses of the Group was approximately RMB31,916,000 for the year ended 31 December 2014, representing an increase of RMB826,000 or 2.7% as compared to that of approximately RMB31,090,000 for the year ended 31 December 2013. The administrative expenses is mainly comprised of salaries and benefits of RMB13,638,000, legal and professional fee of RMB1,831,000, consultancy fee of RMB1,702,000, depreciation charges of RMB771,000 and audit fee of RMB1,224,000 respectively (2013: salaries and benefits of RMB12,978,000, legal and professional fee of RMB1,615,000, consultancy fee of RMB5,450,000, depreciation charges of RMB491,000 and audit fee of RMB1,129,000 respectively).

7. **Other operating expenses**

Other operating expenses of the Group was approximately RMB7,544,000 for the year ended 31 December 2014, representing a slight increase of RMB38,000 or 0.5% as compared to that of approximately RMB7,506,000 for the year ended 31 December 2013.

8. **Finance costs**

Finance costs of the Group was approximately RMB1,514,000 for the year ended 31 December 2014, representing an increase of RMB957,000 or 171.8% as compared to RMB557,000 for the year ended 31 December 2013. The increase was mainly due to the new bank borrowings arranged for the Year Under Review.

9. Income tax

For the year ended 31 December 2014, income tax expenses for the Group amounted to approximately RMB35,821,000, increased by approximately RMB4,538,000 or 14.5% when compared to approximately RMB31,283,000 for the year ended 31 December 2013, mainly due to the increase in profit before tax.

The effective tax rate for the Year Under Review was 21.8% when compared to 19.9% for the year ended 31 December 2013.

10. Profit for the year

The Profit for the year ended 31 December 2014 was approximately RMB128,762,000, representing an increase of RMB2,906,000 or 2.3% as compared to that of approximately RMB125,856,000 for the year ended 31 December 2013. The increase was mainly due to the increase in turnover for the Year Under Review.

ANALYSIS OF MAJOR CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

1. Property, plant and equipment

The Group's property, plant and equipment consists of building, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2014, the net book value of property, plant and equipment amounted to approximately RMB23,776,000, representing a decrease of RMB8,049,000 or 25.3%, as compared with the previous year of approximately RMB31,825,000. The decrease was mainly attributable to the transfer of properties with book value of RMB7,600,000 to investment properties and the depreciation charges of approximately RMB2,856,000 for the year ended 31 December 2014.

2. Inventories

The Group's inventories as at 31 December 2014 increased by approximately RMB19,461,000 or 33.4% from approximately RMB58,322,000 as at 31 December 2013 to approximately RMB77,783,000 as at 31 December 2014, primarily due to the increase in raw materials level as a result of the planned increase in sales and production. Raw materials increasd by RMB16,664,000 or 58.6% from RMB28,442,000 in last year to RMB45,106,000 in this year.

3. Trade receivables

Generally, franchisees are required to settle the payments for the products prior to delivery. The Group's trade receivables consist of credit sales of products to be paid by some of the Group's franchisees who had better sales performance. As at 31 December 2014, the Group's trade receivables amounted to RMB2,027,000 which is close to that of RMB1,722,000 as at 31 December 2013.

4. **Other receivables, deposits and prepayments**

The Group's other receivables, deposits and prepayments increased by approximately RMB8,302,000 from approximately RMB15,029,000 as at 31 December 2013 to approximately RMB23,331,000 as at 31 December 2014. Increase in other receivables, deposits and prepayments was mainly due to an increase in interest receivable of approximately RMB7,889,000 when compared to last year.

5. **Trade payables**

As at 31 December 2014, the Group's trade payables was approximately RMB4,126,000, which is close to that of approximately RMB3,027,000 as at 31 December 2013.

6. **Other payables and accruals**

The balance consists of other payables, accruals, trade deposits received, provision for sales return, VAT and other non-income tax payables. The Group's payables and accruals as at 31 December 2013 decreased by approximately RMB3,590,000 from approximately RMB33,524,000 as at 31 December 2013 to approximately RMB29,934,000 as at 31 December 2014. The decrease was primarily due to a decrease in provision for severance payment of RMB2,375,000.

CASH FLOW

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

1. **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. For the year ended 31 December 2014, the Group's net cash inflow generated from operating activities amounted to approximately RMB110,863,000, representing a decrease of net cash inflow generated from operating activities of approximately RMB17,226,000 from approximately RMB128,089,000 for the year ended 31 December 2013. The decrease was primarily due to an increase in inventories.

2. **Net cash used in investing activities**

For the year ended 31 December 2014, the Group's net cash outflow used in investing activities amounted to approximately RMB209,544,000, representing an increase of approximately RMB101,192,000 as compared with the cash outflow used in investing activities of approximately RMB108,352,000 for the year ended 31 December 2013. The increase is mainly due to the increase in pledged bank deposits of approximately RMB130,511,000 during the Year Under Review.

3. **Net cash generated from financing activities**

For the year ended 31 December 2014, the Group's net cash inflow generated from financing activities amounted to approximately RMB4,360,000, representing an increase of approximately RMB606,000 as compared with the net cash inflow generated from financing activities of approximately RMB3,754,000 for the year ended 31 December 2013. The increase was primarily due to the increase in new bank loan raised during the Year Under Review.

CAPITAL STRUCTURE

1. **Indebtedness**

All the borrowings of the Group as at 31 December 2014 was approximately RMB134,114,000 (as at 31 December 2013: approximately RMB66,829,000), which will be due within one year. During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

2. **Gearing ratio**

As at 31 December 2014, the Group's gearing ratio was 16.8% (as at 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.

3. **Pledge of assets**

As at 31 December 2014, the Group had pledged bank deposits to the bank in the total carrying amount of approximately RMB149,099,000 (as at 31 December 2013 : approximately RMB71,700,000).

4. **Capital expenditure**

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and purchases of motor vehicles. The Group's capital expenditures amounted to approximately RMB2,018,000 and approximately RMB3,155,000 for the year ended 31 December 2014 and 2013 respectively.

5. **Foreign exchange risk**

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

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings. For the year ended 31 December 2014, the effective interest rates for variable rate loans was 1.22% 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 the next twelve months from the date of this report.

As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB258,825,000 (as at 31 December 2013 : approximately RMB355,245,000) mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2014, the Group did not have any capital commitment (as at 31 December 2013: approximately RMB21,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2014, the Group has not made any material acquisition and disposal.

FUTURE OUTLOOK

Sales Operations

The Group will continue to consolidate the core commercial areas at the first and second tier cities. Expansion into cities at counties level will be conducted gradually and conditional with those that has an open economy and a better living standard. More attention will be placed on enhancing the cooperation with chain commercial property developers so as to increase the share of shopping mall channels. As to major transportation hubs and ports at the borders such as airports and high speed trains stations, we will integrate our resources to increase the market share. We will launch certain trial products to the souvenir market, and apply a suitable image to introduce a new image store. As to segment expansion, the Group will strengthen its promotion at the communities and high schools in order to establish a practical model of promotion.

With respect to the expansion of overseas market, the Group changed from the development of the original franchisee model with a single franchise/single store to focusing in the developing of regional agents and channel distributors. The whole image of the new brand "VI" entered regional and international exhibitions, and proactively sought for cooperation sources. In 2015, the Group will concentrate its resources to strengthen the expansion of franchise stores in Southeast Asia region. With a priority at the countries under BRIC (Brazil, Russia, India and China), demonstration stores will be set up at the central business districts of the core cities, which will gradually and steadily extend out. The Group plans to open a brand flagship store in Hong Kong region, so as to further increase its brand awareness in Southeast Asia region.

As to the e-commerce business, the Group will integrate the brand image and devote more promotion efforts to various online sales platforms. We will explore the potential of other advantageous promotion platform, such as mobile sales platform and the official website of the Group. Emotional marketing will continue to be conducted against different consumption needs of different groups. Brand promotions will be executed through Weitao of Tmall.com, the public platform of weixin, WeChat and the official website of the Group. The online stores will revamp their design and redecorate to reflect the brand new "VI" image. Management on customer service standards will be enhanced. Sales data will be analysed regularly to modify the marketing strategies and increase the order turnover rate.

Product Research and Development

Upon the Company completed its move to Eastern China, the research and development team also revolutionise into a new form, which adopts a more open attitude towards the research and development of resources. A "three tier" strategies was implemented, which mean that: the Company fosters its own professional and stable design team, whilst the house team cooperates with international renowned design team on long-term basis and cooperates with individual design ventures in China. In order to fulfill the annual target of the Group and satisfy the market economy policies, the product pricing system will be fine-tuned and adjusted. The research and development of new products will expand the existing product categories and allow regional and cultural labels to our products.

Production Technology

Work at the factory will be commenced with the theme of "the value for the existence of the factory". In 2015, more investment will be made on adjusting the safe supply cycle of raw materials. The Group will implement technology development regarding equipment and expertise as well as innovation of management models. Production efficiency by the labour will be enhanced and the safe production ratio will be improved. This will ensure that the orders will be completed. Site management and respective enhancement works will be executed on the basis of "6S" with an improvement of the internal image of the factories and the workshops thereby lifting the standards of site management and the staff quality as a while.

Branding Culture

In 2015, the Group will use more endeavours to elevate our brand image and promotion initiatives. In particular we will deploy new media channels and new forms of communications. The traditional website with inherent rigid image will be improved. Considerations will be taken to allow more interactions with the consumers so that the official website of the Company and WeChat will become more interactive and can create more value in the course of communication.

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. In 2014, we donated RMB300,000 for the rehabilitation of disabled people, and invested RMB500,000 for the improvement of staff dormitory.

As of 31 December 2014, Carpenter Tan had provided a total of 319 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.

In view of human indifference nowadays and the social phenomenon of interest above all, "To Comb Mum's hair" (給媽媽梳頭) is an event for Carpenter Tan to promote its corporate image as an icon, in wake of family love and to convey its message of thanksgiving and returns to parents. In order to deliver more in-depth meaning for this activity in 2014, "To Comb Pregnant Mum' s hair" (給孕媽媽梳頭) was organized as a social welfare event with good responses.

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.

HUMAN RESOURCES AND TRAINING

As at 31 December 2014, the Group had a total of 936 employees in Mainland China, Hong Kong and overseas, with a total staff cost of approximately RMB50,850,000 (2013: approximately RMB47,987,000).

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 Year Under Review, 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.

DIVIDENDS

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend of HK32.28 cents per share for the financial year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2015, amounting to approximately HK$80,700,000 subject to the approval of the Company's annual general meeting to be held on Wednesday, 27 May 2015. The dividend payout ratio is 50% of the profit for the year or 53% of the distributable profit of the Company (after deducting the non-distributable statutory reserves of RMB7,273,000 for the year ended 31 December 2014). The above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2015.

DIRECTORS

Executive Directors

Mr. Tan Chuan Hua (譚傳華), aged 57, is an Executive Director, the co-founder of the Group, the chairman and the chief executive officer of the Company. He is responsible for the overall strategic planning, formulation of the corporate policies, the corporate development and also the day-to-day management of the Group. Mr. Tan has over 18 years of experience in the industry of manufacturing small size wooden handicrafts. Mr. Tan has been appointed as the Chairman of Chong Qing Art and Handicraft Association (重慶工藝美術行業協會) since 2004. He has been a member of the Third Political Consultative Conference Chong Qing Committee (重慶市第三屆政協委員) since January 2008 and was a member of the Second Political Consultative Conference Chong Qing Committee (重慶市第二屆政協委員) from January 2003 to December 2007. Mr. Tan was awarded by the Ministry of Personnel (人事部) of the PRC and China Disabled Persons' Federation (中國殘疾人聯合會) as a Country Self-motivated Model (全國自強模範) in 2003. He was also awarded as 2005 China Outstanding Franchise Executive (2005年中國特許企業優秀管理者) by China Chain Store and Franchise Association (中國連鎖經營協會). He is the director of Lead Charm Investments Limited ("Lead Charm"), the Company's controlling shareholder and Global Craft Collection Association (國際手工藝術集藏協會). He is the spouse of Madam Fan Cheng Qin, father of Mr. Tan Di Fu and Mr. Tan Lizi, the elder brother of Mr. Tan Cao. Mr. Tan was appointed as the Director of the Company on 20 June 2006.

Mr. Geng Chang Sheng (耿長生), aged 66, is an Executive Director and deputy general manager of the Group and he is responsible for the Group's financial function including reviewing the Group's financial position and responsible for the strategic investment planning and corporate finance activities of the Group. Mr. Geng has 10 years of management experience in the transportation industry during the period from 1987 to 1996 when he was a deputy general manager of a motor company in Chongqing and over 3 years of management experience in the property development industry during the period from 1999 to 2002 when he was a deputy general manager of a property company in the PRC. He studied Mechanics and graduated from Sichuan Broadcasting TV University (四川廣播電視大學). Mr. Geng joined the Group in August 2002 as the assistant general manager of Chongqong Carpenter Tan Handicrafts Company Limited (重慶譚木匠工藝品有限公司) and has been responsible for the general administration and human resources function since August 2002. Mr. Geng was appointed as a director of Chongqong Carpenter Tan Handicrafts Company Limited (重慶譚木匠工藝品有限公司) in August 2003 and the Executive Director of the Company on 30 August 2006.

Mr. Tan Di Fu (譚棣夫), aged 29, is responsible for assisting the formulation of the business development strategy of the Group. He enrolled in Sichuan International Studies University (四川外語學院) in professional English language and literature (英語語言文化專業). He joined the Group in 2005 and has worked for various functional departments of the Group to obtain basic management training including production and human resources. He was subsequently promoted to the head of Wan Zhou Factory in 2007 and is responsible for its day-to-day operational management. Currently he is the General Manager of Chongqing Carpenter Tan Handicrafts Company Limited and is responsible for the day-to-day management of the Company. Mr. Tan Di Fu is the son of Mr. Tan Chuan Hua and Madam Fan Cheng Qin, the elder brother of Mr. Tan Lizi, the nephew of Mr. Tan Cao. Mr. Tan was appointed as the Executive Director of the Company on 18 August 2010.

Non-executive Directors

Mr. Tan Cao (譚操), aged 51, is a Non-executive Director responsible for the corporate financial activity and legal matters of the Group. He is currently the director of Kau Luk Investment Company Limited (歌樂投資有限公司) of which the principal business is investment. He is also the director of Chongqing Rui Feng Agricultural Integrated Exploitation Co., Ltd. (重慶瑞豐農業綜合開發有限公司). He has over 23 years of management experience in the government and property management industry. He holds a bachelor's degree in Law from the Southwest University of Political Science and Law (西南政法大學). He is the younger brother of Mr. Tan Chuan Hua, the younger brother-in-law of Madam Fan Cheng Qin, the uncle of Mr. Tan Di Fu and Mr. Tan Lizi. He joined the Group in August 2003 and was appointed as the Non-executive Director on 30 August 2006.

Mr. Liu Chang (劉暢), aged 41, is a Non-executive Director responsible for the corporate financial activity and management of the Group. He worked for Beijing Anxintaifu Trading Company Limited (北京安信泰富商貿有限公司) of which the then principal business was trading of furniture in the PRC and was responsible for the overall strategic planning, corporate development and day-to-day management of this company. He has over 10 years of experience in investment banking. He holds a bachelor's degree in Law from the China Youth University for Political Sciences (中國青年政治學院). Mr. Liu joined the Group in September 2004 and was appointed as the Non-executive Director on 30 August 2006.

Independent non-executive Directors

Madam Du Xin Li (杜新麗), aged 58, is an Independent Non-executive Director. Madam Du obtained a doctorate degree in China University of Political Science and Law in 2004. She is currently the professor of law in China University of Political Science and Law. She is also an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and an attorney at law in Beacon Law Firm, the PRC. She has extensive experience in international trade law, international investment law and international commerce law. She was appointed as the Independent Non-executive Director on 4 September 2007. Madam Du retired as an Independent Non-executive Director of the Company on 22 May 2014.

Mr. Yu Ming Yang (余明陽), aged 50, is an Independent Non-executive Director. Mr. Yu graduated from Fudan University (復旦大學) with a doctorate degree in management. He is currently the professor of Shanghai Jiao Tong University (上海交通大學). He is also an independent director of Shandong Haodanjia Ocean Development Company Limited (山東好當家海洋發展有限公司), the shares of which are listed on the Shanghai Stock Exchange. He is also an independent non-executive director of Noble Jewelery Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He has extensive experience in branding strategy and management. He was appointed as the Independent Non-executive Director on 4 September 2007.

Madam Huang Zuoan (黃佐安), aged 55, worked for the Ministry of Public Security of the PRC as team head of the economic crime investigation unit at Chongqing City Wanzhou branch from May 2007 to August 2012 and zhengchuji investigator of Wanzhou district police school from August 2012 to December 2013. Madam Huang has over 30 years experiences in public security governmental authorities. She was appointed as the Independent Non-executive Director on 22 May 2014.

Mr. Chau Kam Wing, Donald (周錦榮), aged 52, has over 20 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a master degree in business administration from the University of San Francisco, US in 2000. He is also a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is currently the finance director of Winox Holdings Limited and he is an independent non-executive director of China Water Affairs Group Limited, which are both listed on the Main Board of the Hong Kong Stock Exchange ("HKEx"). Mr. Chau is also an independent non-executive director of Zhejiang Shibao Company Limited which is listed on both the Main Board of HKEx and the SME Board of Shenzhen Stock Exchange. He is also an independent non-executive director of Eco-Tek Holdings Limited and Zhejiang Chang'an Renheng Techndogy Co., Ltd. which are both listed on the Growth Enterprise Market of the HKEx. Mr. Chau has been appointed as an Independent Non-executive Director of the Company since 17 November 2009.

SENIOR MANAGEMENT

Madam Fan Cheng Qin (范成琴) aged 50, is the co-founder and quality controller of the Group. She is responsible for the quality control of the Group including supervision of the quality control team of the logistic centre. She has over 16 years' experience in the industry of manufacturing small wooden handicrafts. Madam Fan is the spouse of Mr. Tan Chuan Hua, the mother of Mr. Tan Di Fu and Mr. Tan Lizi, the elder sister-in-law of both Mr. Tan Cao.

Madam Wang Ping (王萍), aged 54, is the deputy general manager of the Group. She joined the Group in March 2005. Madam Wang is responsible for research and product development, production, purchasing, risk management, human resource and administration of the Group. Madam Wang has 19 years of experience in management of training programmes and 7 years of experience in property development, in which Madam Wang was the general manager of a construction development company. She studied Politics and graduated from No. 2 Party School of Communist Party of China (CPC) Sichuan Municipal Committee (中共四川省委第二黨校).

Mr. Tan Lizi (譚力子), aged 26, is the administration controller of the Group. Mr. Tan is responsible for assisting general manager to manage day-to-day operation of the Group, including sales management, logistic and finance. He graduated with a Bachelor Degree in Business Administration from University of Stirling in UK. Mr. Tan is the son of Mr. Tan Chuan Hua and Madam Fan Cheng Qin, the younger brother of Mr. Tan Di Fu, the nephew of Mr. Tan Cao. He joined the Group in September 2012.

Mr. Zhu Yi (朱軼), aged 40, is the sales controller of the Group (offline sales). Mr. Zhu graduated from Chongqing Industrial and Commercial University (重慶工商大學) and had worked for Tingyi (頂益), Pepsi (百事) and Nissin (日清). He has more than 10 years of experiences in sales management. He joined the Group in March 2008, and is now responsible for the sales of all offline physical franchise stores, sales management and business development of the Group.

Ms. Liu Kejia (劉珂佳), aged 30, is the sales controller of the Group (online sales). Ms. Liu joined the Group in October 2009, and is responsible for the exploration of channels on the network sales platform, business management, risk control, overseas market development. Ms. Liu held a bachelor degree in business administration awarded by Chongqing Postal and Telecommunication University (重慶郵電大學) and was engaged in the project management of Singapore Certis CISCO (策安科技) before joining the Group.

Mr. Chan Hon Wan (陳漢雲), aged 54, is the financial controller and company secretary of the Company and joined the Group in June 2008. Mr. Chan graduated with a Master Degree in Accountancy from the Hong Kong Polytechnic University and a Bachelor Degree in Economics from Macquarie University in Australia. He is currently an associate member of The Hong Kong Institute of Certified Public Accountants (HKICPA), and an associate member of The Institute of Chartered Accountants in Australia. He has over 28 years of extensive experience in accounting and finance fields, gaining from one of the "Big-4" international accounting firms and various listed corporations. He is responsible for overseeing the Group's accounting and finance matters.

The 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 of Hong Kong Limited (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 Year Under Review, 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.

Under code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Taking into account Mr. Tan Chuan Hua, the Chairman and Chief Executive Office, is also an Executive Director, no meeting shall therefore be held between the Chairman and Non-executive Directors without the Executive Directors present.

MODEL CODE FOR SECURITIES TRANSCATIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as 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 during the Year Under Review. 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 provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the Year Under Review.

BOARD OF DIRECTORS

The Board is the core of the Company's corporate governance framework and its role is clearly separated from that of senior management. The Board is responsible for providing guidance for senior management and maintaining effective supervision over senior management. Since the day-to-day running of the Company has been delegated by the Board to the senior management, the senior management is responsible for the implementation of the policies resolved. In general, the responsibilities of the Board include formulating operation plans and investment proposals of the Company, preparing the proposed and final annual budgets of the Company, assessing the performance of the Company and overseeing the work of senior management.

The Board comprises a total of eight Directors, being three executive Directors, two non-executive Directors (the"Non-executive Directors") and three independent non-executive Directors (the "Independent Non-executive Directors"). Mr. Tan Chuan Hua, Mr. Geng Chang Sheng and Mr. Tan Di Fu served as executive Directors; Mr. Tan Cao and Mr. Liu Chang served as Non-executive Directors and Madam Huang Zuoan, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald served as Independent Non-executive Directors. These Non-executive Directors and Independent Non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. Biographical details of and the relationship between the Directors are set out in the paragraph headed "Directors' And Senior Management's Biographies" of this report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the Year Under Review, four Board meetings were held and attendance of each Director at the Board meetings is set out in the paragraph headed "Board Committees" of this report.

All members of the Board fully understand their collective and individual responsibility for the Company's Shareholders, and will try their best to carry out their duties to make contributions to the Group's results.

Throughout the Year Under Review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) and 3.10A of the Listing Rules and has appointed three Independent Non-executive Directors, representing more than one-third of the number of Directors at the Board, with at least one Independent Non-Executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

Pursuant to the Articles of Association of the Company, one third of the Directors shall retire from office by rotation at each annual general meeting. Accordingly, Mr. Geng Chang Sheng, Mr. Tan Cao and Mr. Liu Chang shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, offer themselves for re-election.

BOARD COMMITTEES

The Board has formed three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Committees have been formed with specific written terms of reference in compliance with Appendix 14 to the Listing Rules which deal with their respective authorities and duties.

The Committees' terms of reference are reviewed and updated regularly to ensure they continue to be at the forefront of best practice and to ensure due compliance with the most updated rules and regulations. Copies of the terms of reference are available on the website of the Stock Exchange and the website of the Company.

Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

Members, duties and responsibilities of the committees are as follows:

AUDIT COMMITTEE

The Company established the Audit Committee on 17 November 2009 with written terms of reference in compliance with the CG Code. The Audit Committee has three members comprising all the Independent Non-executive Directors. Members of the Audit Committee include Madam Huang Zuoan, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald, in which Mr. Chau Kam Wing, Donald is the chairman of the Audit Committee.

The duties and responsibilities of the Audit Committee include:

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

During the Year Under Review, the Audit Committee had held two meetings. The attendance record of the committee members at these meetings are set out in the section headed "Board Meetings and Individual Attendance" of this report. The work performed by the Audit Committee during the Year Under Review included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2013, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2014 and the effectiveness of the internal control practices of the Group. The Audit Committee has also reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly.

The Audit Committee also carried out corporate governance functions during the Year Under Review, including developing and reviewing the Company's policies and practices on corporate governance and other duties prescribed under code provision D.3.1 of the CG Code.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 17 November 2009 with written terms of reference in compliance with the CG Code. The Remuneration Committee currently has three members, namely Madam Huang Zuoan, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald, all of whom are Independent Non-executive Directors. Mr. Chau Kam Wing, Donald is the chairman of the Remuneration Committee.

The duties and responsibilities of the Remuneration Committee include:

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

During the Year Under Review, the Remuneration Committee had held two meetings and all the members attended the meeting. The Remuneration Committee has considered the policy for the remuneration of Directors, the performance of Directors, and the terms of Directors' service contracts. The Remuneration Committee adopted the approach under Code Provision B.1.2(c)(ii) of the CG Code to make recommendation to the Board and review the remuneration packages of the individual Directors and senior management of the Company.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 28 March 2012 with written terms of reference, which was amended and adopted by the Board on 29 August 2013 and the contents of which are in compliance with the provisions of the CG Code. There are 3 members for the Nomination Committee which includes Madam Huang Zuoan, Mr. Yu Ming Yang and Mr. Chau Kam Wing, Donald who are all Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Chau Kam Wing, Donald.

The duties and responsibilities of the Nomination Committee includes:

- formulate nomination policy for consideration of the Board and implement the nomination policy laid down by the Board;
- consider the selection criteria of Directors, and develop procedures for the sourcing and selection of members of the Board to be elected by shareholders of the Company;
- identify and nominate candidates to fill causal vacancies of Directors for the Board's approval;
- review the structure, size and composition of the Board at least annually, considering inter alia the skills, knowledge and length of service, the breadth of expertise of the Board as a whole, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman, and the chief executive.

To comply with the new provisions in the CG Code on board diversity which became effective on 1 September 2013, the Nomination Committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service in related business areas of the Board members and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of gender, professional background, skills and knowledge.

During the Year Under Review, the Nomination Committee had held two meetings and all the members attended the meeting.

The work performed by the Nomination Committee during the Year Under Review included reviewing the established policy and procedure for the nomination and appointment of new Directors, reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy and assessing the independence of the Independent Non-executive Directors. The Nomination Committee, having reviewed the structure, size, composition and diversity of the Board including the gender, age, culture and educational background, professional experience and industry experience of each Director vis-a-vis the Group's business strategy as well as the structure for the rotation of Directors, considered that the existing arrangements were appropriate.

The work performed by the Nomination Committee during the Year Under Review also included the selection and recommendation of Madam Huang Zuoan as an Independent Non-executive Director of the Company.

BOARD MEETINGS AND INDIVIDUAL ATTENDANCE

It is proposed to hold Board meetings at least four times a year regularly. Notice is given to Directors at least fourteen days before a regular Board meeting. Directors will be given reasonable and practicable notification under relevant circumstance for any special Board meeting called.

Before each Board meeting, the Directors are provided with a detailed agenda and sufficient relevant information, so as to enable the Directors to make appropriate decisions in relation to the matters to be discussed therein. All Directors are given an opportunity to include matters of their concern in the agenda of the Board meeting. If any Director or any of his/her associate has material interests in any resolution of the Board meeting, such Director much abstain from voting and should not be counted in the quorum of the meeting.

Details of the attendance records of Directors on Board meetings and board committee meetings for the year ended 31 December 2014 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Tan Chuan Hua *(Chairman)*	4/4	—	—	—	1/1
Mr. Geng Chang Sheng	4/4	—	—	—	1/1
Mr. Tan Di Fu	4/4	—	—	—	1/1
Non-executive Directors					
Mr. Tan Cao	4/4	—	—	—	1/1
Mr. Liu Chang	4/4	—	—	—	1/1
Independent Non-Executive Directors					
Mr. Yu Ming Yang	4/4	2/2	2/2	2/2	1/1
Mr. Chau Kam Wing, Donald	4/4	2/2	2/2	2/2	1/1
Madam Du Xin Li *(retired on 22 May 2014)*	1/4	1/2	0/2	0/2	0/1
Madam Huang Zuoan *(appointed on 22 May 2014)*	3/4	1/2	2/2	2/2	1/1

TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. All Directors have been updated on the latest developments regarding the main board listing rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code effective from 1 April 2012 on Directors' training and have provided a record of the training they received to the Company. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge.

Name of Directors	Training received
Mr. Tan Chuan Hua	— Reading materials/attending external and in house seminars and programmes
Mr. Geng Chang Sheng	— Reading materials/attending external and in house seminars and programmes
Mr. Tan Di Fu	— Reading materials/attending external and in house seminars and programmes
Mr. Tan Cao	— Reading materials/attending external and in house seminars and programmes
Mr. Liu Chang	— Reading materials/attending external and in house seminars and programmes
Madam Huang Zuoan	— Reading materials/attending external and in house seminars and programmes
Mr. Yu Ming Yang	— Reading materials/attending external and in house seminars and programmes
Mr. Chau Kam Wing, Donald	— Reading materials/attending external and in house seminars and programmes

RESPONSIBILITIES OF THE DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the Financial Statements of the Group in accordance with the relevant laws and disclosure stipulations of the Listing Rules and ensuring that these statements give a true and fair view of the state of affairs of the Group, its results and cash flows for the relevant period. The Board also ensures the timely publication of the financial statements of the Group. The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

The responsibilities of the external auditors are to express an independent opinion on the Financial Statements prepared by the Directors based on their audit and to report their opinion solely to all the Shareholders, and for no other purpose. The statement of external auditor of the Company, Crowe Horwath (HK) CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" of this report.

REMUNERATION OF EXTERNAL AUDITORS

For the year ended 31 December 2014, the remuneration paid to the external auditors in Hong Kong and the PRC, for audit services totaled approximately RMB704,000 (equivalent to approximately HK$888,000).

For the year ended 31 December 2014, the total remuneration for the permissible non-audit services provided by the external auditors amounted to approximately RMB300,000 (equivalent to approximately HK$379,000), mainly represents remuneration for interim review services.

INTERNAL CONTROL AND INTERNAL COMPLIANCE GUIDELINES

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

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

For the year ended 31 December 2014, the Board had, through the Audit Committee's reviews, reviewed the findings of the external consultant, reviewed the Group's internal control procedures and compliance with the internal compliance guidelines and considered them having been effectively implemented and properly complied with.

COMPANY SECRETARY

Mr. Chan Hon Wan was appointed as the company secretary of the Company on 1 June 2008. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. He is responsible for ensuring a good information flow within the Board and the compliance of the board policy and procedures.

During the Year Under Review, Mr. Chan has confirmed that he has duly complied with the relevant requirement under Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training. His biographical details are set out in the paragraph headed "Directors' and Senior Management's Biographies" in this report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) has entered into a service agreement with the Company. The terms and conditions of such service agreements are briefly described as follows:

(a) Each service agreement in respect of Executive Directors is for a term of three years unless and until terminated by either party thereto giving to the other party not less than three months' prior written notice or terminated in accordance with the provisions set out in the respective service agreement after the first one year.

Each of the Executive Directors is entitled to their respective remuneration and benefits under statutory retirement scheme which have been agreed with the Company.

In addition, each of the Executive Directors may receive a discretionary bonus as the Board may suggest, the amount of which shall not exceed 5% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the remuneration committee of the Board.

(b) Each service agreement in respect of Non-executive Directors commenced on the Listing Date and is for a term of two years. Either party may terminate the appointment by giving to the other party no less than three months' prior written notice. Each of the Non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

(c) Each service agreement in respect of the Independent Non-executive Directors commenced on the Listing Date and is for a term of two years. Either party may terminate the appointment by giving to the other party not less than three months' prior written notice. Each of the Independent Non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

Save as disclosed herein, none of the Directors has entered into or has proposed to enter into any service agreements with the Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

COMMUNICATION WITH SHAREHOLDERS

Shareholders' communication policy

On 28 March 2012, the Board adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.ctans.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website at www.ctans.com;

(iv) Annual General Meeting and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

Extraordinary general meetings shall be convened on the written requisition of any one or more Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for proposing a person for election as a director

On 28 March 2012, the Board adopted a policy of procedures for proposing a person for election as a director. If a shareholder of the Company wishes to propose a person (other than a retiring Director) for election as a Director (the "Candidate") at a general meeting of the Company, he should:

(i) lodge a written notice of such proposal at the Company's head office in Hong Kong at Room 1009, 10/F, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong for the attention of the Company's company secretary, signed by the shareholder who should be qualified to attend and vote at the general meeting;

(ii) provide biographical details of the Candidate as set out in Rule 13.51(2)(a)-(x) of the Listing Rules; and

(iii) provide a written consent signed by the Candidate indicating his/her willingness to be elected.

The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the relevant general meeting appointed for such election and end on the date seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary whose contact address is Room 1009, 10/F, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

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

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

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

Hong Kong, 30 March 2015

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 50 to 54.

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend of HK32.28 cents per share for the financial year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2015, amounting to approximately HK$80,700,000 subject to the approval of the Company's annual general meeting to be held on Wednesday, 27 May 2015. The dividend payout ratio is 50% of the profit for the year or 53% of the distributable profit of the Company (after deducting the non-distributable statutory reserves of RMB7,273,000 for the year ended 31 December 2014). The above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2015.

CLOSURE OF THE REGISTER OF MEMBERS

To be eligible to attend and vote in the coming annual general meeting

The register of members of the Company will be closed from Friday, 22 May 2015 to Wednesday, 27 May 2015 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investors Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Thursday, 21 May 2015.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Tuesday, 2 June 2015 to Wednesday, 3 June 2015 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified for receiving the proposed final dividend, all share transfer documents must be lodged with the Company's share registrar, Tricor Investors Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Monday, 1 June 2015.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2014, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited on 29 December 2009, after deducting the related issuance expenses, amounted to approximately HK$132,900,000 (equivalent to approximately RMB116,800,000). As at 31 December 2014, the Group had used net proceeds of approximately RMB45,700,000, of which approximately RMB17,000,000 had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, approximately RMB16,500,000 for enhancement for sales network and sales support services, construction of production base and approximately 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 approximately RMB19,500,000 (HK$24,000,000) for setting up high-end home accessories shops in the PRC and the application of approximately 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 Company's shareholders.

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 31 December 2014, no share option was granted based on the Share Option Scheme.

REPORT OF THE DIRECTORS

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.

PUBLIC FLOAT

According to information disclosed publicly and as far as the Directors are aware, for the year ended 31 December 2014 and up to the date of this report, at least 25% issued shares of the Company was held by public shareholders.

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

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Consolidated Statement of Changes in Equity on page 55 and note 34 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Law"), amounted to approximately RMB78,456,000, of which approximately RMB64,425,000 (equivalent to approximately HK$80,700,000) has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

CHARITABLE DONATIONS

Charitable donations made by the Group for the year ended 31 December 2014 was RMB5,000 (2013: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2014 are set forth in note 16 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The fair value increase on investment properties arising on revaluation amounting to approximately RMB4,140,000 has been credited to the consolidated income statement. Details of movements in the investment properties of the Group are set out in note 18 to the consolidated financial statements of the Company for the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2014 are set out in note 20 to the financial statements.

DIRECTORS

The Directors of the Company during the financial year ended 31 December 2014 and up to the date of this report have been:

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. Yu Ming Yang
Mr. Chau Kam Wing, Donald
Madam Du Xin Li *(retired on 22 May 2014)*
Madam Huang Zuoan *(appointed on 22 May 2014)*

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors and senior management of the Company are set out in the "Biography of Directors and Senior Management" section on pages 23 to 26.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it has received from each Independent Non-executive Director a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers, based on the confirmations received, the Independent Non-executive Directors remain independent.

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee considers and makes recommendation to the Board on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

The Board determines the remuneration of the Directors on the basis of the Company's performance, together with the relevant Directors' qualifications, responsibilities, experience, contributions to and positions held with the Company. Details of the remuneration of the Directors are set out in note 10 to the financial statements.

The five highest paid individuals of the Group in the Year Under Review include 2 Directors (2013: 2 Directors). Details of the five highest paid individuals are set out in note 11 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) has entered into a service agreement with the Company. The terms and conditions of such service agreements are briefly described as follows:

(a) Each service agreement in respect of Executive Directors is for a term of three years unless and until terminated by either party thereto giving to the other party not less than three months' prior written notice or terminated in accordance with the provisions set out in the respective service agreement after the first one year.

Each of the Executive Directors is entitled to their respective remuneration and benefits under statutory retirement scheme which have been agreed with the Company.

In addition, each of the Executive Directors may receive a discretionary bonus as the Board may suggest, the amount of which shall not exceed 5% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the remuneration committee of the Board.

(b) Each service agreement in respect of Non-executive Directors commenced on the Listing Date and is for a term of two years. Either party may terminate the appointment by giving to the other party no less than three months' prior written notice. Each of the Non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

(c) Each service agreement in respect of the Independent Non-executive Directors commenced on the Listing Date and is for a term of two years. Either party may terminate the appointment by giving to the other party not less than three months' prior written notice. Each of the Independent Non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

For the Year Under Review, the annual basic salary payable to each of the Directors is as follows:

	RMB
Executive Directors	
Mr. Tan Chuan Hua *(Chairman)*	945,000
Mr. Geng Chang Sheng	88,000
Mr. Tan Di Fu	684,000
Non-executive Directors	
Mr. Tan Cao	88,000
Mr. Liu Chang	88,000
Independent Non-Executive Directors	
Mr. Yu Ming Yang	88,000
Mr. Chau Kam Wing, Donald	132,000
Madam Du Xin Li *(retired on 22 May 2014)*	44,000
Madam Huang Zuoan *(appointed on 22 May 2014)*	66,000

Each of the executive Directors will also be entitled to reimbursement of reasonable traveling, hotel, entertainment and other expenses properly incurred in the performance of his or her duties under the relevant service contract.

Save as disclosed herein, none of the Directors has entered into or has proposed to enter into any service agreements with the Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 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

(a) Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interest in the shares in 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.

(II) 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%

(b) **Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company**

As at 31 December 2014, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Number of shares	Position	Approximate percentage of shareholding
Tan Chuan Hua (Note 1)	Interest in a controlled Corporation	169,700,000	Long	67.88%
Fan Cheng Qin (Note 2)	Interest in a controlled Corporation	169,700,000	Long	67.88%
Lead Charm (Note 3)	Beneficial owner	169,700,000	Long	67.88%

Notes:

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

2. Fan Cheng Qin is deemed to be interested in 169,700,000 Shares held by Lead Charm by virtue of her 49% Interest in Lead Charm under Part XV of the SFO. Ms. Fan is a controlling shareholder within the meaning of the Listing Rules.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2014 are set out in note 38 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

PLEDGE OF ASSETS

As at 31 December 2014, the Group had pledged bank deposits to the bank in the total carrying amount of approximately RMB149,099,000 (as at 31 December 2013: approximately RMB71,700,000).

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. For the year ended 31 December 2014, the Group has bank borrowings of RMB134,114,000. 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 twelve months from the date of this report.

As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB258,825,000 (as at 31 December 2013: RMB355,245,000) mainly generated from operations of the Group and funds raised by the Company in 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 2.7% of the Group's total revenue and sales to the largest customer accounted for approximately 0.7% of the Group's total revenue for the year ended 31 December 2014. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 43.8% of the Group's total purchases and purchases from the largest supplier accounted for approximately 19.7% of the Group's total purchases for the year ended 31 December 2014.

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

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2014 are set out in note 2(n) to the financial statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 have been audited by Crowe Horwath (HK) CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

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

Hong Kong, 30 March 2015

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

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

We have audited the consolidated financial statements of Carpenter Tan Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 50 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2015

Betty P.C. Tse
Practising Certificate Number P03024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	5	298,269	280,913
Cost of sales		(101,937)	(92,596)
Gross profit		196,332	188,317
Other revenue and other net income	6	39,301	38,385
Administrative expenses		(31,916)	(31,090)
Selling and distribution expenses		(30,076)	(30,410)
Other operating expenses		(7,544)	(7,506)
Profit from operations		166,097	157,696
Finance costs	7	(1,514)	(557)
Profit before taxation	8	164,583	157,139
Income tax	9	(35,821)	(31,283)
Profit for the year		128,762	125,856
Attributable to			
Owners of the Company	14	128,762	125,856
Earnings per share	15		
Basic and diluted		RMB51.50 cents	RMB50.34 cents

The notes on pages 58 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
Profit for the year	**128,762**	125,856
Other comprehensive income for the year (after tax)		
Items that will not be reclassified 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	**(2,083)**	1,580
Total comprehensive income for the year	**137,201**	127,436
Attributable to		
Owners of the Company	**137,201**	127,436

The notes on pages 58 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	23,776	31,825
Prepaid lease payments	17	13,284	18,327
Investment properties	18	85,920	55,780
Intangible assets	19	—	—
Derivative financial instruments	22	1,144	—
Fixed deposit held at bank		127,756	—
Prepayment of acquisition of properties		33,556	33,556
		285,436	139,488
Current assets			
Prepaid lease payments	17	362	518
Inventories	21	77,783	58,322
Derivative financial instruments	22	542	—
Trade receivables	23	2,027	1,722
Other receivables, deposits and prepayments	24	23,331	15,029
Pledged bank deposits	25	149,099	71,700
Cash and cash equivalents	27	258,825	355,245
		511,969	502,536
Current liabilities			
Bank loans, secured	29	134,114	66,829
Trade payables	30	4,126	3,027
Other payables and accruals	31	29,934	33,524
Income tax payable	26(a)	19,071	8,149
		(187,245)	(111,529)
Net current assets		324,724	391,007
Total assets less current liabilities		610,160	530,495
Non-current liabilities			
Deferred tax liabilities	26(b)	30,606	25,182
Deferred income	32	812	847
		(31,418)	(26,029)
NET ASSETS		578,742	504,466

The notes on pages 58 to 121 form part of these financial statements.

	Notes	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	33	**2,200**	2,200
Share premium and reserves	34	**576,542**	502,266
TOTAL EQUITY		**578,742**	504,466

Approved and authorised for issue by the board of directors on 30 March 2015.

Tan Chuan Hua

Geng Chang Sheng

The notes on pages 58 to 121 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Investment in a subsidiary	20	47	47
Current assets			
Amounts due from subsidiaries	20	85,331	84,858
Cash and cash equivalents	27	57	297
		85,388	85,155
Current liabilities			
Amounts due to subsidiaries	28	8,080	7,821
Other payables and accruals	31	2,875	1,178
		(10,955)	(8,999)
Net current assets		74,433	76,156
NET ASSETS		74,480	76,203
CAPITAL AND RESERVES			
Share capital	33	2,200	2,200
Share premium and reserves	34	72,280	74,003
TOTAL EQUITY		74,480	76,203

Approved and authorised for issue by the board of directors on 30 March 2015.

Tan Chuan Hua **Geng Chang Sheng**

The notes on pages 58 to 121 form part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 33)	Share premium RMB'000 (Note 34(a))	Capital reserve RMB'000 (Note 34(b))	Statutory reserves RMB'000 (Note 34(c))	Other reserves RMB'000 (Note 34(d))	Property revaluation reserve RMB'000 (Note 34(e))	Currency translation reserve RMB'000 (Note 34(f))	Retained profits RMB'000	Total RMB'000
At 1 January 2013	2,200	114,674	2,767	117,512	17,738	1,723	(1,693)	185,184	440,105
Profit for the year	—	—	—	—	—	—	—	125,856	125,856
Exchange differences arising on translation of functional currency to presentation currency	—	—	—	—	—	—	1,580	—	1,580
Total comprehensive income for the year	—	—	—	—	—	—	1,580	125,856	127,436
Dividends	—	—	—	—	—	—	—	(63,075)	(63,075)
Transfer to reserve	—	—	—	11,334	—	—	—	(11,334)	—
At 31 December 2013	2,200	114,674	2,767	128,846	17,738	1,723	(113)	236,631	504,466
At 1 January 2014	2,200	114,674	2,767	128,846	17,738	1,723	(113)	236,631	504,466
Profit for the year	—	—	—	—	—	—	—	128,762	128,762
Surplus on revaluation of leasehold land and buildings held for own use	—	—	—	—	—	14,394	—	—	14,394
Deferred tax charge arising from revaluation surplus on leasehold land and building held for own use	—	—	—	—	—	(3,872)	—	—	(3,872)
Exchange differences arising on translation of function currency to presentation currency	—	—	—	—	—	—	(2,083)	—	(2,083)
Total comprehensive income for the year	—	—	—	—	—	10,522	(2,083)	128,762	137,201
Dividends	—	—	—	—	—	—	—	(62,925)	(62,925)
Transfer to reserve	—	—	—	7,273	—	—	—	(7,273)	—
At 31 December 2014	2,200	114,674	2,767	136,119	17,738	12,245	(2,196)	295,195	578,742

The notes on pages 58 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before taxation	**164,583**	157,139
Adjustments for:		
Interest expenses	**1,514**	557
Interest income	**(16,293)**	(13,582)
Change in fair value of investment properties	**(4,140)**	(8,450)
Loss/(Gain) on disposal of property, plant and equipment	**36**	(31)
Depreciation	**2,856**	3,050
Amortisation of prepaid lease payments	**400**	518
Fair value gain on derivative financial instruments	**(1,686)**	—
Provision for severance payments	**—**	2,375
Impairment on trade receivables	**3**	3
Write-down on inventories	**3,582**	2,590
Foreign exchange loss	**2,755**	—
Reversal of write-down on inventories	**—**	(3)
Government grant released from deferred income	**(35)**	(35)
Operating profit before working capital changes	**153,575**	144,131
Increase in inventories	**(23,043)**	(1,220)
Increase in trade receivables	**(308)**	(783)
Increase in other receivables, deposits and prepayments	**(413)**	(135)
Increase in trade payables	**1,099**	1,030
(Decrease)/increase in other payables and accruals	**(3,590)**	1,456
Cash generated from operations	**127,320**	144,479
Interest received	**8,404**	6,724
Interest paid	**(1,514)**	(557)
Income tax paid, net	**(23,347)**	(22,557)
Withholding tax paid	**—**	—
Net cash generated from operating activities	**110,863**	128,089
Investing activities		
Purchase of property, plant and equipment	**(2,018)**	(3,155)
Proceeds from disposal of property, plant and equipment	**384**	59
Prepayment for acquisition of properties	**—**	(33,556)
Increase in fixed deposit held at bank	**(130,511)**	—
Increase in pledged bank deposits	**(77,399)**	(71,700)
Net cash used in investing activities	**(209,544)**	(108,352)

The notes on pages 58 to 121 form part of these financial statements.

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Dividend paid		(62,925)	(63,075)
New bank loan raised		67,285	66,829
Net cash generated from financing activities		4,360	3,754
Net (decrease)/increase in cash and cash equivalents		(94,321)	23,491
Cash and cash equivalents at beginning of year		355,245	330,147
Effect of foreign exchange rate changes, net		(2,099)	1,607
Cash and cash equivalents at end of year	27	258,825	355,245

The notes on pages 58 to 121 form part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 June 2006 as an exempted company with limited liability under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 101-102, Yuhufengjing Building 53, No. 11 Dongchangzhong Road, Jurong City, Jiangsu Province, the People's Republic of China (the "PRC") respectively.

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

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in (i) design, manufacture and distribution of small size wooden handicrafts and accessories, including wooden combs, wooden mirrors, wooden box set and other wooden accessories and adornments, under the brand name of "Carpenter Tan"; (ii) the operation of a franchise and distribution network primarily in the PRC; and (iii) the operation of retail shops for direct sale of the Group's products in Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in RMB, rounded to the nearest thousand except for per share data.

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

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(h)).

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

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

Buildings	Over the shorter of the estimated useful life or the unexpired lease terms, being no more than 50 years after the date of completion
Leasehold improvements	Over the unexpired lease terms but not exceeding 5 years
Plant and machinery	5 to 10 years
Furniture and equipment	5 to 6 years
Motor vehicles	5 to 6 years

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Leased assets

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

i) Classification of assets leased to the Group

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

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

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

ii) Assets acquired under finance leases

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Leased assets *(Continued)*

iii) Operating lease charges

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

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

f) Investment properties

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

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

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

g) Intangible assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Impairment of assets

i) Impairment of receivables

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Impairment of assets *(Continued)*

ii) Impairment of other assets

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

— property, plant and equipment;

— prepaid lease payments for land classified as being held under operating lease;

— intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Impairment of assets *(Continued)*

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(h) (i) and (ii)).

i) Inventories

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

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

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

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

j) Trade and other receivables

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

k) Interest-bearing borrowings

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Trade and other payables

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

m) Cash and cash equivalents

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

n) Employee benefits

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

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

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the municipal government of the PRC where a group entity operates. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

(ii) Termination benefits

Termination benefits are recognised at the earlier date when the Group can no longer withdraw the offer of those benefits or when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) Income tax

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

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) Income tax *(Continued)*

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

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

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

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

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

  — the same taxable entity; or

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

p) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, provision for sales returns, value-added tax and sales tax.

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

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

(iii) Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income from operating leases is recognised on a straight-line basis over the period of the relevant leases.

(v) Value-Added Tax ("VAT") refund is recognised as income when the Group's rights to receive the VAT refund has been established.

r) Translation of foreign currencies

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Borrowing costs

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

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

t) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets as a reduction in the depreciation charge of the assets. Grants related to expense items are recognised in the same period as those expenses are charged to the profit or loss and are reported separately as other revenue and other net income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

v) Segment reporting

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

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

w) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

3. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HKAS(IFRIC) – Int 21	Levies

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Critical accounting judgement in applying the accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Prepaid lease payments

As disclosed in note 17(c), the PRC government issued a notice to the Group for the resumption of certain land use right in PRC and the Group will be compensated through an exchange with another piece of land. 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. Such resumption inherently involves uncertainties and depends on the decision of the relevant authorities. Actual result could be different significantly and hence the carrying amounts of prepaid lease payments could be affected.

(ii) Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from the subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the forseeable future, no withholding taxes are provided.

b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Depreciation and amortisation

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

(ii) Impairment on property, plant and equipment and prepaid lease payments

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

b) Key sources of estimation uncertainty *(Continued)*

(iii) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their open market value, which is assessed by independent qualified valuers, determined by making reference to comparable sales evidence as available in the relevant market or capitalised rents derived from the existing tenancies with taking into account reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices, market yield and market rents.

(iv) Write-downs of inventories

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

(v) Impairment on trade and other receivables

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

b) Key sources of estimation uncertainty *(Continued)*

(vi) Provision for sales returns

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

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

(vii) Income tax

The Group is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Deferred income tax liabilities on temporary differences relating to undistributed profits of the Group's subsidiaries in Mainland China are recognised to the extent that profits are expected to be distributed as the Company controls and pre-determines the dividend policy of these subsidiaries and management expects it is probable that profits will be partly retained and not distributed from these subsidiaries to their foreign holding companies in the foreseeable future. Management reassesses its expectation at each balance sheet date.

(viii) Fair value of derivative financial instruments

The fair value of derivative financial instruments which are not traded in an active market is determined by using valuation techniques. The Group engages third party qualified valuer to perform the valuation. The Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The valuation models require the input of subjective assumptions, including forward foreign exchange rates, and risk free rate etc. Changes in subjective input assumptions can materially affect the fair value estimate.

5. TURNOVER

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

	2014 RMB'000	2013 RMB'000
Sales of goods	297,614	279,838
Franchise fee income	655	1,075
	298,269	280,913

6. OTHER REVENUE AND OTHER NET INCOME

	2014 RMB'000	2013 RMB'000
Other revenue		
Government grants	250	139
Government grants released from deferred income	35	35
Interest income from financial assets not at fair value through profit or loss – bank interest income	16,293	13,582
PRC VAT refunds	10,932	11,016
Rental income from investment properties	5,177	4,424
Others	788	708
	33,475	29,904
Other income		
Gain on disposal of property, plant and equipment	—	31
Fair value gain on derivative financial instruments	1,686	—
Change in fair value of investment properties	4,140	8,450
	39,301	38,385

7. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank loans	1,514	557
Total interest expense on financial liabilities not at fair value through profit or loss	1,514	557

8. PROFIT BEFORE TAXATION

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

	2014 RMB'000	2013 RMB'000
a) Staff costs (including directors' emoluments)		
Salaries and other benefits	48,978	45,963
Contributions to retirement scheme	1,872	2,024
Total staff costs	50,850	47,987
b) Other items		
Auditor's remuneration	1,004	967
Amortisation of prepaid lease payments	400	518
Cost of inventories	101,937	92,596
Depreciation	2,856	3,050
Impairment on trade receivables	3	3
Loss/(Gain) on disposal of property, plant and equipment	36	(31)
Net foreign exchange loss	2,755	4
Operating lease rentals in respect of land and buildings	5,626	5,703
Provision for sales returns	3,648	5,675
Write-down of inventories	3,582	2,590
Reversal of write-down of inventories	—	(3)
Gross rental income from investment properties	(5,177)	(4,424)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	320	232
Direct outgoings incurred for investment properties that did not generate rental income during the year	70	5
Net rental income	(4,787)	(4,187)

Notes:

(i) Cost of inventories includes approximately RMB30,667,000 (2013: RMB25,581,000) relating to staff costs, depreciation and operating lease rentals, which are included in the respective total amounts disclosed separately above.

9. INCOME TAX

a) Taxation in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current tax		
PRC Enterprise Income Tax (notes 9(a) (i), (ii), (iii)and (iv))	23,431	22,554
Hong Kong profits tax (note 9(a) (vi))	—	—
Withholding tax on dividends (note 9(a) (vii))		
– Provision for the year (note 26(b))	7,158	3,312
– Under-provision in respect of prior years (note 9(a) (vii))	3,680	—
	34,269	25,866
Over provision in prior years, net		
PRC Enterprise Income Tax	—	(1)
Deferred tax		
Transfer to current tax upon distribution of dividends (note 26(b))	(7,158)	(3,312)
Provision for the year (note 9(a) (vii) and note 26(b))	8,710	8,730
Total	35,821	31,283

Notes:

(i) Chongqing Wanzhou District Zi Qiang Wood Works Co., Ltd ("Zi Qiang Wood Works"), a wholly-owned subsidiary of the Company, is a registered social welfare enterprise since 29 April 2004. Pursuant to the notice on preferential tax policies to social welfare enterprise issued by the State Administration of Taxation of the PRC (the "SAT"), Ministry of Finance of the PRC that, with effect from 1 October 2006, Zi Qiang Wood Works is entitled to income tax concessions on a double deduction of salaries paid to its employees with disabilities, and VAT refund which is equivalent to the number of employees with disabilities multiplied by a specified annual cap amount as determined by the SAT.

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

(ii) 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.

9. INCOME TAX *(Continued)*

a) Taxation in the consolidated statement of profit or loss represents: *(Continued)*

Notes: *(Continued)*

(iii) On 6 April 2012, the SAT issued notice No. 12 which specified that enterprises 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.

(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% (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 9(a) (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 years ended 31 December 2014 and 2013 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these years.

(vii) Under the Enterprise Income Tax Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

The Group enjoyed the reduced 5% tax rate prior to 31 December 2013. In 2014, the Group applied again for the reduced rate and was requested to meet certain additional review procedures that were not required in previous years. Due to uncertainty as to whether the Group is able to enjoy the reduced rate, the withholding tax is provided for at 10%, resulting in an additional provision of RMB15,930,000 and RMB3,680,000 for deferred tax liabilities on the undistributed profits of the PRC subsidiaries as at 31 December 2013 and current tax liabilities on the dividend declared by a PRC subsidiary in 2013 but not yet remitted before 31 December 2013.

In around the end of 2014, the Group reversed partly the provision for deferred liabilities of RMB8,662,000 in relation to the undistributed profits of the PRC subsidiaries that are not expected to be distributed in the foreseeable future.

As at 31 December 2014, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group's PRC subsidiaries amounted to RMB16,040,000 (2013: RMB15,930,000) which are expected to be distributed in the foreseeable future.

9. INCOME TAX *(Continued)*

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

	2014 RMB'000	2013 RMB'000
Profits before taxation	**164,583**	157,139
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**38,515**	39,742
Tax effect of non-deductible expenses	**582**	435
Tax effect of non-taxable incomes	**(498)**	(1)
Effect of tax concessions granted to a subsidiary (note 9(a) (i))	**(2,731)**	(2,272)
Effect of concessionary tax rate enjoyed by subsidiaries (note 9(a) (i), (ii) and (iii))	**(13,893)**	(13,561)
Unrecognised temporary differences	**1,468**	(505)
Unrecognised tax losses	**1,430**	1,119
Withholding tax on dividends (note 9(a) (vii))	**10,948**	6,327
Over provision in prior years	**—**	(1)
Actual tax expenses	**35,821**	31,283

10. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

For the year ended 31 December 2014

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits -in-kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Tan Chuan Hua (Note(b))	—	235	588	122	945
Geng Chang Sheng	88	—	—	—	88
Tan Di Fu	—	208	414	62	684
Independent non-executive directors					
Du Xin Li (retired on 22 May 2014)	44	—	—	—	44
Yu Ming Yang	88	—	—	—	88
Chau Kam Wing, Donald	132	—	—	—	132
Huang Zuoan (appointed on 22 May 2014)	66	—	—	—	66
Non-executive directors			—	—	
Tan Cao	88	—	—	—	88
Liu Chang	88	—	—	—	88
	594	443	1,002	184	2,223

10. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2013

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits -in-kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Tan Chuan Hua (Note(b))	—	236	542	79	857
Geng Chang Sheng	88	—	—	—	88
Tan Di Fu	—	208	382	79	669
Independent non-executive directors					
Du Xin Li	88	—	—	—	88
Yu Ming Yang	88	—	—	—	88
Chau Kam Wing, Donald	132	—	—	—	132
Non-executive directors					
Tan Cao	88	—	—	—	88
Liu Chang	88	—	—	—	88
	572	444	924	158	2,098

a) For the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration for the years ended 31 December 2014 and 2013.

b) Being the Executive Director, Chairman and Chief Executive Officer of the Group.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included two directors (2013: two) of the Company whose emoluments are disclosed in note 10 above. Details of the emoluments paid by the Group to the remaining three (2013: three) non-director individuals during the year are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and other allowances	**468**	466
Bonus	**872**	769
Retirement scheme contributions	**127**	211
	1,467	1,446

The emoluments fell within the following band:

	2014 **Number of individuals**	2013 Number of individuals
Nil up to HK$1,000,000 (equivalent to RMB792,000)	**3**	3

For the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about the components of the Group. This information is reported to and reviewed by the board of directors, which is the 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 broad range of sales of wooden handicrafts and accessories. Over 90% of the Group's turnover, results and assets are derived from a single segment which is manufacture and sales of wooden handicrafts and accessories. No segment information is presented accordingly.

The Group's turnover and results from operations mainly derived from activities in the PRC. Activities outside the PRC are insignificant. The principal assets of the Group are located in the PRC. Accordingly, no 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.

13. DIVIDENDS

i) Dividends payable to equity shareholders of the Company attributable to the year

	2014 RMB'000	2013 RMB'000
Final dividend of HK$32.28 cents, equivalent to RMB25.77 cents per ordinary share (2013: HK$32.02 cents, equivalent to RMB25.17 cents) proposed after the end of the reporting period	64,425	62,925

The directors recommend the payment of a final dividend of HK$32.28 cents, equivalent to RMB25.77 cents per ordinary share, totaling RMB64,425,000. Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 27 May 2015. These financial statements do not reflect this recommended dividend.

ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 RMB'000	2013 RMB'000
Final dividend of HK$32.02 cents, equivalent to RMB25.17 cents per ordinary share (2013: HK$31.26 cents, equivalent to RMB25.23 cents) in respect of the previous financial year, approved and paid during the year	62,925	63,075

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of approximately RMB61,025,000 (2013: profit of RMB59,665,000) which has been dealt with in the financial statements of the Company.

15. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings per share

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

(i) Profit attributable to owners of the Company

	2014 RMB'000	2013 RMB'000
Earnings used in calculating basic and diluted earnings per share (profit attributable to owners of the Company)	128,762	125,856

(ii) Weighted average number of ordinary shares

	Number of shares	
	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	250,000	250,000

b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the year. The diluted earnings per share is the same as the basic earnings per share during the years ended 31 December 2014 and 2013.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000 (note 16a)	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2013	17,399	8,273	15,165	4,999	3,807	2,050	51,693
Additions	—	883	513	673	169	917	3,155
Disposals	—	(58)	(109)	(96)	(211)	—	(474)
Transfer	—	430	621	38	—	(1,089)	—
Exchange adjustments	—	(49)	—	(10)	—	—	(59)
At 31 December 2013	17,399	9,479	16,190	5,604	3,765	1,878	54,315
At 1 January 2014	17,399	9,479	16,190	5,604	3,765	1,878	54,315
Additions	—	—	666	191	177	984	2,018
Disposals	—	(516)	(1,300)	(265)	(1,072)	—	(3,153)
Surplus on revaluation	793	—	—	—	—	—	793
Less: elimination of accumulated depreciation	(1,254)	—	—	—	—	—	(1,254)
Reclassified to investment properties	(7,600)	—	—	—	—	—	(7,600)
Transfer	—	399	322	15	—	(736)	—
Exchange adjustments	—	26	—	7	—	—	33
At 31 December 2014	9,338	9,388	15,878	5,552	2,870	2,126	45,152

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Buildings RMB'000 (note 16a)	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation							
At 1 January 2013	2,865	2,424	8,779	3,635	2,215	—	19,918
Charge for the year	390	477	1,253	474	456	—	3,050
Eliminated on disposals of assets	—	(58)	(109)	(89)	(190)	—	(446)
Exchange adjustments	—	(29)	—	(3)	—	—	(32)
At 31 December 2013	3,255	2,814	9,923	4,017	2,481	—	22,490
At 1 January 2014	3,255	2,814	9,923	4,017	2,481	—	22,490
Charge for the year	239	574	1,246	456	341	—	2,856
Eliminated on disposals of assets	—	(516)	(1,006)	(246)	(965)	—	(2,733)
Elimination on revaluation	(1,254)	—	—	—	—	—	(1,254)
Exchange adjustments	—	15	—	2	—	—	17
At 31 December 2014	2,240	2,887	10,163	4,229	1,857	—	21,376
Carrying amount							
At 31 December 2014	7,098	6,501	5,715	1,323	1,013	2,126	23,776
At 31 December 2013	14,144	6,665	6,267	1,587	1,284	1,878	31,825

Notes:

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

b) During the year ended 31 December 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, 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 values were determined by using Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential.

17. PREPAID LEASE PAYMENTS

	The Group Land use rights RMB'000 (Note 17b)
Cost	
At 1 January, 2013, 31 December 2013, 1 January 2014	22,773
Surplus on revaluation	13,601
Less: elimination of accumulated depreciation	(975)
Reclassified to investment properties	(18,400)
At 31 December 2014	16,999
Accumulated amoritsation	
At 1 January 2013	3,410
Amortisation for the year	518
At 31 December 2013	3,928
At 1 January 2014	3,928
Amortisation for the year	400
Elimination on revaluation	(975)
At 31 December 2014	3,353
Carrying amount	
At 31 December 2014	13,646
At 31 December 2013	18,845

17. PREPAID LEASE PAYMENTS *(Continued)*

Notes:

a) Analysed for reporting purposes as follows:

	2014 RMB'000	2013 RMB'000
Current portion	362	518
Non-current portion	13,284	18,327
	13,646	18,845

b) All the Group's land use rights are in the PRC and held under medium-term leases.

c) 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 rights of a piece of land in Chongqing City Wanzhou District (the "Land") having a carrying amount of RMB6,967,000 (2013: RMB7,128,000) as at 31 December 2014. The Group originally intended to erect a production complex on the Land but no construction activity has commenced up to the date of issue of the financial statements.

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 issue of the financial statements. 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 on the Land, there is no material adverse effect on the business operation and financial position of the Group.

d) During the year ended 31 December 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 16(b) 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.

18. INVESTMENT PROPERTIES

	The Group RMB'000
Fair value	
At 1 January 2013	47,330
Change in fair value	8,450
At 31 December 2013	55,780
At 1 January 2014	55,780
Reclassified from buildings	7,600
Reclassified from prepaid lease payments	18,400
Change in fair value	4,140
At 31 December 2014	85,920

a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

18. INVESTMENT PROPERTIES *(Continued)*

a) Fair value measurement of properties *(Continued)*

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group				
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	3,420	—	—	3,420
– Commercial – PRC	82,500	—	—	82,500

	Fair value at 31 December 2013 RMB'000	Fair value measurements as at 31 December 2013 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group				
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	3,280	—	—	3,280
– Commercial – PRC	52,500	—	—	52,500

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2014. The valuation was carried out by DTZ Debenham Tie Leung Limited, mentioned in note 16(b) above. The financial controller has discussion with the valuers on the valuation assumptions and valuation results as at 31 December 2014.

18. INVESTMENT PROPERTIES *(Continued)*

a) Fair value measurement of properties *(Continued)*

(ii) Information about Level 3 fair value measurements

Investment properties	Valuation techniques	Unobservable input	Range
Residential – PRC	Direct Comparison Approach	Price per square meter, using market direct comparables and taking into account of factors such as location condition, size of property and layout/design	RMB5,100 - RMB5,900 (2013: RMB4,000 - RMB5,000)
Commercial – PRC	Income Capitalisation Approach	Market yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition	7.5% (2013: 7.5% - 8.0%)
		Monthly market rent per square meter, taking into account of factors such as location condition, size of property and layout/design	RMB103 - RMB170 (2013: RMB105 - RMB156)

The fair value of investment properties located in the PRC is determined by using Direct Comparison 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 measurement is positively correlated to the price per square meter, market yield and monthly market rents.

18. INVESTMENT PROPERTIES *(Continued)*

a) Fair value measurement of properties *(Continued)*

(ii) Information about Level 3 fair value measurements (Continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Investment properties		
	Residential - PRC RMB'000	Commercial - PRC RMB'000	Total RMB'000
At 1 January 2013	3,130	44,200	47,330
Net gain from a fair value adjustment recognised in valuation gains on investment properties in profit or loss	150	8,300	8,450
At 31 December 2013 and 1 January 2014	3,280	52,500	55,780
Reclassification from buildings	—	7,600	7,600
Reclassification from prepaid lease payments	—	18,400	18,400
Net gain from a fair value adjustment recognised in valuation gains on investment properties in profit or loss	140	4,000	4,140
At 31 December 2014	3,420	82,500	85,920

All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

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

	The Group	
	2014 RMB'000	2013 RMB'000
Medium-term leases	85,920	55,780
Long-term leases	—	—
	85,920	55,780

18. INVESTMENT PROPERTIES *(Continued)*

c) Investment properties leased out under operating leases

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

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

The Group's total future minimum lease payments receivable under non-cancellable operating leases in respect of investment properties are disclosed in note 36(b) (ii).

19. INTANGIBLE ASSETS

	The Group Trademark RMB'000
Cost	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	1,037
Accumulated amortisation and accumulated impairment	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	1,037
Carrying amount	
At 31 December 2014	—
At 31 December 2013	—

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

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	RMB'000	RMB'000
Investment in unlisted shares at cost	**47**	47
Amounts due from subsidiaries	**85,331**	84,858
	85,378	84,905

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

The following list contains only the particulars of those subsidiaries which principally affect the results, assets and liabilities of the Group. The class of shares held, unless otherwise-stated, is ordinary.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest held by the Company Directly	Indirectly	Issued/ registered and fully paid-up capital	Principal activities	Legal form of corporate existence
Carpenter Tan (BVI) Holdings Group Co., Ltd ("CTBVI")	British Virgin Islands/ Hong Kong	100%	—	USD50,000	Investment holding	Private limited liability company
Hong Kong Carpenter Tan Company Limited ("CTHK")	Hong Kong	—	100%	HK$1	Investment holding	Private limited liability company
Carpenter Tan Development Company Limited ("CT Development")	Hong Kong	—	100%	HK$10,000	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company
Chongqing Carpenter Tan Handicrafts Co., Ltd ("Carpenter Tan")	The PRC	—	100%	RMB100,000,000	Design, manufacture and distribution of small size wooden handicrafts and accessories and the operation of a franchise network	Wholly foreign-owned enterprise
Chongqing Wanzhou District Zi Qiang Wood Works Co., Ltd ("Zi Qiang Wood Works")	The PRC	—	100%	RMB2,000,000	Manufacture of small size wooden handicrafts and accessories	Domestic enterprise
Beijing Carpenter Tan Handicrafts Company Limited ("Beijing Carpenter Tan")	The PRC	—	100%	RMB10,000,000	Property investment	Domestic enterprise
Jiangsu Carpenter Tan Tourism Development Company Limited ("Jiangsu Carpenter Tan")	The PRC	—	100%	RMB10,000,000	Distribution of small size wooden handicrafts and accessories through internet	Domestic enterprise

21. INVENTORIES

	The Group	
	2014 RMB'000	2013 RMB'000
Raw materials	45,106	28,442
Work-in-progress	10,974	9,047
Finished goods	21,703	20,833
	77,783	58,322

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	98,355	90,009
Write-down of inventories	3,582	2,590
Reversal of write-down of inventories	—	(3)
	101,937	92,596

During the year, the Group did not sell any inventories which had been written down in prior years. Therefore, none of the amount (2013: RMB3,000) written down in prior year was reversed in current year.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2014 RMB'000	2013 RMB'000
Derivatives:		
Non-current:		
Currency swaps (note 22(a))	1,119	—
Forward foreign exchange contracts (note 22(b))	25	—
	1,144	
Current:		
Currency swaps (note 22(a))	541	—
Forward foreign exchange contracts (note 22(b))	1	—
	542	—
	1,686	—

22. DERIVATE FINANCIAL INSTRUMENTS *(Continued)*

a) Currency swaps

The Group entered into a number of currency swap contracts in which the Group is obligated to exchange certain amount in RMB for the same in US$ at a specified rate (market rate), and use US$ to exchange back the same amount in RMB on a specified date at a specified rate. As at 31 December 2014, the Group had outstanding currency swap contracts to sell US$ for RMB with notional amount of US$5,067,405 and US$20,878,503 that will be matured at 19 January 2015 and 5 January 2016 respectively.

b) Forward foreign exchange contracts

Major terms of foreign currency forward contracts are as below:

Aggregate notional amount	Maturity	Forward exchange rate
US$459,277	5 January 2016	Sell US$/buy RMB at 6.3950
US$2,795	19 January 2015	Sell US$/buy RMB at 6.2457

23. TRADE RECEIVABLES

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. An ageing analysis of the trade receivables is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables	**2,028**	1,723
Less: Allowance for doubtful debts (note 23(b))	**(1)**	(1)
	2,027	1,722

23. TRADE RECEIVABLES *(Continued)*

a) Ageing analysis of trade receivables based on invoice date, which approximates the respective revenue recognition date, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
0 to 30 days	**1,943**	1,453
31 to 60 days	**8**	202
61 to 90 days	**18**	37
91 to 180 days	**20**	10
181 to 365 days	**17**	16
Over 1 year	**22**	5
	2,028	1,723

b) Movements in the allowance account for doubtful debts

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

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

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**1**	1
Impairment loss recognised	**3**	3
Receivables written off during the year as uncollectible	**(3)**	(3)
At 31 December	**1**	1

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

23. TRADE RECEIVABLES *(Continued)*

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

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Past due but not impaired		
1 to 30 days past due	**8**	202
31 to 60 days past due	**18**	37
61 to 150 days past due	**20**	10
151 to 365 days past due	**17**	16
More than 1 year past due	**22**	4
	85	269
Neither past due nor impaired	**1,942**	1,453
	2,027	1,722

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

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

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2014	2013
	RMB'000	RMB'000
Other receivables	**3,317**	3,186
Interest receivables on deposits at banks	**14,748**	6,859
Trade and other deposits	**1,963**	1,404
Prepayments	**1,610**	2,658
VAT and other non-income tax recoverable	**1,693**	922
	23,331	15,029

25. PLEDGED BANK DEPOSITS

The pledged bank deposits represent deposits pledged to a bank to secure standby documentary credit facilities granted to the Group by a bank. The standby documentary credit is used to support the bank loans amounting to approximately RMB134,114,000 (2013: RMB66,829,000) granted by another bank.

The interest rates on the deposits are 3.3% (2013: 3.3%) per annum.

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Provision for the year	**23,431**	22,554
Overprovision in prior years, net	—	(1)
Withholding tax on dividend	**10,838**	3,312
	34,269	25,865
Tax paid	**(23,347)**	(22,557)
	10,922	3,308
Balance of provision for income tax related to prior years	**8,149**	4,841
Net income tax payable	**19,071**	8,149

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

b) Deferred tax liabilities recognised:

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

	The Group			
	Revaluation surplus of land and buildings RMB'000	Fair value changes in investment properties RMB'000	Withholding tax on dividends RMB'000	Total RMB'000
At 1 January 2013	574	6,275	12,915	19,764
Release upon distribution of dividends (note 9(a))	—	—	(3,312)	(3,312)
Charge to consolidated statement of profit or loss for the year (note 9(a))	—	2,403	6,327	8,730
At 31 December 2013	574	8,678	15,930	25,182
At 1 January 2014	574	8,678	15,930	25,182
Release upon distribution of dividends (note 9(a))	—	—	(7,158)	(7,158)
Charged to other comprehensive income	3,872	—	—	3,872
Charge to consolidated statement of profit or loss for the year (note 9(a))	—	1,442	7,268	8,710
At 31 December 2014	4,446	10,120	16,040	30,606

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB24,577,000 (2013: RMB23,044,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming one to five years, except for an amount of RMB8,579,000 (2013: RMB12,488,000) which do not expire under current tax legislation.

d) Deferred tax liabilities not recognised

As at 31 December 2014, temporary difference relating to the undistributed profits of subsidiaries that is not probable to be distributed in the foreseeable future amounted to RMB221,250,000 (2013: RMB2,900,000) and the related deferred tax liabilities amounted to RMB22,125,000 (2013: RMB145,000). These deferred tax liabilities that would be payable on the distribution of these retained profits have not been recognised as the Group controls the dividend policy of these subsidiaries and it has been determined that it is not probable to distribute these profits in the foreseeable future.

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**258,825**	355,245	**57**	297

Bank balances carry interest at market rates ranging from 0.35% to 5.0% (2013: 0.35% to 4.4%).

As at 31 December 2014, the balances that were placed with banks in the PRC amounted to RMB256,504,000(2013: RMB350,531,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

28. AMOUNTS DUE TO SUBSIDIARIES

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

29. BANK LOANS, SECURED

	The Group	
	2014	2013
	RMB'000	RMB'000
Bank loans repayment within 1 year, secured	**134,114**	66,829

All bank loans were denominated in HK$. The balance as at 31 December 2014 is secured by standby documentary credit facilities of the Group. The standby documentary credit facilities are supported by bank deposits amounting to RMB149,099,000 (2013: RMB71,700,000) (note 25). These bank borrowings bore interest of effective rates from 1.22% to 2.39% (2013: 1.55% to 2.39%).

30. TRADE PAYABLES

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

	The Group	
	2014	2013
	RMB'000	RMB'000
0 to 30 days	**2,540**	2,354
31 to 60 days	**412**	143
61 to 90 days	**173**	207
91 to 180 days	**630**	52
181 to 365 days	**177**	153
Over 1 year	**194**	118
	4,126	3,027

31. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Dividend payables	**1,597**	—	**1,597**	—
Other payables and accruals	**13,556**	13,731	**1,278**	1,178
Provision for sales returns (note 31(a))	**5,675**	5,675	**—**	—
Provision for severance payment (note 31(b))	**—**	2,375	**—**	—
VAT and other non-income tax payables	**1,414**	3,719	**—**	—
Trade deposits received	**7,692**	8,024	**—**	—
	29,934	33,524	**2,875**	1,178

31. OTHER PAYABLES AND ACCRUALS *(Continued)*

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

	2014 RMB'000	2013 RMB'000
At 1 January	**5,675**	5,675
Utilised during the year	**(3,648)**	(5,675)
	2,027	–
Charge for the year	**3,648**	5,675
At 31 December	**5,675**	5,675

The provision for sales returns is estimated based on the expected total sales returns for the year less the actual sales returns already taken place. The franchisees of the Group are allowed to return eligible products within one year from the date of purchase from the Group.

(b) A reconciliation of the provision for severance payments is as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	**2,375**	—
Charge for the year	—	2,375
Utilised during the year	**(2,375)**	—
At 31 December	—	2,375

The Group intended to relocate its headquarter management centre's office from Chongqing to Juyong City in 2014. The provision for severance payments is estimated based on the expected amount of severance payments to employees upon expiry or cancellation of employment contract as stated in PRC Labour Contract Law with effective from 1 January 2008 and revised on 1 July 2013. The Group paid the severance payments to relevant employees in 2014.

32. DEFERRED INCOME

Deferred income represents government grants received by the Group. The grants aimed to subsidise the Group for purchasing certain property, plant and equipment. Government grants are recognised as income over the useful lives of the relevant assets. During the year, the entire grant was spent for its intended purpose and the deferred income of RMB35,000 (2013: RMB35,000) was released to profit or loss.

33. SHARE CAPITAL

The Company

	Number of shares	Amount HK$'000	Amount equivalent to RMB$'000
Ordinary shares of HK$0.01			
Authorised:			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	10,000,000,000	100,000	87,926
Issued and fully paid:			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	250,000,000	2,500	2,200

(a) Authorised share capital of the Company

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

(b) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged over the year.

The capital structure of the Group consists of (i) net debts, comprising long-term payable and proposed final dividends deducting cash and cash equivalents; and (ii) equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings, less proposed final dividends.

33. SHARE CAPITAL *(Continued)*

(b) Capital management *(Continued)*

The directors of the Company review the capital structure periodically. The Group considers the cost of capital and risks associated with the capital and will balance its overall capital structure through new share issues of the Company, distribution of dividends, repayment of debts as well as the raising of new debts.

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

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

	2014 RMB'000	2013 RMB'000
Current liabilities		
Bank loans, secured	**134,114**	66,829
Total debt	**134,114**	66,829
Less: Cash and cash equivalents	**(258,825)**	(355,245)
Net debt	**N/A**	N/A
Total equity	**578,742**	504,466
Net debt to equity ratio	**N/A**	N/A

34. RESERVES

The Group

The capital and reserves of the Group attributable to the owners of the Company are set out in the consolidated statement of changes in equity on page 55.

The Company

	Attributable to owners of the Company			
	Share premium RMB'000 (note a)	Currency translation reserve RMB'000 (note f)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	114,674	(5,591)	(30,908)	78,175
Profit for the year	—	—	59,665	59,665
Exchange differences arising on translation of functional currency to presentation currency	—	(762)	—	(762)
Total comprehensive income for the year	—	(762)	59,665	58,903
Dividends	—	—	(63,075)	(63,075)
At 31 December 2013	114,674	(6,353)	(34,318)	74,003
At 1 January 2014	**114,674**	**(6,353)**	**(34,318)**	**74,003**
Profit for the year	—	—	**61,025**	**61,025**
Exchange differences arising on translation of functional currency to presentation currency	—	**177**	—	**177**
Total comprehensive income for the year	—	**177**	**61,025**	**61,202**
Dividends	—	—	**(62,925)**	**(62,925)**
At 31 December 2014	**114,674**	**(6,176)**	**(36,218)**	**72,280**

34. RESERVES *(Continued)*

The Company *(Continued)*

Notes:

a) **Share premium**

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

b) **Capital reserve**

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

c) **Statutory reserves**

The statutory reserves include the following reserves in the PRC:

i) Statutory surplus reserve

The PRC subsidiaries of the Group are required to transfer 10% of the profit after tax, as determined under the PRC accounting rules and according to their articles of association, to the statutory surplus reserve until the balance reaches 50% of their registered capital. The transfer to this reserve must be made before distributing dividends to shareholders. The reserve can be used to make up previous years' losses, expand existing operations or convert into additional capital of the subsidiaries. In 2010, the Company's wholly-owned subsidiary, Carpenter Tan, increased its registered capital to RMB100,000,000. An additional amount of RMB Nil (2013: RMB4,153,000), was transferred to this reserve in accordance with the provisions set above. Other subsidiaries, Jiangsu Carpenter Tan and Beijing Carpenter Tan had profit in the current year. RMB569,000 (2013: RMB421,000) and RMB199,000 (2013: RMB205,000), being 10% of their respective profit before appropriation for the year was transferred to this reserve. As the other PRC subsidiaries of the Group either had a loss for the years ended 31 December 2013 and 2014 or their respective statutory surplus reserves have reached 50% of their respective registered capital, these subsidiaries did not make any transfer of their profit to this reserve for the years ended 31 December 2013 and 2014 accordingly.

ii) Enterprise development and staff welfare funds

Pursuant to regulations in the PRC, the Company's wholly-owned subsidiary Zi Qiang Wood Works, which is registered as a social welfare enterprise in the PRC, is required to transfer 50% and 20% of its tax concessions of value-added tax, as further detailed in note 9a(i), to the enterprise development fund and staff welfare fund respectively. The transfer to these funds must be made before distributing dividends to shareholders. The funds can be used for the enterprise development and the staff welfare only and are not available for distribution to shareholders. The Group transferred approximately RMB6,505,000 (2013: RMB6,555,000) of its net profit to these funds for the year ended 31 December 2014.

d) **Other reserves**

Other reserves represent the difference between the consideration for the acquisition of the subsidiaries paid by the Group and the nominal value of the paid-up capital of the subsidiaries.

e) **Property revaluation reserve**

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in notes 2(d) and (e).

34. RESERVES *(Continued)*

The Company *(Continued)*

Notes: *(Continued)*

f) **Currency translation reserve**

Currency translation reserve comprises all foreign exchange differences arising from the translation of functional currency to presentation currency of operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 2(r).

g) **Distributable reserves**

Distributable reserves of the Company as at 31 December 2014 was RMB78,456,000 (2013: RMB 80,356,000).

35. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade receivables	**2,027**	1,722	—	—
Other receivables	**18,065**	10,045	—	—
Amounts due from subsidiaries	—	—	**85,331**	84,858
Pledged bank deposits	**149,099**	71,700	—	—
Fixed deposit held at bank	**127,756**	—	—	—
Cash and cash equivalents	**258,825**	355,245	**57**	297
Loans and receivables (including cash and cash equivalents)	**555,772**	438,712	**85,388**	85,155
Derivative financial instruments	**1,686**	—	—	—
Financial assets at fair value through profit or loss	**1,686**	—	—	—
Financial liabilities				
Trade payables	**4,126**	3,027	—	—
Other payables	**15,153**	13,731	**2,875**	1,178
Amounts due to subsidiaries	—	—	**8,080**	7,821
Bank loans, secured	**134,114**	66,829	—	—
Financial liabilities at amortised cost	**153,393**	83,587	**10,955**	8,999

35. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies

Details of the Group's financial instruments as stated in note 35(a) are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Currency risk

Certain subsidiaries of the Group have foreign currency bank balances and cash, trade and other receivables and payables, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arise.

In order to mitigate the currency risk, the Group has entered into forward foreign exchange contracts to partically hedge US$ against RMB. Details of the contracts are set out in note 22. The Group regularly reviews the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows. The Company's assets and liabilities are mainly denominated in HK$ and the Company conducts its business transactions principally in HK$. Therefore, the directors consider that the company does not have significant currency risk.

The Group

	2014	2013
	RMB'000	RMB'000
Assets		
HK$	—	1,767
US$	**159,364**	990
Euro	**137**	117
	159,501	2,874
Liabilities		
HK$	—	—
US$	—	—
Euro	—	—
	—	—

35. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to currency risks in respect of transactions during the year and balances maintained in Hong Kong Dollars ("HK$"), United States Dollars ("US$") and Euro ("Euro").

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for a 5% change in foreign currency rates. A positive number indicates an increase in profit where RMB weaken against the relevant foreign currencies. For a 5% strengthening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit and other components of equity, and the balance below would be negative.

The Group

	Effect on profit after tax and retained profits	
	2014	2013
	RMB'000	RMB'000
HK$	—	88
US$	**7,968**	50
Euro	**7**	6
	7,975	144

35. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

ii) Interest rate risk

The Group is exposed to interest rate risk mainly from bank deposits (see note 25 and 27) and bank loans (see note 29) of the Group. Bank deposits and bank loans at fixed rates and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate exposures should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates of bank deposits and bank loans of the Group and the Company. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used, which represents management's assessment of reasonably possible changes in interest rates.

If interest rates had been 100 basis point higher and all other variables were held constant, the Group's and the Company's profit for the year ended 31 December 2014 and the retained earnings as at the reporting date would increase by approximately RMB2,513,000 and RMB1,000 respectively (2013: RMB2,867,000 and RMB3,000). An equal and opposite impact on the Group's and the Company's profit for the respective years would result if the interest rates had been 100 basis points lower.

35. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

iii) Credit risk

The Group

The management considers the credit risk exposure of the Group's trade receivables is low as sales are generally settled before delivery of goods or within 30 days. The directors of the Company review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk in respect of its trade and other receivables, with exposure spread over a large number of counterparties and customers. The credit risk in liquid funds is limited because the counterparties are banks with high credit ratings.

The Company

The directors consider that there is no significant credit risk on receivables from certain subsidiaries given their strong financial background and good credibility.

iv) Liquidity risk

The Group's liquidity position is monitored closely by the directors of the Company. In managing liquidity risk, the Group monitors and maintains a level of cash and cash equivalents adequate for the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group mainly relies on internally generated funds and banking facilities as the principal sources of liquidity.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

35. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

iv) *Liquidity risk (Continued)*

The Group

	Weighted average effective interest rate RMB'000	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2013							
Bank loans, secured	1.55% - 2.39%	66,829	—	—	—	66,829	66,829
Trade payables	—	3,027	—	—	—	3,027	3,027
Other payables	—	13,731	—	—	—	13,731	13,731
		83,587	—	—	—	83,587	83,587
At 31 December 2014							
Bank loans, secured	1.22% - 2.39%	134,114	—	—	—	134,114	134,114
Trade payables	—	4,126	—	—	—	4,126	4,126
Other payables	—	15,153	—	—	—	15,153	15,153
		153,393	—	—	—	153,393	153,393

35. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

iv) *Liquidity risk (Continued)*

The Company

	Weighted average effective interest rate RMB'000	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2013							
Amounts due to subsidiaries	—	7,821	—	—	—	7,821	7,821
Other payables	—	1,178	—	—	—	1,178	1,178
		8,999	—	—	—	8,999	8,999
At 31 December 2014							
Amounts due to subsidiaries	—	8,080	—	—	—	8,080	8,080
Other payables	—	2,875	—	—	—	2,875	2,875
		10,955	—	—	—	10,955	10,955

c) Fair value

Other than derivative financial instruments, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities, recorded at amortised cost, in the consolidated financial statements approximate their fair values.

35. FINANCIAL INSTRUMENTS *(Continued)*

c) Fair value *(Continued)*

Fair value hierachy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is,. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Recurring fair value measurement				
Assets				
Derivative financial instruments:				
– Currency swaps	1,660	—	1,660	—
– Forward foreign exchange contracts	26	—	26	—

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of currency swaps and forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government bond yield as at the end of the reporting period plus an adequate constant credit spread.

36. COMMITMENTS

a) Capital commitments

At 31 December 2014, capital commitments not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Contracted but not provided for in respect of		
– property, plant and equipment	—	21

b) Operating lease commitments

i) At 31 December 2014, the total future minimum lease payables under non-cancellable operating leases in respect of premises are as follows:

	2014	2013
	RMB'000	RMB'000
Within one year	3,468	4,373
After one year but within five years	2,924	2,650
	6,392	7,023

Operating lease payments represent rentals payable by the Group for certain of its office and retail shops. Leases are negotiated for terms ranging from 1 to 5 years.

The above lease commitments represent basic rents only and do not include contingent rental payable in respect of retail shops leased by the Group. In general, these contingent rents are calculated with reference to 15% to 20% of the retail shop's turnover using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rental payable. No contingent rent was paid during the year.

(ii) The Group leases out investment properties under operating lease. The leases were negotiated for terms ranging from 1 to 5 years. None of the lease include contingent rental. At 31 December 2014, the total future minimum lease payments receivable under non-cancellable operating leases in respect of premises are as follows:

	2014	2013
	RMB'000	RMB'000
Within one year	4,506	3,176
After one year but within five years	9,695	1,659
	14,201	4,835

37. RELATED PARTY TRANSACTIONS

Key management compensation

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

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**3,379**	3,175
Post-employment benefits	**311**	369
	3,690	3,544

Notes: The remuneration were based on the terms mutually agreed between the Group and the related parties. In the opinion of the Company's directors, these related party transactions were conducted in the ordinary course of business of the Group.

38. ULTIMATE HOLDING COMPANY

At 31 December 2014, the directors consider the immediate parent and ultimate holding company of the Company to be Lead Charm Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Tan Chuan Hua. This entity does not produce financial statements available for public use.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

The following table summarizes the consolidated results of the Group for the five years ended 31 December:

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**298,269**	280,913	271,966	244,001	189,418
Profit before taxation	**164,583**	157,139	142,291	131,358	85,592
Income tax	**(35,821)**	(31,283)	(16,129)	(37,788)	(19,468)
Profit for the year	**128,762**	125,856	126,162	93,570	66,124
Attributable to					
Owners of the Company	**128,762**	125,856	126,162	93,570	66,124
Assets and liabilities					
Total assets	**797,405**	642,024	497,282	415,455	339,397
Total liabilities	**(218,663)**	(137,558)	(57,177)	(54,392)	(38,088)
Equity attributable to owners of the Company	**578,742**	504,466	440,105	361,063	301,309