譚木匠控股有限公司*

CARPENTER TAN HOLDINGS LIMITED

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

2019
ANNUAL REPORT

*For identification purpose only

CONTENTS

芭蕉惹雨

Corporate Information

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Mr. Tan Chuan Hua *(Chairman)*
Mr. Tan Di Fu
Mr. Tan Lizi

NON-EXECUTIVE DIRECTORS

Madam Tan Yinan
Madam Huang Zuoan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Kam Wing, Donald
Mr. Yang Yang
Madam Liu Liting

MEMBERS OF THE AUDIT COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yang Yang
Madam Liu Liting

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yang Yang
Madam Liu Liting

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Chau Kam Wing, Donald *(Chairman)*
Mr. Yang Yang
Madam Liu Liting

COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

AUTHORISED REPRESENTATIVES

Mr. Chan Hon Wan *CA*
Mr. Tan Lizi

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837

COMPANY WEBSITE

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Financial Highlights

	For the year ended 31 December		Changes
	2019	2018	Increase/
	RMB'000	RMB'000	(decrease)
Financial Highlights			
Revenue	**336,538**	312,274	7.8%
Cost of sales	**(135,685)**	(123,598)	9.8%
Gross profit	**200,853**	188,676	6.5%
Profit before taxation	**154,344**	144,162	7.1%
Profit attributable to owners of the Company	**122,484**	114,510	7.0%
Basic earnings per share (RMB cents)	**49.25**	46.04	7.0%
Proposed final dividend per share (HK cents)	**28.04**	25.86	8.4%
Proposed special dividend per share (HK cents)	**–**	25.86	N/A

	As at 31 December		Changes Increase/
	2019	2018	(decrease)
Liquidity and Gearing			
Current ratio(1)	**2.78**	7.96	(65.1)%
Quick ratio(2)	**2.14**	5.97	(64.2)%
Asset-liability ratio(3)	**N/A(4)**	N/A(4)	N/A

Notes:

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

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

(3) Asset-liability ratio is calculated as total bank borrowings divided by total assets and multiplied by 100%.

(4) As at 31 December 2019 and 2018, the Group did not have any bank borrowings. The calculation of asset-liability ratio is not meaningful.

Chairman's statement

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "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 2019 (the "Year Under Review") to the shareholders (the "Shareholders") and potential investors for your review.

The sudden epidemic has disrupted the lives of every Chinese, especially the compatriots in Hubei, who have experienced the darkest moment in their lives. I feel very grieved about this and sincerely hope those compatriots get over the epidemic as soon as possible.

As a consumer product brand, Carpenter Tan has inevitably suffered the impact of the epidemic. I can tell you, however, with certainty and responsibility that Carpenter Tan will not be struck down by the epidemic, and that every difficulty will temper us and make Carpenter Tan stronger. This epidemic made us more clearly aware of the advantages and trends of e-commerce, so that we will speed up the construction and operation of omni-channel on-line electronic retail systems.

In these times of hardship, I wish to thank all my fellow Directors at the Board, the management and all staff sincerely for their devotion. I also wish to express my heartfelt gratitude to our Shareholders and our investors for their long-term trust, support and understanding. Carpenter Tan has always been committed to being a good enterprise. The Group will continue to uphold the practical and innovative principles in its business development and make every endeavour to achieve better performance, better products, better brand image and better results, thus bringing more desired returns for Shareholders and investors in the future. Thank you!

Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 30 March 2020

Management Discussion and Analysis

Management Discussion and Analysis

MANAGEMENT REVIEW

2019 is the year of exploration of new core brand values for Carpenter Tan, which exhibits more glamour as well. Carpenter Tan has carried out “Comb Passion Garden” itinerant exhibitions in four cities to coincide with various festivals and emotional themes. We facilitated users’ interaction with the brand through live experiences and emotional exchanges. The year’s Carpenter Tan Wood Art Exhibition, focusing on the brand, quality and taste, was held at the Hangzhou Grand Canal. We continue to work hard in strengthening its brand concept. The membership system was successfully launched, and the new official website was put into use. The brand’s focus has changed from idea development to practical implementation. Research and development of products has improved. Online and offline marketing continued to innovate on the basis of a solid foundation. Substantial progress has been made in overseas expansion. The image and packaging of stores continues to be enhanced. While delivering on an emotional connection, we are proactively looking for new publicity channels and methods to edge into the young consumers and strengthen brand recognition.

Nevertheless, we shall bear in mind to enhance the sense of value of team building with simple style and pragmatic attitude. Facing rapid external changes, Carpenter Tan is firmly committed to keeping its own track while seeking new ideas and approaches in light of changes in the market. We will strive to build Carpenter Tan as a good enterprise respected by the society for its renowned brand of practical handicrafts based on wood.

We believe that Carpenter Tan will stride further and grow better in the way of self-strengthening, self-reliance, self-confidence and self-introspection.

1. Offline Business

(I) Domestic Business

During the Year Under Review, our sales and marketing department experienced personnel changes and restructuring. The former online sales and marketing controller, Ms. Liu Kejia was promoted as vice president who is now responsible for both online and offline sales and marketing departments. Employees left and joined the offline marketing department in the first half of the year. Nevertheless, the offline marketing department continued to present stable performance after experiencing personnel changes and restructuring. As at 31 December 2019, Carpenter Tan had 1,242 franchised stores in China, 7 franchised stores in other countries and regions, 3 directly self-operated stores in China and Hong Kong, respectively.

Franchised stores and overseas stores (counters):

	31 December 2019		31 December 2018	
	Franchised stores	Directly self-operated stores	Franchised stores	Directly self-operated stores
Mainland China	**1,242**	**3**	1,216	1
Hong Kong	**–**	**3**	–	3
Other countries and regions	**7**	**–**	6	–
Total	**1,249**	**6**	1,222	4

Number of franchised stores distribution in China as at 31 December 2019

Type of Stores	Number of franchised store	Percentage
Shopping mall	638	51.4%
Street shop	378	30.4%
Department store	102	8.2%
Supermarket	57	4.6%
Scenic spot	30	2.4%
Transportation hub	24	1.9%
Hotel	2	0.2%
Others	11	0.9%
Total	1,242	100.0%

For the year ended 31 December 2019, the main tasks of the sales and marketing departments include:

Focus on business expansion

The target for expansion is very clear. As at 31 December 2019, shopping mall stores accounted for 51.4% of the total number of franchised stores; and accounted for 83.1% of the new stores opened during the Year Under Review, the ratio of the image stores of the third generation reached 79.4%. Compared with channels expansion, the operational performance of the franchised stores is behind the pace. The improvement of the opening new stores and day-to-day management of stores will still be the focus for the coming year.

Product IP cooperation

During the Year Under Review, the focus of products was put on IP cooperation. In January, May, June and December, respectively, a total of 22 Disney China authorised design products were launched. By the end of November, the sales reached 60,761 boxes which amounted to RMB17.5 million. Product design is more consumer-oriented that functions, user groups and scenarios shall be considered more and the value-added services supporting products shall be improved. In the future, more consideration will be given to the quality of products. As we strive to create popular products, we will review the previous classic products for reshaping.

Raising awareness of brand image

In 2019, we launched the Carpenter Tan membership system with an aim to strengthen interaction between the Company and our members, to cultivate loyal customers and increase customer stickiness. On top of enhancing our brand concept, we continued to enrich and enhance our store image. While ensuring the speed and quality of decoration for franchised stores, we added displays of various materials and sizes in the store, increased product displays area and showcase designs to improve the overall effect of the store by improving the current unaesthetic and improper designs. It is expected that in 2020, a brand new store design will be developed in cooperation with Japanese designers, and the design and production of new image will be completed as scheduled.

Diversified training

Various training models took place in the year of 2019 in the forms of regional routine training, the tailor-made courses for large store managers and storekeeper training camps. A total of 27 multi-level face-to-face trainings for store assistants, store managers and store owners, and 21 national live trainings on YY.com were organised, with more than 2,000 persons trained. In order to get assistants in all the franchised stores nationwide work with the Company to promote the brand image, the improvement and transformation of training content will be one of the priorities in the coming year.

Emphasis on festival marketing

Carpenter Tan attaches great emphasis on “companionship” and spreading “beautiful passion”. We plan our publicity programs and products to fit closely with the passion element of festivals to offer personalised and value-added support services at specific festival times. We also formulated a stock pre-ordering and replenishment procedure for the presale of new products at franchised stores, forecasting on customer needs and meeting market demand in advance.

Directly self-operated stores and group purchase business

The Group continued to explore, study and summarise the most suitable operating model and methods for Carpenter Tan's store through operating the three directly self-operated stores in Jurong, Suzhou and Changzhou, providing guidance to franchised stores on standardised operation and management.

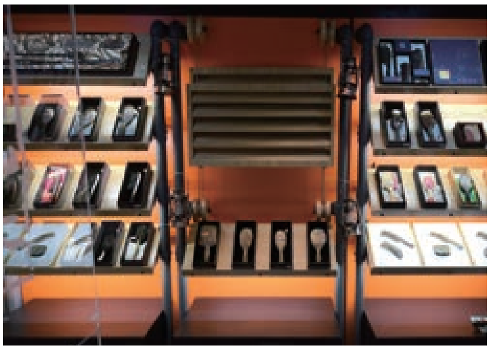
In 2019, Carpenter Tan continued to ramp up efforts on its group purchase business. The Company reached agreements on group purchases with Dr Plant and CNPC in the first half of the year. The group purchase policy was released in August 2019, adjusting group purchase discounts, and providing group purchase incentives to external parties, so as to stimulate growth in the group purchase business. For the year ended 31 December 2019, the external group purchase sales grew at a rate of 79.3%.

Make "every comb" good

For the year ended 31 December 2019, the POS sales for our offline business reached 97.5% of the planned target, slightly increased by 1.1% when compared to last year, and the same store's performance delivered a slight increase as well. There is still much room to be improved for brand building. We need to go the extra miles to improve the quality of the stores, continue to promote the brand awareness, reinforce the terminal services for the market, and implement the penetration of brand culture. Looking ahead, we will still put the interests of the franchisees in the first place, make bold innovations and go out of our way. We aim to make "every comb" good with diligent efforts together with the franchisees and store assistants across China as well as all the craftsmen of Carpenter Tan.

(II) Overseas Business

We have been trying hard on overseas business expansion. After several years of exploration and experiencing, we have made certain progress in 2019 despite the difficulties. The first offline store in North America, Toronto store in Canada, was opened in March 2019. The store recorded satisfactory results under brand promotions by franchisees during Thanksgiving and Christmas sales seasons. We opened the first offline store in Malaysia, Kuala Lumpur store in April, and the first offline store in Taiwan, Taichung store in Taiwan in May. Carpenter Tan opened the first offline flagship store in the United States, Flushing store in New York in October. The first offline store in Japan was opened in Yokohama in November, during which a series of brand promoting activities were carried out, including tram advertisement, publicity by online influencers, customer DIY comb painting experience activities.



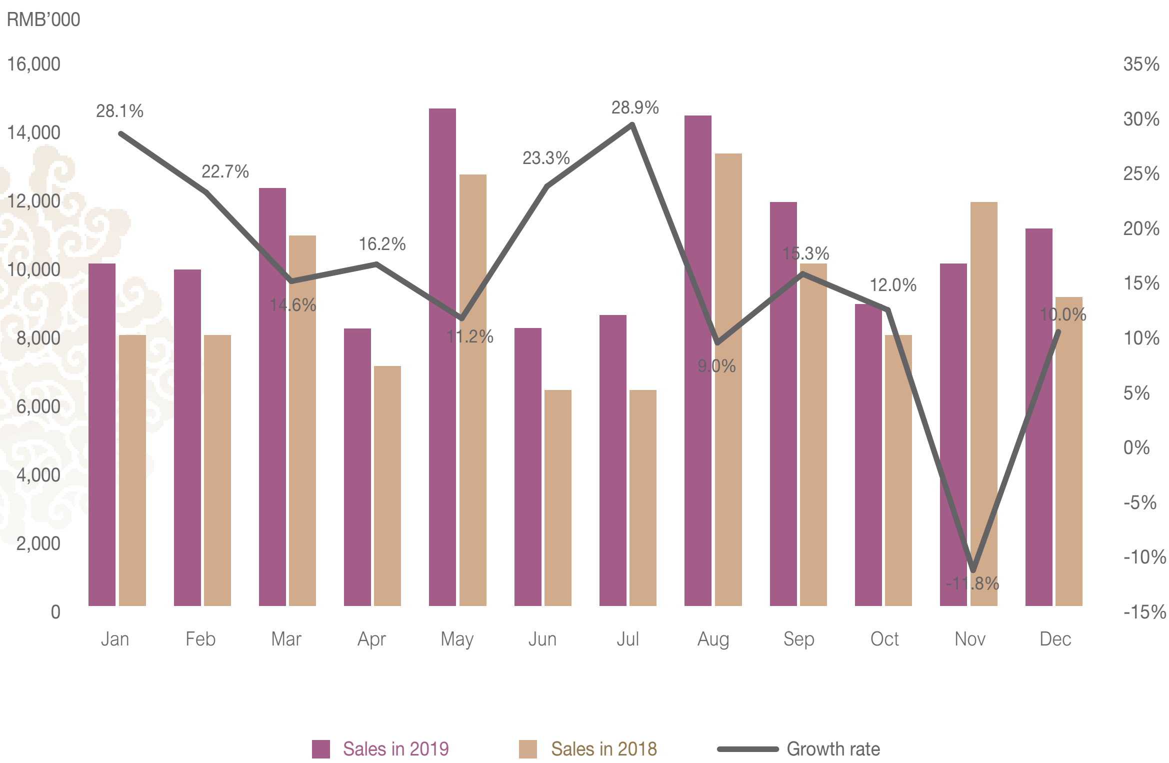
For the time being, we still have not sufficient overseas brand awareness, our franchisees are short of thorough understanding of our brand. Consequently, we will continue to prepare for the opening and improving the operation and management of the overseas stores in 2020, affording more desirable ancillary and supporting brand culture, products and services for the overseas markets. Meanwhile, the Group will carry on boosting publicity through exhibitions and promotion platforms, proactively attending overseas high-quality exhibitions of the industry with a good brand image and excellent experience to get greater brand exposure and let more friends at overseas know this small wooden comb from China.

2. Online Business

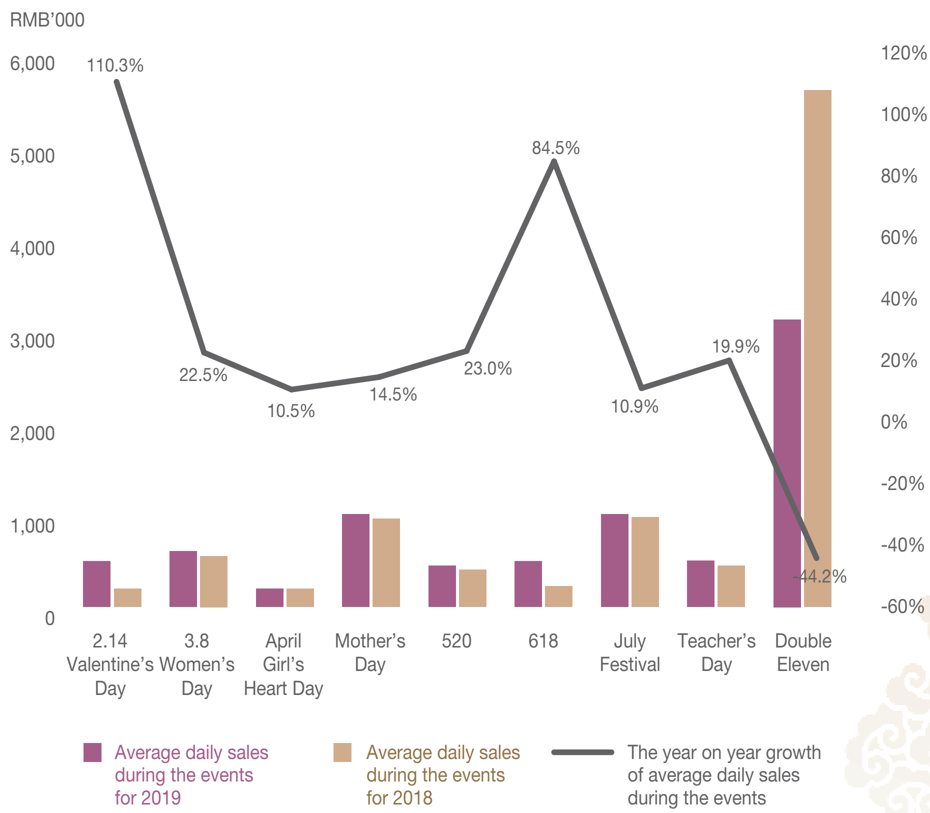
(I) Domestic Business

Carpenter Tan e-commerce has gained a certain number of VIP customers since it launched the online sales business in 2012 under the principle of continuous online and offline same price policy. In 2019, our e-commerce team successfully completed the sales target. For the year ended 31 December 2019, total sales from Tmall online store was approximately RMB82.4 million, accounting for 71.3% of the total online sales and up 23.6% when compared to the same period of last year. Total sales from Jingdong online store was RMB32.9 million, representing a proportion for 28.7% of the total online sales and increased by 14.9% over the same period of last year.

Monthly online sales for 2019 as compared to the same period of 2018



Performance on events for 2019 as compared to the same period of 2018



There are many creative ways to hold online activities. The marketing models are updated and iterated. Our online sales team also vigorously caters to the market needs. Throughout 2019, the sales growth during each event was obvious, especially on the Valentine's Day in February and during the 18 June campaign when the sales compared to last year increased by 110% and 84%, respectively. During the events of Valentine's Day in February 2018, as it was near the Chinese New Year, the sales did not have an upward surge, and that was why the sales on the Valentine's Day in 2019 were up by 110% when compared to 2018. So the sales on the Valentine's Day in 2019 were only up by 9.7% when compared to 2017. During the 18 June campaign, our promotion was made through the internal website and external platforms. We made the topic of "Making a Comb by Yourself", which improved the interaction of consumers, increased the flow and conversion rate, with a sales growth by 84% when compared to last year. The sales decline during the Double Eleven events in 2019 was visible, mainly due to no participation in the official Double Eleven events during that year, in contrast to our participation in the official platform activities in 2018 which benefited our sales with the traffic. Despite promotion made through multiple channels on external platforms in 2019, the sales for Double Eleven events decreased by 44% as compared to the same period in 2018, and increased by 108% when compared to 2017.

(II) Overseas Business

By accumulating experience in overseas business development, Carpenter Tan's products have been launched on many overseas online platforms, such as U.S. Amazon, Australia Ebay, UK Ebay, U.S. Shopify, U.S. Yamibuy, Japan Amazon, Korea NAVER, Singapore LAZADA and Malaysia Shopee. We have also established cooperation with cross-border e-commerce companies in North America and promotion teams in the U.S. to regularly launch our products and promote our brand on Facebook and Instagram.

Overseas online platforms distribution as at 31 December 2019

Name of platform	Launching time	Operating model
U.S. Amazon	March 2018	Cooperated with BizArk (a cross-border e-commerce company)
Australia Ebay	April 2018	Self-operated by overseas online team
UK Ebay	October 2018	Self-operated by overseas online team
Malaysia LAZADA	April 2018	Self-operated by overseas online team
Thailand/Philippines LAZADA	August 2018	Self-operated by overseas online team
Korea 11ST	November 2018	Operated by Korean online franchisee
Korea NAVER	November 2018	Operated by Korean online franchisee
Malaysia Shopee	January 2019	Self-operated by overseas online team
U.S. Shopify	March 2019	Operated by U.S. team of BizArk
U.S. Yamibuy	April 2019	Operated by U.S. team of BizArk
Japan Amazon	May 2019	Self-operated by overseas online team

Compared with last year, this year 2019's overseas online expansion performance is more courageous and stable. We frequently launched offline activities consistent with the tone of the brand, expanding the brand's local presence and gathering popularity. Our "Combing Hair for Mom" activity went to overseas for the first time, through which we passed on the Chinese filial piety and family culture in Philadelphia, the United States. We took the wooden comb painting DIY activity to the University of Suwon, giving Korean college students the chance to experience the fun of comb painting. We also entered the international fashion circle and attended the Met Gala with Gemma Chan, a Hollywood actress. We also participated in the Cosmo Show of North America in Las Vegas at the end of July to enlarge the influence of Carpenter Tan brand.

Live celebration of the University of Suwon in South Korea

At present, our profitability in overseas markets is not high, so that we need to work hard for brand localization. Consumers are hardly aware of our brand name. Subject to cost constraint and different mindset, large overseas retail channels have not been developed yet. Carpenter Tan brand is mainly known among ethnic Chinese communities and there is still a lot to be done to achieve brand awareness among local consumers. Stepping into 2020, our team will make continued efforts on brand promotion and social media promotion, increase brand exposure, and improve the profitability of existing online stores.

3. Innovative Research and Development

The innovation design center has grown for the past five years, and thus its staffing is basically in place with enhanced solidarity of members. During the Year Under Review, Carpenter Tan's innovation design center focused on the design and development of new products in three directions: (i) traditional culture (Chinese New Year Shu Ni You Fu series (鼠你有福), Chinese New Year Shi Shi Ru Yi (柿柿如意) series, Mother's Day Kai Feng Zi Nan (凱風自南) series), (ii) youth and fashion (Disney IP products, Qixi Festival products), and (iii)functional product (metal needle airbag hair-care comb, nylon needle boar bristle airbag hairbrush).

During the Year Under Review, the innovation design center completed the development for 24 new products, and design 158 samples, of which 85 samples passed the review and 56 samples were launched in the market. Among the products that have been launched, there are 7 single combs, 17 inserted combs, 12 hair-care combs, 6 hairbrushes, 1 single mirror, 8 box-sets, 2 bracelets, and 3 scraping plates. For the year ended 31 December 2019, according to the published new product review report, 20 samples were selected and included in products for regular sales (except Disney products).

During the Year Under Review, the innovation design center carried out 8 innovative research and development projects (technical method and packaging). Amongst others, the following are in progress: glue-free inserted comb and new product structure project (which can be included in the fourth-generation product development project), deep processing technology modular project, embedded wooden mirror project, and side pull-out layered storage packaging box project. For the year ended 31 December 2019, among the patent applications submitted by the innovation design center, there were 1 for invention patent, 5 for practical model. As at 31 December 2019, 2 practical model certificates had been obtained.

During the Year Under Review, we still had many shortcomings, and found it not easy to balance design and production. In June and September 2019, a flock of products were launched to the market in a short time. As the communication between design and research and development and the Company's various departments was insufficient, the implementation of new product development and promotion plans was still unsmooth. In the new year 2020, the innovation design center needs to have a general perspective and build partnership with broader ideas for research and development. The innovative research and development shall be focused on the basic aspects, such as reflecting brand tone, tapping Chinese traditional culture, shaping stylish and young brand image, and overcoming basic functional shortcomings of the products.

4. Production Technology

Working creates value and realises self-value at the same time, which is especially true in Carpenter Tan's Wanzhou factory in Chongqing. As at 31 December 2019, Carpenter Tan's factory has a total of 880 employees, of whom 363 are handicap, where they have used their own hands to make the most beautiful combs in the world. Wanzhou factory completed a production of 3,846 thousand pieces, when compared to 2018 of 3,615 thousand pieces, representing an increase of 231 thousand pieces or around 6.4%. Among them, 807 thousand pieces were horn products, with a completion rate of 102%. 214 thousand pieces were new products, with an increase of 28.2% when compared to 2018. 167 models were new product samples, when compared to 2018 of 161 models, representing a slight increase. 77 models of new products were launched to market, when compared to 2018 of 65 models, representing an increase of 18.5%.

During the Year Under Review, in order to maintain our advantages in new technology, new process and new structure, the Company separated the technology department from Wanzhou factory, and established an independent technology research and development center, developed a medium to long-term project research and development plan, and improved manpower matching. Throughout the year, we initiated 23 short-term, medium-term and long-term technological development and innovation projects approved by the company. Currently, the new lacquer painting technique has been basically matured and launched for production; two technological development projects of "automatic dispensing and shaping" and "comb molding" have obtained approval and entered the mass production stage, and greatly improved the degree of product standardization. During the Year Under Review, we have applied for a total of 6 patents (including 1 invention and 5 practical models), and obtained 2 practical model licenses.

The Company strictly controls safety production and insists on "visual" inspection and rectification. However, our quality management needs to be further strengthened. During the Year Under Review, although there is no quality control failure in production, we still made an overall recall to the new product "Princess Jasmine Mirror" due to imperfection in production process. Quality is what we need to stick to most. We believe that only strict and complete rules and management systems are the basis for the long-term operation of the Carpenter Tan's brand.

During the Year Under Review, the development of new products also put forward many demands for production. Like how to connect more smoothly from design to production. As it has become increasingly difficult to develop compatible technology, technological development inputs by factories are insufficient, our production will face new challenges posed by these factors.

5. Logistics and Distribution

Every chain brand has a dedicated logistics center to meet the requirements of franchisees and solve their practical problems. We will continue to improve the back-office services of our brand and use actual actions to uphold Carpenter Tan brand philosophy "Honesty, Work, Happiness". During the Year Under Review, the logistics center rationally organised production and sped up delivery to meet marketing needs, strictly implemented the warehouse management in accordance with the "Plan Management Measures", and steadily advanced various tasks. The customers' order satisfaction rate reached 99.8%. Based on the sales conditions in previous years, the increase or decrease in number of franchised stores, and the inventory level of the logistics center, the Company issues regular plans on monthly and quarterly basis. Based on the requirements from the marketing department, the Company issues new products, special products, crowdfunding and other plans. There were no inventory backlogs or product shortages due to inaccurate forecasts. We changed the e-commerce shipping method from the original truck cargo transportation to precise logistics or vehicle transportation, which could also save logistics costs. We improved brand value-added services such as after-sales repair and maintenance works. We purchased special-shaped lens cutting machines to solve the repairing problem of damaged special-shaped lens. We also improved packaging quality and the tested tight-fitting packaging has been unanimously praised by our franchisees.

6. Corporate Culture

Comb Passion Garden Theme Interactive Exhibition

Carpenter Tan insists on making a good comb. In order to make the comb a medium to convey beautiful emotions, the brand activities of Carpenter Tan during the Year Under Review began with a "Comb Passion Garden" theme interactive exhibition. This year, our brand cultural center and sales and marketing department jointly launched the promotion activities for "Comb Passion Garden" brand series. We used wooden partition to set up "Warm Tree Holes", "Comb Tooth Forest", "Three Thousand Hair", "Combing Love and Passion", "Sales Area" and other sections, interspersing with the wooden comb manufacturing process.

Customers entering the event site intimately contacted the brand with an immersive experience. During the process of making wooden combs, they felt the hard-won and joy of wooden comb making as well as the combined beauty of the fashion and tradition of Carpenter Tan combs, exquisite craftsmanship, brand culture and stories, Carpenter Tan's corporate philosophy of "Honesty, Work, Happiness", they also felt the beautiful emotions transmitted through small wooden combs.

With the themes of "Let's be beautiful in Comb Passion Garden", "Combing hair for mom in Comb Passion Garden", "Let's speak love about Carpenter Tan in Comb Passion Garden" and "Carpenter Tan's old brands and new concepts", the event had been held in four different locations, including Wanda Plaza in Wujiaochang, Shanghai, Cosmo City in Hefei, Wong Tee Plaza in Futian, Shenzhen, and Paradise Walk in Chongqing, respectively, and had been highly recognised by on-site customers and shopping malls. Through campus promotion activities, inviting masters to experience and do live streaming, and utilizing Weibo, WeChat, Douyin, Xiaohongshu, Zhihu and other platforms to post speech, the events received a total of nearly 100 million exposure times, and obtained a good communication coverage.

Location	Place of exhibition	Time	Number of experience time of experience comb	Sales of experience comb RMB	On-site retail sales RMB	Online and offline exposure
Shanghai	Wanda Plaza, Wujiaochang, Shanghai	March 25 - April 14 (23 days)	1,495	34,281	390,000	51,440,000
Anhui	Cosmo City, Hefei	May 1 - May 12 (12 days)	1,358	64,377	230,000	19,600,000
Guangdong	Wong Tee Plaza, Shenzhen	August 3 - August 9 (9 days)	877	36,161	91,500	16,090,000
Sichuan	Paradise Walk, Chongqing	September 28 - October 7 (11 days)	1,617	59,709	103,815	33,558,000

Arrangement and details of the "Comb Passion Garden" touring

"New Craftsmanship" Wood Art Exhibition

Carpenter Tan is also tirelessly conveying superb ingenuity and artistic taste, presenting the beauty to customers. In October 2019, the "New Craftsmanship" Wood Art Exhibition was held at the Hangzhou Handicraft Living Museum, six wood artists from home and abroad exhibited a total of 56 works, including the carved wooden comb of Mr. Yu Dahong, an arts and crafts master. This is the fourth time that Carpenter Tan has held the exhibition designed to promote the integration of carpentry art and modern life. During the exhibition period, two forums were held, at which Ms. Vivien Grandouiller, a French wood artist, exchanged skills with a group of domestic wood artists. Cooperated with "Chinese Handicraft", a magazine focusing on the handicraft industry in China, the exhibition has received more than 500 thousand exposures times through its omni-channel communication resources.

We launched the upgraded official website, the membership system, and the applet

In 2019, we completed the upgrade of Carpenter Tan's official website, officially launched the membership system of Carpenter Tan, and then launched the Carpenter Tan applet. In the terminal, we have united the data connection among the membership system, the official website sales data, and the applet, and have gradually established and improved our own database. In the future, we'll use the traceability of the applet to establish a communication and promotion reward mechanism, to activate all our employees, franchisees and clerks, investors and Carpenter Tan members to participate in the communication and promotion of Carpenter Tan's brands.

7. Human Resources and Comprehensive Governance

It is Carpenter Tan's team building guideline to care about employees, cultivate employees' sense of value of loving labor, teach employees to be diligent and capable, so that employees have better employability, survivability and social value. As at 31 December 2019, Carpenter Tan's factory has a total of 880 employees, including 363 handicap employees. In the factory, there are "one-yuan staff meals", free commuter vehicles for the handicap staff, various sports fields, and well-equipped new dormitories. In Carpenter Tan, we help not only to improve working skills of employees, but also to teach them how to be a diligent person, how to work, to tap for more of their own value and make employees more confident. In terms of employee care, we always rest assured the benefits of employees. During the Year Under Review, the salary of normal employees and handicap employees had been increased, and 11 handicap employees were installed with artificial limbs.

During the Year Under Review, the Company's demand for human resources is mainly focused on two aspects: (i)offline market expansion, and (ii)product research and development. Based on annual marketing and profit performance targets, we have combed and formulated the targets and key tasks of each department in combination with the Company's overall performance target to make it more cohesive. At the same time, the performance weights of department heads on key missions and targets have been optimised to be more effective and more focused. According to the new issues and risks arising from economic business activities, the "Administrative Measures for Risk Control over Economic Business Contracts" and the "Payment Approval System" have been improved and revised. The "Technical Progress Award Measures" has been effectively optimised in terms of technological achievements, patent achievements, honors and reward incentives. In addition, we effectively cracked down the unauthorised online sales which our franchisees complained much about those illegal activities.

During the Year Under Review, there were still many shortcomings. The Company has not done good enough in employees' professional ethics management, administrative measures to maintain product quality and the Company's brand image and awareness. Outstanding designers and marketing talents were still lacking.

HONORS AWARDED

During the Year Under Review, the Group received the following honors and achievements:

January 2019	:	"The Most Socially Responsible Listed Company" at the 2018 "Golden Hong Kong Equities Awards" Annual Awarding Ceremony, this is the fourth consecutive time we have won such award;
April 2019	:	"Chongqing Famous Brand Products" granted by Chongqing Famous Brand Products Association;
June 2019	:	Outstanding Organization Awards for Disabled Day granted by Wanzhou District Disabled Persons' Federation;
July 2019	:	"2018 Class A Taxpaying Enterprise" granted by Wanzhou District Taxation Bureau;
September 2019	:	"National Model Enterprise with Harmonious Labor Relations" granted by Ministry of Human Resources and Social Security and All-China Federation of Trade Unions;
September 2019	:	The Third Prize for Handicap Entrepreneurship Group granted by Human Resources and Social Security Bureau, Economic and Information Commission, Disabled Persons' Federation of Wanzhou District; and
October 2019	:	Chongqing Cultural and Sports Demonstration Site for Disabled Persons.

FINANCIAL REVIEW

1. Revenue

The Group recorded a revenue of approximately RMB336,538,000 for the year ended 31 December 2019, representing an increase of approximately RMB24,264,000 or 7.8% as compared to that of approximately RMB312,274,000 for the year ended 31 December 2018. The revenue of offline business amounted to approximately RMB214,542,000, representing an increase of 3.3% against last year. The revenue of online business amounted to approximately RMB115,290,000, representing an increase of 16.6% against last year. The revenue of directly-operated outlets amounted to approximately RMB6,131,000, representing an increase of 21.0% against last year. During the Year Under Review, the Group's enhanced the team structure, store image and channel distribution for offline business, as well as the proactive marketing for online business. As at 31 December 2019, the Group had 1,249 franchised stores and 6 directly-operated outlets respectively while as at 31 December 2018, the Group had 1,222 franchised stores and 4 directly-operated outlets respectively. The franchise fee income was approximately RMB575,000 which represents an increase of 0.7% when compared to that of approximately RMB571,000 of last year.

	For the year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Revenue				
– Combs	**66,298**	**19.7**	67,079	21.4
– Mirrors	**673**	**0.2**	781	0.3
– Box sets	**265,290**	**78.8**	242,612	77.7
– Other accessories*	**3,702**	**1.1**	1,231	0.4
Franchise fee income	**575**	**0.2**	571	0.2
Total	**336,538**	**100.0**	312,274	100.0

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

2. Cost of sales

The cost of sales of the Group was approximately RMB135,685,000 for the year ended 31 December 2019, representing an increase of approximately RMB12,087,000 or 9.8% as compared to that of approximately RMB123,598,000 for the year ended 31 December 2018. The increase in cost of sales was in line with the increase in revenue and the change in sales mix for the Year Under Review.

3. Gross profit and gross profit margin

For the year ended 31 December 2019, the gross profit of the Group was approximately RMB200,853,000, representing an increase of approximately RMB12,177,000 or 6.5% as compared to that of approximately RMB188,676,000 for the year ended 31 December 2018. The gross profit margin decreased slightly from 60.4% in 2018 to 59.7% in 2019. The decrease in gross profit margin was mainly due to the change in sales mix of our Group for the Year Under Review.

4. Other income

Other income was approximately RMB58,444,000 for the year ended 31 December 2019, representing an increase of approximately RMB7,889,000 or 15.6% as compared to that of approximately RMB50,555,000 for the year ended 31 December 2018. Other income was mainly comprised of PRC VAT refunds of approximately RMB25,735,000, rental income of approximately RMB6,647,000, interest income of approximately RMB228,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB20,902,000 and fair value change of investment properties of RMB1,120,000 respectively (2018: PRC VAT refunds of approximately RMB25,242,000, rental income of approximately RMB7,018,000, interest income of approximately RMB2,644,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB4,562,000 and fair value change of investment properties of RMB2,220,000 respectively).

5. Selling and distribution expenses

The selling and distribution expenses of the Group amounted to approximately RMB62,756,000 for the year ended 31 December 2019, representing an increase of approximately RMB8,677,000 or 16.0% as compared to that of approximately RMB54,079,000 for the year ended 31 December 2018. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB17,150,000, delivery charges of approximately RMB7,959,000, depreciation of right-of-use assets of approximately RMB5,768,000, salaries and allowances of approximately RMB11,928,000 and travelling expenses of approximately RMB2,587,000, respectively (2018: advertising and promotion expenses of approximately RMB15,353,000, delivery charges of approximately RMB7,556,000, rental expenses of approximately RMB4,268,000, salaries and allowances of approximately RMB10,233,000 and travelling expenses of approximately RMB2,508,000, respectively).

6. Administrative expenses

The administrative expenses of the Group was approximately RMB34,381,000 for the year ended 31 December 2019, representing a decrease of approximately RMB750,000 or 2.1% as compared to that of approximately RMB35,131,000 for the year ended 31 December 2018. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB13,432,000, legal and professional fee of approximately RMB1,787,000, design and sample expenses of approximately RMB1,479,000, consultancy fee of approximately RMB329,000 and audit and review fee of approximately RMB1,055,000, respectively (2018: salaries and allowances of approximately RMB13,789,000, legal and professional fee of approximately RMB2,325,000, design and sample expenses of approximately RMB2,291,000, consultancy fee of approximately RMB516,000 and audit and review fee of approximately RMB1,132,000, respectively).

7. Other operating expenses

Other operating expenses of the Group was approximately RMB7,182,000 for the year ended 31 December 2019, representing an increase of RMB1,323,000 or 22.6% as compared to that of approximately RMB5,859,000 for the year ended 31 December 2018. The increase was mainly due to the increase in impairment loss on right-of-use assets of RMB2,081,000 during the Year Under Review.

8. Finance costs

The finance costs of the Group was approximately RMB634,000 for the year ended 31 December 2019 while there was no such cost in last year.

9. Income tax

For the year ended 31 December 2019, the income tax expenses of the Group amounted to approximately RMB31,794,000, representing an increase of approximately RMB2,142,000 or 7.2% when compared to approximately RMB29,652,000 for the year ended 31 December 2018. The increase was mainly due to the increase in PRC Enterprise Income Tax during the Year Under Review. The details is set out in Note 8 to the Financial Statements in this report.

The effective tax rate for the Year Under Review was 20.6% when compared to 20.6% for the year ended 31 December 2018.

10. Profit for the year

The profit for the year ended 31 December 2019 was approximately RMB122,550,000, representing an increase of approximately RMB8,040,000 or 7.0% as compared to that of approximately RMB114,510,000 for the year ended 31 December 2018. The increase was mainly due to the increase in gross profit of approximately RMB12,177,000, for the Year Under Review.

11. Profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB122,484,000, representing an increase of approximately RMB7,974,000 or 7.0% as compared to that of approximately RMB114,510,000 for the year ended 31 December 2018.

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 2019, the book value of property, plant and equipment amounted to approximately RMB60,539,000, representing a decrease of approximately RMB344,000 or 0.6% as compared with the previous year of approximately RMB60,883,000. The decrease was mainly attributable to the depreciation for the year ended 31 December 2019.

2. Inventories

The Group's inventories as at 31 December 2019 increased by approximately RMB7,446,000 or 5.1% from approximately RMB145,626,000 as at 31 December 2018 to approximately RMB153,072,000 as at 31 December 2019, primarily due to the increase in raw materials level. Raw materials increased by approximately RMB7,976,000 or 8.0% from RMB100,169,000 in last year to approximately RMB108,145,000 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 2019, the Group's trade receivables amounted to approximately RMB4,799,000 which increased by approximately RMB2,448,000 to that of approximately RMB2,351,000 as at 31 December 2018.

4. Other receivables, deposits and prepayments

The Group's other receivables, deposits and prepayments increased by approximately RMB3,332,000 or 21.4% from approximately RMB15,560,000 as at 31 December 2018 to approximately RMB18,892,000 as at 31 December 2019. The increase in other receivables, deposits and prepayments was mainly due to an increase in trade and other deposits of approximately RMB3,778,000 when compared to last year.

5. Trade payables

As at 31 December 2019, the Group's trade payables was approximately RMB3,098,000, which is close to that of approximately RMB3,617,000 as at 31 December 2018.

6. Other payables and accruals

The balance of other payables and accruals consists of dividend payables, other payables, accruals, trade deposits received, provision for sales return, VAT and other non-income tax payables. The Group's other payables and accruals increased by approximately RMB154,122,000 from approximately RMB42,166,000 as at 31 December 2018 to approximately RMB196,288,000 as at 31 December 2019. The increase was primarily due to an increase in dividend payables of approximately RMB148,006,000 during the Year Under Review.

CASH FLOW

The Group's cash is primarily used to meet its working capital requirement, repay the principal and interest of its indebtedness falling due (if any) and finance the 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 2019, the Group's net cash inflow generated from operating activities amounted to approximately RMB108,075,000, representing an increase of net cash inflow generated from operating activities of approximately RMB28,375,000 from approximately RMB79,700,000 for the year ended 31 December 2018. The increase was primarily due to the increase in profit before taxation of approximately RMB10,182,000 and the drop in the increase in inventories of approximately RMB13,430,000 during the Year Under Review.

2. Net cash generated from /(used in) investing activities

For the year ended 31 December 2019, the Group's net cash inflow generated from investing activities amounted to approximately RMB4,717,000, representing an increase of approximately RMB268,630,000 as compared with the cash outflow used in investing activities of approximately RMB263,913,000 for the year ended 31 December 2018. The increase is mainly due to the net increase in proceeds from sale of financial assets of approximately RMB376,338,000 during the Year Under Review.

3. Net cash (used in)/generated from financing activities

For the year ended 31 December 2019, the Group's net cash outflow used in financing activities amounted to approximately RMB118,940,000, while there was a net cash inflow generated from financing activities of approximately RMB13,064,000 for the year ended 31 December 2018. The difference was primarily due to the decrease in non-pledged bank deposit of approximately RMB141,000,000 in 2018 but none in 2019.

CAPITAL STRUCTURE

1. Indebtedness

As at 31 December 2019, the Group did not have any bank borrowings (2018: RMB nil).

2. Gearing ratio

As at 31 December 2019 and 2018, the Group did not have any bank borrowings. The calculation of gearing ratio is not meaningful.

3. Pledge of assets

As at 31 December 2019, the Group did not have any pledged assets to the bank (2018: RMB nil).

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 RMB4,129,000 and approximately RMB6,163,000 for the year ended 31 December 2019 and the year ended 31 December 2018 respectively.

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 2019, the Group did not have any bank borrowings. The disclosure of effective interest rates for variable rate loans is not applicable.

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 2019, the Group had cash and bank balances of approximately RMB39,380,000 (2018: approximately RMB46,203,000), which was mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital commitment amounted to approximately RMB942,000 (2018: approximately RMB1,535,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2019, the Group had not made any material acquisition and disposal.

FUTURE OUTLOOK

At the end of 2019, the outbreak of the novel coronavirus epidemic has blocked most of the retail industry in the country instantly, and it has also had a huge impact on economic operations. Like many peers, most of franchised stores have to take temporary closures, and the development in 2020 will face huge challenges. However, the more tense the situation, the more rational and calm thinking is required. Every member of Carpenter Tan, while trying to support Wuhan stores and first-line hospitals, worked with full spirit, sought innovations and changed marketing strategy. The Group led the operation of private traffic marketing in circle of friends in a unified manner, cooperated with shopping malls to promote traffic marketing and increased online live training for store staff. With these three initiatives, we believe we can overcome the immediate difficulties together.

We will vigorously strengthen our internal management without relaxation, continue to improve corporate image, products, packaging, etc., enhance brand awareness, and carry out product development with an open mind. At the same time, we will actively develop online and offline business, domestic and overseas omni-channel marketing, and continue to improve our product range by adding new categories and upgrading new processes while taking into account of diversification, individualization, refinement, and style reduction and yield increase. We will pragmatically carry out brand promotion to bring it closer to young consumers, and keep up with market changes.

Our Chairman requires: "Put life first and business behind, make every effort to do our works on prevention, control and support best on the epidemic in the Company's internal and franchising systems." We believe that, after experiencing the novel coronavirus epidemic, every member of Carpenter Tan will more cherish our work and life, love this era we enjoy, devote ourselves to being a happy and ordinary brand, and work together to make this "comb" symbolizing happiness and simple life.

DIVIDENDS

Final dividend

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend of HK28.04 cents per share for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 29 May 2020, amounting to approximately HK$69,739,000 subject to the approval of the Company's annual general meeting to be held on Wednesday, 20 May 2020. The dividend payout ratio is 51.0% of the profit for the year attributable to owners of the Company or 40.5% of the profit before taxation of the Company.

The above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2020.

Biography of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Tan Chuan Hua (譚傳華), aged 62, is an Executive Director, the co-founder of the Group and the chairman 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 21 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 and the uncle of Madam Tan Yinan. Mr. Tan was appointed as the Director of the Company on 20 June 2006.

Mr. Tan Di Fu (譚棣夫), aged 34, 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, the Chairman and an Executive Director of the Company, and Madam Fan Cheng Qin, the elder brother of Mr. Tan Lizi and the cousin of Madam Tan Yinan. Mr. Tan was appointed as the Executive Director of the Company on 18 August 2010.

Mr. Tan Lizi (譚力子), aged 30, at present is the chief executive officer of the Company. Mr. Tan is responsible for managing the day-to-day operation of the Group, including marketing management, logistics and finance. Mr. Tan is also the general manager of Jiangsu Mujianggu Tourism, Development Company Limited (江蘇木匠谷旅游發展有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Tan is the son of Mr. Tan Chuan Hua, the Chairman and an Executive Director of the Company, and Madam Fan Cheng Qin, the younger brother of Mr. Tan Di Fu and the cousin of Madam Tan Yinan. He joined the Group in September 2012. Mr. Tan was appointed as the Executive Director of the Company on 15 September 2017.

Non-executive Directors

Madam Tan Yinan (譚佚男), aged 37, has worked for Hong Kong Sanxia Gas Investment Limited as a director and Chongqing Three Gorges Gas (Corp.) Ltd. as a general manager since May 2012 and July 2004 respectively. She has over 13 years experiences in management position. Madam Tan graduated from Japanese Culture and Foreign Language Specialise School (日本文化外國語專門學校) in June 2004. She is the niece of Mr. Tan Chuan Hua, the Chairman and an Executive Director of the Company, the cousin of Mr. Tan Di Fu and Mr. Tan Lizi. Madam Tan was appointed as the Non-executive Director of the Company on 1 January 2016.

Madam Huang Zuoan (黃佐安), aged 60, 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 32 years experiences in public security governmental authorities. She was appointed as the Independent Non-executive Director on 22 May 2014. Madam Huang was re-designated from an Independent Non-executive Director on 28 February 2017.

Independent non-executive Directors

Mr. Chau Kam Wing, Donald (周錦榮), aged 57, has over 25 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 (Stock Code: 6838) and he is also an independent non-executive director of China Water Affairs Group Limited (Stock Code: 0855), Ching Lee Holdings Limited (Stock Code: 3728) and Kangda International Environmental Company Limited (Stock Code: 6136), which are listed on the Main Board of the Hong Kong Stock Exchange ("HKEx"). He is also an independent non-executive director of Eco-Tek Holdings Limited (Stock Code: 8169) which is listed on the Growth Enterprise Market of the HKEx. Mr. Chau was also an independent non-executive director of Zhejiang Chang'an Renheng Technology Co., Ltd. (Stock Code: 8139), which is listed on the Growth Enterprise Market of the Stock Exchange, from May 2014 to May 2019. Mr. Chau has been appointed as an Independent Non-executive Director of the Company since 17 November 2009.

Mr. Yang Yang (楊揚), aged 41, has over 19 years experiences in the capital market and securities industry. During the period from April 2002 to April 2015, he worked as an investment manager, a senior investment manager and an equity managing director at Taikang Asset Management Co., Ltd. with main responsibility for assets investment and equity portfolio management. He was an officer of Bank of China Beijing Branch from July to December 1999. Mr. Yang received his bachelor's degree in economics from Beihang University in 1999 and his master's degree in financial investment from the University of Nottingham in December 2001. Mr. Yang was appointed as the Independent Non-executive Director of the Company on 1 January 2016.

Madam Liu Liting (劉麗婷), aged 38, has over 15 years of experience in business administration. In 2007, she joined Beijing Puna PR Consulting Co., Ltd. (北京普納公關顧問有限公司), which is a public relations company in the People's Republic of China, and has been the general manager since 2013. Madam Liu obtained her bachelor's degree in economics from the Harbin Institute of Technology (哈爾濱工業大學) in May 2004 and her master's degree in arts from the University of Sunderland in England in November 2006. Madam Liu was appointed as an Independent Non-executive Director of the Company on 31 May 2017.

SENIOR MANAGEMENT

Madam Fan Cheng Qin (范成琴) aged 55, 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 18 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 and the aunt of Madam Tan Yinan.

Ms. Liu Kejia (劉珂佳), aged 35, is the sales controller of the Group (both offline sales and 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. Luo Hongping (羅洪平), aged 54, is the administration controller of the Group. Mr. Luo joined the Group in July 2003, and is responsible for human resource and administration, finance and accounting, product design, brand culture, production, processing and logistic. He has been the factory manager of Wanzhou factory and the head of the technical center of the Group. Mr. Luo held a bachelor degree in engineering management. Before joining the Group, he had been the deputy factory manager of Sichuan Huaxi Silk Factory (四川華西絲綢總廠) for over 10 years where he gained experience in production management, and the deputy general manager of Chongqing Longbao Radio and Television Co., Ltd. (重慶龍寶廣電有限公司) for 4 years where he gained experience in sales of electrical appliances.

Mr. Chan Hon Wan (陳漢雲), aged 59, 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 33 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.

CORPORATE GOVERNANCE REPORT

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 overall business operations.

MODEL CODE FOR SECURITIES TRANSACTIONS

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.

As at 31 December 2019, 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. Tan Di Fu and Mr. Tan Lizi served as executive Directors; Madam Tan Yinan and Madam Huang Zuoan served as Non-executive Directors and Mr. Yang Yang, Madam Liu Liting 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 "Biography of Directors and Senior Management" 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 Meetings and Individual Attendance" 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. Tan Lizi, Madam Tan Yinan and Mr. Yang Yang shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, offer themselves for re-election.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy (the "Board Diversity Policy"). The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

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 Liu Liting, Mr. Yang 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;
- review the Group's financial and accounting policies and practices; and
- discuss the risk management and internal control systems with management the ensure that management has performed its duty to have effective systems.

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 2018, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019 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.

Pursuant to the meeting of the Audit Committee held on 30 March 2020 attended by all the members of the Audit Committee, the Audit Committed has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2019, the results announcement, this 2019 annual report and accounting principles and practices adopted by the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group.

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 Liu Liting, Mr. Yang 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 three members for the Nomination Committee which includes Madam Liu Liting, Mr. Yang 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.

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. In the selection and nomination for new Directors, the Nomination Committee identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. The Nomination Committee utilizes various methods for identifying potential candidates, including recommendations from the members of the Board, management, and professional search firms. All potential candidates are evaluated by the Nomination Committee based on their qualifications. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the Nomination Committee to assess them before a decision is made. New Directors are appointed by way of a board resolution, after the Nomination Committee has approved their nominations.

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.

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 2019 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. Tan Di Fu	4/4	–	–	–	1/1
Mr. Tan Lizi	4/4	–	–	–	1/1
Non-executive Directors					
Madam Tan Yinan	4/4	–	–	–	1/1
Madam Huang Zuoan	4/4	–	–	–	1/1
Independent Non-Executive Directors					
Mr. Chau Kam Wing, Donald	4/4	2/2	2/2	2/2	1/1
Mr. Yang Yang	4/4	2/2	2/2	2/2	1/1
Madam Liu Liting	4/4	2/2	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. Tan Di Fu	— Reading materials/attending external and in house seminars and programmes
Mr. Tan Lizi	— Reading materials/attending external and in house seminars and programmes
Madam Tan Yinan	— Reading materials/attending external and in house seminars and programmes
Madam Huang Zuoan	— Reading materials/attending external and in house seminars and programmes
Madam Liu Liting	— 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
Mr. Yang Yang	— 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 (HK) CPA Limited, about their reporting responsibilities on the consolidated 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 2019, the total remuneration paid to the external auditors in Hong Kong and the PRC for audit services amounted to approximately RMB709,000 (equivalent to approximately HK$800,000).

For the year ended 31 December 2019, the total remuneration for the permissible non-audit services provided by the external auditors amounted to approximately RMB346,000 (equivalent to approximately HK$390,000), mainly represents remuneration for interim review services.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

The Board acknowledges its responsibility, as set out in the Independent Auditor's Report, to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of Crowe (HK) CPA Limited, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal control and risk management

The Board recognises its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the Year Under Review. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment. The Group's risk management framework includes the following elements: (i) identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business; (ii) develop necessary measures to manage those risks; and (iii) monitor and review the effectiveness of such measures. The implementation of risk management framework of the Group was assisted by the Group's internal audit department so that the Group could ensure new and emerging risks relevant to the Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and our Audit Committee reviews the Group's risk management systems from time to time in accordance with the prevailing Group's business environment.

Audit Committee reported to the Board the implementation of the Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and effectiveness of risk management measures. Based on the reports from the Group's internal control department and the Audit Committee, the Board considers the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the CG code.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (the "SFO") (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including: (i) arousing the awareness to preserve confidentiality of inside information within the Group; (ii) sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly; and (iii) disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

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 section headed "Biography of Directors and Senior Management" 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 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 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 by the Group 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 708, 7th Floor, Witty Commercial Building, 1A-1L Tung Choi Street, Mong Kok, 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 708, 7th Floor, Witty Commercial Building, 1A-1L Tung Choi Street, Mong Kok, 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 2020

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 (collectively, the "Group") for the year ended 31 December 2019 (the "Financial Statements").

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 and the PRC. 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 2019 and the state of affairs of the Company and the Group at that date are set out in the consolidated Financial Statements on pages 64 to 144.

Final dividend

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend of HK28.04 cents per share for the financial year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 29 May 2020, amounting to approximately HK$69,739,000 subject to the approval of the Company's annual general meeting to be held on Wednesday, 20 May 2020. The dividend payout ratio is 51.0% of the profit for the year attributable to owners of the Company or 40.5% of the profit before taxation of the Company.

The above-mentioned final dividend is expected to be paid on or before Tuesday, 30 June 2020.

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the "Dividend Policy"), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

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, 15 May 2020 to Wednesday, 20 May 2020 (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 Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 14 May 2020.

To qualify for the proposed final dividend

The register of members of the Company will be closed from Wednesday, 27 May 2020 to Friday, 29 May 2020 (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 Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 26 May 2020.

BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" on pages 7 to 29. An analysis of the Group's performance during the Year Under Review using financial key performance indicators is provided in the "Financial Highlights" on page 4. No important event affecting the Group has occurred since the end of the Year Under Review.

ENVIRONMENTAL POLICY

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year Under Review, there was no material and significant dispute between our Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties that are denominated in Hong Kong dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$, US$ and RMB.

Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2019, 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 2019, the Group had used net proceeds of approximately RMB54,200,000, of which approximately RMB25,500,000 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 with banks.

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

SHARE OPTION SCHEME

On 17 November 2009, the Company conditionally adopted a share option scheme (the "Share Option Scheme"), which became effective on 29 December 2009 (the "Effective Date"). Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from the Effective Date offer to grant to any Eligible Persons (as defined herein below), including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for Shares.

The principal terms of the Share Option Scheme are summarised as follows:

1. The purpose of the Share Option Scheme is to recognise and motivate Eligible Persons (as defined herein below) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

2. “Eligible Persons” include (i) employees or persons being seconded to work for any member of the Group (the “Executive”); (ii) directors (including independent non-executive directors) of any member of the Group; (iii) shareholders of any member of the Group; (iv) suppliers, customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group; (v) persons or entities that provide research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and (vi) an associate of any of the foregoing persons.

3. The total number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of the Group must not in aggregate exceed 25,000,000 Shares, being 10% of the total number of shares in issue as at the date on which the Shares first commenced trading on the Stock Exchange. The 10% limit may be refreshed with approval by ordinary resolution of the Shareholders. The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to the Eligible Persons specified by the Company before such approval is obtained.

   The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time. As at 28 March 2019 and 29 August 2019, being the dates of the 2017 annual report of the Company and 2018 interim report respectively, the total number of Shares available for issue in respect thereof were 24,871,400 Shares and 24,871,400 Shares, representing approximately 10% and 10% of the then issued shares of the Company respectively.

4. The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

5. The exercise period of any option granted under the Share Option Scheme shall be determined by the Board, but such period shall not exceed ten years from the date of grant of the relevant option.

6. The Share Option Scheme does not specify any minimum holding period but the Board may fix any minimum period for which an option must be held before it can be exercised.

7. The acceptance of an offer of the grant of an option must be made within the period as stated in the offer document provided that no such offer shall be open for acceptance after the Share Option Scheme has been terminated with a non-refundable payment of HK$1.00 from the grantee.

8. The subscription price shall be determined by the Board but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a business day (“Offer Date”); (ii) the average closing price of a Share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

9. Subject to early termination by an ordinary resolution in general meeting of Shareholders, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 29 December 2009. Upon the expiry or termination of the Share Option Scheme, no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other aspects with respect to options granted thereunder.

As at 31 December 2019, the Company had granted to certain eligible participants (the "Grantees"), a total of 900,000 share options to subscribe for a total of 900,000 ordinary shares of HK$0.01 each in the capital of the Company under the Share Option Scheme which were accepted by such Grantees. A summary of share options granted under the Share Option Scheme of the Company during the year ended 31 December 2019 is as follows:

Grantees	Position held with the Group	Date of grant	Option period (Note 1)	Exercise price per share (Note 2)	Number of Share Options: Outstanding as at 1 January 2019	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2019	Approximate percentage of the Company's total issued share capital
Mr. Tan Lizi	Executive Director	31 August 2018	31 August 2018 to 30 August 2023	4.896	300,000	–	–	–	300,000	0.12%
Ms. Liu Kejia	Sales Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	–	–	–	200,000	0.08%
Mr. Luo Hongping	Administration Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	–	–	–	200,000	0.08%
Mr. Zhang Chuanjin (Note 3)	Sales Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	–	–	–	200,000	0.08%
					900,000	–	–	–	900,000	0.36%

Note 1: The vesting and exercise of certain Share Option are subject to the terms of the Share Option Scheme and the performance target(s) and terms set out in the respective letters of grant.

Note 2: The closing price of the Share on the date of grant of Share Options on 31 August 2018 was HK$4.83.

Note 3: Mr. Zhang Chuanjin has left the Group and his Share Option will be cancelled in 2020.

BORROWINGS

The Group did not have any borrowings for the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year Under Review or subsisted at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, the Company's subsidiaries or holding companies, or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Year Under Review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association of the Company, each Director or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against 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 2019 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 2019, neither the Company nor any of its subsidiaries had 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 29 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 68 and Note 31 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, 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 (the "Companies Law"), amounted to approximately RMB128,049,000, of which approximately RMB62,502,000 (equivalent to approximately HK$69,739,000) has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

CHARITABLE DONATIONS

The Group had charitable donations of approximately RMB150,000 for the year ended 31 December 2019 (2018: approximately RMB700,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2019 are set forth in Note 14 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 RMB1,120,000 has been credited to the consolidated statement of profit or loss. Details of movements in the investment properties of the Group are set out in Note 16 to the consolidated Financial Statements of the Group for the year ended 31 December 2019. Details of the principal properties held for investment purposes are set out on page 145 of this report.

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 2019 are set out in Note 18 to the Financial Statements.

DIRECTORS

The Directors of the Company during the financial year ended 31 December 2019 and up to the date of this report have been:

Executive Directors
Mr. Tan Chuan Hua *(Chairman)*
Mr. Tan Di Fu
Mr. Tan Lizi

Non-executive Directors
Madam Tan Yinan
Madam Huang Zuoan

Independent Non-Executive Directors
Mr. Chau Kam Wing, Donald
Mr. Yang Yang
Madam Liu Liting

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Biography of Directors and Senior Management" on pages 30 to 32.

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 9 to the Financial Statements.

The five highest paid individuals of the Group in the Year Under Review include 1 Director (2018: 2 Directors). Details of the five highest paid individuals are set out in Note 10 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 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 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 emoluments payable to each of the Directors is as follows:

	RMB'000
Executive Directors	
Mr. Tan Chuan Hua *(Chairman)*	375
Mr. Tan Di Fu	88
Mr. Tan Lizi	715
Non-executive Directors	
Madam Tan Yinan	88
Madam Huang Zuoan	210
Independent Non-Executive Directors	
Mr. Chau Kam Wing, Donald	132
Mr. Yang Yang	88
Madam Liu Liting	88

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 2019, 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 2019, 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	167,700,000	67.43%
Tan Lizi (Note 2)	Beneficial owner	300,000	0.12%

Note:

1. Tan Chuan Hua is deemed to be interested in 167,700,000 Shares held by Lead Charm Investments Limited ("Lead Charm") by virtue of his 51% interest in Lead Charm under Part XV of the SFO.

2. Interest in options granted pursuant to the Share Option Scheme.

(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 2019, 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	167,700,000	Long	67.43%
Fan Cheng Qin (Note 2)	Interest in a controlled Corporation	167,700,000	Long	67.43%
Lead Charm (Note 3)	Beneficial owner	167,700,000	Long	67.43%

Notes:

1. Tan Chuan Hua is deemed to be interested in 167,700,000 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 167,700,000 Shares held by Lead Charm by virtue of her 49% Interest in Lead Charm under Part XV of the SFO. Madam 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 2019 are set out in Note 34 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 2019, the Group did not have any assets pledged to the bank (2018: RMB nil).

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. As at 31 December 2019, the Group did not have any bank borrowings. Taking into account the cash flow generated from operation and the bank borrowing facilities available to the Group, the directors of the Company are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least twelve months from the date of this report.

As at 31 December 2019, the Group had cash and bank balances of approximately RMB39,380,000 (2018: approximately RMB46,203,000) 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 3.5% of the Group's total revenue and sales to the largest customer accounted for approximately 0.8% of the Group's total revenue for the year ended 31 December 2019. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 50.8% of the Group's total purchases and purchases from the largest supplier accounted for approximately 15.2% of the Group's total purchases for the year ended 31 December 2019.

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 2019 are set out in Note 2(m) 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.

FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the last five financial years is set out on page 146 of this report.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus (COVID-19) epidemic since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the epidemic on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

AUDITOR

Crowe (HK) CPA Limited acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 December 2019.

Crowe (HK) CPA Limited retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (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 2020

INDEPENDENT AUDITOR'S REPORT

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
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)

OPINION

We have audited the consolidated financial statements of Carpenter Tan Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 144, which comprise the consolidated statement of financial position as at 31 December 2019, 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 cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

THE KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESS IN OUR AUDIT
Inventories	
Refer to notes 4 and 19 to the consolidated financial statements. Assessing net realisable value is an area of significant judgement, with specific consideration in relation to the estimate of write-down of slow-moving and obsolete inventory. Considered that the characteristic of the raw materials, they are ready for use after storing for a period of time which is around 2 to 3 years. However, the demand and ability of the Group to sell these inventories in the future may be adversely affected by many factors, such as changes in customers and consumer preferences, competitor activities including pricing and the introduction of new products.	We have performed review of the ageing analysis of the inventory reports to identify any issues in respect of slow-moving items of the inventories. We have assessed the demand for the Group's inventories by reference to the sales patterns and trends of the Group's products before and after the year end, reviewed the confirmed sales orders from the customers. We have reviewed the calculation of net realisable value of inventories, on a sample basis, with reference to the selling prices achieved on sales near and after the year-end, and checked that the inventories are stated at the lower of their costs and net realisable value.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alvin Yeung Sik Hung.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong
30 March 2020

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**336,538**	312,274
Cost of sales		**(135,685)**	(123,598)
Gross profit		**200,853**	188,676
Other income	6	**58,444**	50,555
Administrative expenses		**(34,381)**	(35,131)
Selling and distribution expenses		**(62,756)**	(54,079)
Other operating expenses		**(7,182)**	(5,859)
Profit from operations		**154,978**	144,162
Finance costs		**(634)**	–
Profit before taxation	7	**154,344**	144,162
Income tax	8	**(31,794)**	(29,652)
Profit for the year		**122,550**	114,510
Attributable to			
Owners of the Company		**122,484**	114,510
Non-controlling interests		**66**	–
Profit for the year		**122,550**	114,510
Earnings per share			
Basic and diluted	13	**RMB49.25 cents**	RMB46.04 cents

The notes on pages 71 to 144 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**122,550**	114,510
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of functional currency to presentation currency	**2,374**	(5,532)
Total comprehensive income for the year	**124,924**	108,978
Attributable to		
Owners of the Company	**124,858**	108,978
Non-controlling interest	**66**	–
Total comprehensive income for the year	**124,924**	108,978

The notes on pages 71 to 144 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	14	**60,539**	60,883
Prepaid lease payments	15(B)	**–**	15,180
Right-of-use assets	14(B)	**42,019**	–
Investment properties	16	**101,240**	100,120
Intangible assets	17	**–**	–
Financial assets at fair value through profit or loss	22	**–**	65,000
		203,798	241,183
Current assets			
Prepaid lease payments	15(B)	**–**	737
Inventories	19	**153,072**	145,626
Trade receivables	20	**4,799**	2,351
Other receivables, deposits and prepayments	21	**18,892**	15,560
Financial assets at fair value through profit or loss	22	**447,584**	370,480
Cash and bank balances	24	**39,380**	46,203
		663,727	580,957
Current liabilities			
Trade payables	25	**3,098**	3,617
Other payables and accruals	26	**196,288**	42,166
Income tax payable	23(A)	**34,428**	27,164
Lease liabilities	27	**4,977**	–
		(238,791)	(72,947)
Net current assets		**424,936**	508,010
Total assets less current liabilities		**628,734**	749,193

The notes on pages 71 to 144 form part of these financial statements.

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Deferred tax liabilities	23(B)	**23,847**	31,267
Deferred income	28	**632**	668
Lease liabilities	27	**7,651**	–
		(32,130)	(31,935)
NET ASSETS		**596,604**	717,258
CAPITAL AND RESERVES			
Share capital	29	**2,189**	2,189
Reserves	31	**586,615**	715,069
Equity attributable to owners of the Company		**588,804**	717,258
Non-controlling interests		**7,800**	–
TOTAL EQUITY		**596,604**	717,258

Approved and authorised for issue by the board of directors on 30 March 2020.

Tan Chuan Hua **Tan Lizi**

The notes on pages 71 to 144 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company										
	Share capital RMB'000 (Note 29)	Share premium RMB'000 (Note 31(A))	Capital reserve RMB'000 (Note 31(B))	Statutory reserves RMB'000 (Note 31(C))	Other reserves RMB'000 (Note 31(D))	Property revaluation reserve RMB'000 (Note 31(E))	Currency translation reserve RMB'000 (Note 31(F))	Equity settled share-based payment reserve RMB'000 (Note 31(G))	Retained profits RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	2,189	110,503	2,767	144,168	17,738	12,245	(13,630)	–	460,189	–	736,169
Profit for the year	–	–	–	–	–	–	–	–	114,510	–	114,510
Exchange differences arising on translation of function currency to presentation currency	–	–	–	–	–	–	(5,532)	–	–	–	(5,532)
Total comprehensive income for the year	–	–	–	–	–	–	(5,532)	–	114,510	–	108,978
Dividends	–	–	–	–	–	–	–	–	(127,740)	–	(127,740)
Share repurchase	–	–	–	–	(196)	–	–	–	–	–	(196)
Equity settled share-based transactions	–	–	–	–	–	–	–	47	–	–	47
Transfer to reserve	–	–	–	1,872	–	–	–	–	(1,872)	–	–
At 31 December 2018	2,189	110,503	2,767	146,040	17,542	12,245	(19,162)	47	445,087	–	717,258
At 1 January 2019	**2,189**	**110,503**	**2,767**	**146,040**	**17,542**	**12,245**	**(19,162)**	**47**	**445,087**	**-**	**717,258**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**122,484**	**66**	**122,550**
Exchange differences arising on translation of functional currency to presentation currency	**-**	**-**	**-**	**-**	**-**	**-**	**2,374**	**-**	**-**	**-**	**2,374**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,374**	**-**	**122,484**	**66**	**124,924**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(260,723)**	**-**	**(260,723)**
Disposal of shares	**-**	**-**	**7,266**	**-**	**-**	**-**	**-**	**-**	**-**	**7,734**	**15,000**
Transfer from reserve upon deregistration of subsidiaries	**-**	**-**	**(28)**	**(88,372)**	**-**	**-**	**-**	**-**	**88,400**	**-**	**-**
Transfer to reserve	**-**	**-**	**-**	**279**	**-**	**-**	**-**	**-**	**(279)**	**-**	**-**
Equity settled share-based transaction	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**145**	**-**	**-**	**145**
At 31 December 2019	**2,189**	**110,503**	**10,005**	**57,947**	**17,542**	**12,245**	**(16,788)**	**192**	**394,969**	**7,800**	**596,604**

The notes on pages 71 to 144 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Operating activities			
Profit before taxation		**154,344**	144,162
Adjustments for:			
Finance cost	7(C)	**634**	–
Interest income	6	**(228)**	(2,644)
Change in fair value of investment properties	6	**(1,120)**	(2,220)
Change in fair value of financial assets at fair value through profit or loss	6	**(20,902)**	(4,562)
Net loss on disposal of property, plant and equipment	7(B)	**76**	77
Depreciation of property, plant and equipment	7(B)	**4,357**	4,351
Depreciation of right-of-use assets	7(B)	**6,884**	–
Impairment of right-of-use assets	7(B)	**2,081**	–
Amortisation of prepaid lease payments	7(B)	**–**	737
Equity settled share-based payment expenses	7(A)	**145**	47
Write down of inventories	7(B)	**4,804**	5,008
Net foreign exchange loss/(gain)	7(B)	**3,755**	(7,192)
Government grants released from deferred income	6	**(36)**	(36)
Loss allowance on trade receivables	7(B)	**17**	–
Loss allowance on other receivables, net	7(B)	**9**	208
Provision of sales returns	7(B)	**404**	–
Reversal of provision of sales returns	7(B)	**–**	(704)
Reversal of loss allowance on trade receivables	7(B)	**–**	(56)
Reversal of loss allowance on other receivables	7(B)	**–**	(80)
Reversal of write-down of inventories	7(B)	**(225)**	(67)
Operating profit before working capital changes		**154,999**	137,029
Increase in inventories		**(12,025)**	(25,455)
Increase in trade receivables		**(2,465)**	(9)
Increase in other receivables, deposits and prepayments		**(4,938)**	(3,843)
Decrease in trade payables		**(519)**	(1,358)
Increase in other payables and accruals		**5,418**	2,534
Cash generated from operations		**140,470**	108,898
Interest received		**228**	2,644
Income tax paid, net		**(26,219)**	(25,007)
Withholding tax paid		**(6,404)**	(6,835)
Net cash generated from operating activities		**108,075**	79,700

The notes on pages 71 to 144 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(2,736)**	(5,145)
Proceeds from disposal of property, plant and equipment		**48**	68
Prepayment of acquisition of properties		**(1,393)**	(1,018)
Payment for purchase of financial assets		**(620,647)**	(510,925)
Proceeds from sale of financial assets		**629,445**	253,107
Net cash generated from/(used in) investing activities		**4,717**	(263,913)
Financing activities			
Dividend paid		**(112,717)**	(127,740)
Decrease in non-pledged bank deposit with original maturity over one year		**–**	141,000
Payment for repurchase of shares		**–**	(196)
Capital element of lease	24(B)	**(5,589)**	–
Interest element of lease rentals paid	24(B)	**(634)**	–
Net cash (used in)/generated from financing activities		**(118,940)**	13,064
Net decrease in cash and cash equivalents		**(6,148)**	(171,149)
Cash and cash equivalents at beginning of year		**46,203**	214,750
Effect of foreign exchange rate changes, net		**(675)**	2,602
Cash and cash equivalents at end of year	24(A)	**39,380**	46,203

The notes on pages 71 to 144 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Carpenter Tan Holdings Limited (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 Building 10, Shang Island, No. 7 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 purpose 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 and the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES

A) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs which 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 consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 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 consolidated 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 consolidated financial statements is the historical cost basis except for the investment properties and financial assets at fair value through profit or loss ("FVPL") are stated at their fair value as explained in the accounting policies set out below.

The preparation of consolidated 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 consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D) Property, plant and equipment

The following items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(H)(II)):

– interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 2(E));

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(E)).

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 lives and the unexpired lease terms, being no more than 50 years after the date of completion
Leasehold improvements	Over the unexpired lease terms
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, furniture and equipment 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.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognized in profit or loss during the reporting period in which they are incurred.

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

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(I) AS A LESSEE

(A) Policy applicable from 1 January 2019

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(D) and 2(H)(II)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(F); and

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost in accordance with note 2(D).

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

E) LEASED ASSETS *(CONTINUED)*

(I) AS A LESSEE (CONTINUED)

(A) Policy applicable from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was 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 could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired 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 were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 2(D). Impairment losses were accounted for in accordance with the accounting policy as set out in note 2(H). Finance charges implicit in the lease payments were 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 were charged to profit or loss in the accounting period in which they were incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

E) LEASED ASSETS *(CONTINUED)*

(I) AS A LESSEE (CONTINUED)

(B) Policy applicable prior to 1 January 2019 (Continued)

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

(II) AS A LESSOR

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(P)(IV).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(E)(I), then the Group classifies the sub-lease as an operating lease.

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 undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated 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(P)(IV).

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 2(E)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 2(E).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

G) Intangible assets

Intangible assets with finite useful lives that are acquired by the Group are stated at cost less any accumulated amortisation and any accumulated impairment losses (see note 2(H)(II)). 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 recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful life that are acquired separately are stated at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

H) Credit losses and impairment of assets

(I) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables);

Other financial assets measured at fair value, including financial assets measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

H) CREDIT LOSSES AND IMPAIRMENT OF ASSETS *(Continued)*

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS *(Continued)*

Measurement of ECLs *(Continued)*

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

H) Credit losses and impairment of assets *(Continued)*

(I) *Credit losses from financial instruments* *(Continued)*

Significant increase in credit risk *(Continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(P)(III) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

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

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

H) Credit losses and impairment of assets *(Continued)*

(II) Impairment of non-financial 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, including right-of-use assets;

— 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 whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount 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, 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) Credit losses and 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.

I) Inventories

Inventories are stated 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

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(H)(I)).

K) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

L) 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 cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 2(H)(I).

M) 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 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 Group 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. Contributions to the plan vest immediately.

(II) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in employee share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

M) Employee benefits *(Continued)*

(II) Share-based payments *(Continued)*

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

(III) 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.

N) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

N) INCOME TAX *(Continued)*

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

N) Income tax *(Continued)*

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 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 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.

O) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

P) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of Group’s assets under leases in the ordinary course of the Group’s business.

Revenue is recognised when control over a product or service is transferred to the customers, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Revenue and other income *(Continued)*

Further details of the Group's revenue and other income recognition polices are as follows:

(I) Sale of goods

Revenue is recognised when the customer accepts and takes the control of the products. Revenue represented the sales value of goods sold less returns, discounts, rebates and value added tax ("VAT").

In the comparative period, revenue from sales of goods was recognised when the customer had accepted the related risks and rewards of ownership.

(II) Franchise joining fee income

Franchise joining fee income is recognised when the franchise agreements are entered into with franchise shops.

(III) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(IV) Rental income from operating leases

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

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

(VI) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them.

Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Q) 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.

R) Financial assets at fair value through profit or loss

Other financial assets represented unlisted wealth management product investments which are classified as FVPL. These investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire. The investments are initially stated at fair value, which is their transaction price including directly attributable transaction costs, unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At the end of each reporting period the fair value is remeasured. Changes in the fair value of the investments (including interest) are recognised in profit or loss.

S) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

S) Related parties *(Continued)*

(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).

(VIII) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

T) 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

A. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(CONTINUED)*

HKFRS 16 LEASES *(CONTINUED)*

B. LESSEE ACCOUNTING AND TRANSITIONAL IMPACT

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 14. For an explanation of how the Group applies lessee accounting, see note 2(E)(I).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was around 4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(I) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(II) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(III) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 16 Leases *(Continued)*

B. *Lessee accounting and transitional impact (Continued)*

The following table reconciles the operating lease commitments as disclosed in note 33 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments at 31 December 2018	20,825
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(254)
Less: total future interest expenses	(2,097)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	18,474

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 16 Leases *(Continued)*

b. *Lessee accounting and transitional impact (Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease RMB'000	Reclassification of prepaid lease payments RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Right-of-use assets	–	18,474	15,917	34,391
Prepaid lease payment (non-current)	15,180	–	(15,180)	–
Total non-current assets	241,183	18,474	737	260,394
Prepaid lease payment (current)	737	–	(737)	–
Total current assets	580,957	–	(737)	580,220
Lease liabilities (current)	–	(5,456)	–	(5,456)
Current liabilities	(72,947)	(5,456)	–	(78,403)
Net current assets	508,010	(5,456)	(737)	501,817
Total assets less current liabilities	749,193	13,018	–	762,211
Lease liabilities (non-current)	–	(13,018)	–	(13,018)
Total non-current liabilities	(31,935)	(13,018)	–	(44,953)
Net assets	717,258	–	–	717,258

c. *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 3(C)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flow.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 16 Leases *(continued)*

c. *Impact on the financial result, segment results and cash flows of the Group (continued)*

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1 & 2)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	(A)	(B)	(C)	(D=A+B+C)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	154,978	6,884	(6,223)	155,639	144,162
Finance costs	(634)	634	–	–	–
Profit before taxation	154,344	7,518	(6,223)	155,639	144,162
Profit for the year	122,550	7,518	(6,223)	123,845	114,510

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 16 Leases *(Continued)*

C. *Impact on the financial result, segment results and cash flows of the Group (continued)*

	2019			2018
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17 (note 1 & 2)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	(A)	(B)	(C=A+B)	
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	140,470	(6,223)	134,247	108,898
Net cash generated from operating activities	108,075	(6,223)	101,852	79,700
Capital element of lease rentals paid	(5,589)	5,589	–	–
Interest element of lease rentals	(634)	634	–	–
Net cash (used in)/generated from financing activities	(118,940)	6,223	(112,717)	13,064

Notes:

1 The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

2 In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

D. *Leasehold investment property*

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

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, the management has made the following accounting judgement:

(i) 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 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 in the PRC will not be distributed in the foreseeable 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.

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

B) KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(II) IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The Group assesses annually whether property, plant and equipment and right-of-use assets have any indication of impairment. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on value-in-use or fair value less costs of disposal calculations. These calculations require the use of judgements and estimates.

(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

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

In considering the allowance 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 4% 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. Judgement 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 financial assets at fair value through profit or loss

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. REVENUE

The principal activities of the Group are design, manufacture and distribution of small wooden handicrafts and accessories under the brand name of "Carpenter Tan"; the operation of a franchise and distribution network primarily in the PRC; and the operation of retail shops for direct sale of the Group products in Hong Kong and the PRC. Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts) and franchise joining fee income within the scope of HKFRS 15.

Disaggregation of revenue by sales channels is as follows:

	2019 RMB'000	2018 RMB'000
Online business		
– Sales of goods	**115,290**	98,869
Offline business		
– Sales of goods	**214,542**	207,765
– Franchise joining fee income	**575**	571
	215,117	208,336
Directly-operated outlets		
– Sales of goods	**6,131**	5,069
	336,538	312,274

The Group's customer base is diversified. No individual customer (2018: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2019.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

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

6. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grants (note (I))	**2,328**	1,003
Government grants released from deferred income	**36**	36
Interest income from financial assets		
– bank interest income	**228**	2,644
PRC VAT refunds (note 8(A)(I) and (VII))	**25,735**	25,242
Rental income from investment properties	**6,647**	7,018
Net foreign exchange gain	**–**	7,192
Change in fair value of investment properties	**1,120**	2,220
Change in fair value of financial assets at fair value through profit or loss	**20,902**	4,562
Reversal of loss allowance on trade receivables	**–**	56
Reversal of loss allowance on other receivables	**–**	80
Others	**1,448**	502
	58,444	50,555

Note:

(I) In 2018 and 2019, the group successfully applied for funding support from the International Marketing Developing Funds of Small-and-Medium-Sized Enterprises and Industrial Development Funds (the "Funds"), set up by Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China and Chongqing Provincial Human Resources and Social Security Department respectively. The purposes of the Funds are to encourage the involvement in overseas marketing by granting financial assistance to commercial entities who have involved in certain marketing activities outside the PRC; and to promote a stable employment environment and prevent unemployment risks by granting financial assistance to commercial entities whose structure, lay off rate, contributions to unemployment insurance meet certain criteria.

7. PROFIT BEFORE TAXATION

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

		2019 RMB'000	2018 RMB'000
A)	**Staff costs (including directors' emoluments)**		
	Salaries and other benefits	67,508	64,624
	Contributions to defined contribution retirement scheme	8,812	9,345
	Equity-settled share-based payment expenses (note 30)	145	47
	Total staff costs	76,465	74,016
B)	**Other items**		
	Auditor's remuneration		
	- audit services	709	805
	- non-audit services	346	327
	Amortisation of prepaid lease payments	–	737
	Cost of inventories	131,106	118,657
	Depreciation of right-of-use assets	6,884	–
	Depreciation of property, plant and equipment	4,357	4,351
	Impairment of right-of-use assets	2,081	–
	Loss allowance on trade receivables	17	–
	Loss allowance on other receivables, net	9	208
	Reversal of loss allowance on trade receivables	–	(56)
	Reversal of loss allowance on other receivables	–	(80)
	Net loss on disposal of property, plant and equipment	76	77
	Net foreign exchange loss/(gain)	3,755	(7,192)
	Total minimum lease payments for lease previously classified as operating lease under HKAS17	–	5,121
	Provision for sales returns	404	–
	Reversal of provision of sales returns	–	(704)
	Write down of inventories	4,804	5,008
	Reversal of write-down of inventories	(225)	(67)
	Gross rental income from investment properties	(6,647)	(7,018)
	Less: Direct outgoings incurred for investment properties that generated rental income during the year	858	859
	Net rental income	(5,789)	(6,159)
C)	**Finance cost**		
	Interest on lease liabilities (note 14(B))	634	–

Note:

(I) Cost of inventories includes approximately RMB48,780,000 (2018: RMB46,023,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

8. INCOME TAX

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

	2019 RMB'000	2018 RMB'000
Current tax		
PRC Enterprise Income Tax (notes 8(A)(II) and (III))	**25,783**	22,692
Hong Kong profits tax (note 8(A)(V))	**–**	–
Withholding tax on dividends (note 8(A)(VI))		
- Provision for the year (note 23(B))	**13,805**	6,835
	39,588	29,527
(Over)/under provision in prior years, net		
PRC Enterprise Income Tax	**(374)**	155
Deferred tax		
Transfer to current tax upon distribution of dividends (note 23(B))	**(13,805)**	(6,835)
Provision for the year (note 8(A)(VI) and note 23(B))	**6,385**	6,805
Total	**31,794**	29,652

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. At the beginning of 2018, Zi Qiang Wood Works was dormant and had transferred its staff to a fellow subsidiary, Chongqing Carpenter Tan Handicrafts Co., Ltd ("Carpenter Tan"), which also registered as social welfare enterprise since 24 November 2016 (note VII). Since no salary were paid by Zi Qiang Wood Works to its employees with disabilities, thus Zi Qiang Wood Works was no longer entitled to all the income tax concessions mentioned above. In 2019, Zi Qiang Wood Works is deregistered.

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.

8. INCOME TAX *(Continued)*

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

Notes: *(Continued)*

(II) 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, wholly-owned subsidiaries, obtained the approval from Wanzhou Bureau of the State Administration of Taxation under notice No. 12 to enjoy concessionary Enterprise Income Tax rate of 15% from 1 January 2011 to 31 December 2020. Since Zi Qiang Wood Works was dormant during 2018, Zi Qiang Wood Works is not entitled to enjoy concessionary Enterprise Turnover Tax rate of 15% for the year ended 31 December 2018. In 2019, Zi Qiang Wood Works is deregistered.

(III) The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2018: 25%) except for Carpenter Tan (2018: Carpenter Tan) which is eligible for the income tax concessions according to the preferential tax policies as stated in note 8(A)(II) above.

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

(V) No provision for Hong Kong profits tax has been made for the years ended 31 December 2019 and 2018 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these years.

(VI) 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.

As at the date of the financial statements, the relevant formalities for the reduced tax rate have been completed. The management consulted with PRC lawyers and assessed that the Group is entitled to 5% withholding income tax rate since 2019. In 2019, a provision of approximately RMB13,805,000 (2018: RMB6,835,000) for current tax and approximately RMB5,658,000 (2018: RMB4,607,000) for deferred tax has been made.

As at 31 December 2019, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group's PRC subsidiaries amounted to approximately RMB3,125,000 (2018: RMB11,272,000) which are expected to be distributed in the foreseeable future.

8. INCOME TAX *(Continued)*

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

Notes: *(Continued)*

(VII) Carpenter Tan, a wholly-owned subsidiary of the Company, is a registered social welfare enterprise since 24 November 2016. Pursuant to the notice on preferential tax policies to social welfare enterprise issued by the SAT, Ministry of Finance of the PRC that, with effect from 1 October 2006, Carpenter Tan 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.

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

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**154,344**	144,162
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**39,417**	35,902
Tax effect of non-deductible expenses	**6,449**	2,896
Tax effect of non-taxable incomes	**(4,018)**	(1,265)
Effect of tax concessions granted to subsidiaries (notes 8(A)(I) and (VII))	**(4,660)**	(4,125)
Effect of concessionary tax rate enjoyed by subsidiaries (note 8(A)(II))	**(11,962)**	(10,959)
Unrecognised temporary differences	**189**	1,447
Unrecognised tax losses	**1,095**	994
Withholding tax on dividends (note 8(A)(VI))	**5,658**	4,607
(Over)/Under provision in prior years	**(374)**	155
Income tax expenses	**31,794**	29,652

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2019

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits -in-kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Share-based payments (note 9(C)) RMB'000	Total RMB'000
Executive directors						
Mr. Tan Chuan Hua (note 9(B))	88	63	224	–	–	375
Mr. Tan Di Fu	88	–	–	–	–	88
Mr. Tan Lizi	88	116	423	40	48	715
Independent non-executive directors						
Mr. Yang Yang	88	–	–	–	–	88
Mr. Chau Kam Wing, Donald	132	–	–	–	–	132
Madam Liu Liting	88	–	–	–	–	88
Non-executive directors						
Madam Tan Yinan	88	–	–	–	–	88
Madam Huang Zuoan	88	122	–	–	–	210
	748	301	647	40	48	1,784

9. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2018

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits -in-kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Share-based payments (note 9(C)) RMB'000	Total RMB'000
Executive directors						
Mr. Tan Chuan Hua (note 9(B))	88	192	647	–	–	927
Mr. Tan Di Fu	88	–	–	–	–	88
Mr. Tan Lizi	88	128	273	41	15	545
Independent non-executive directors						
Mr. Yang Yang	88	–	–	–	–	88
Mr. Chau Kam Wing, Donald	132	–	–	–	–	132
Madam Liu Liting	88	–	–	–	–	88
Non-executive directors						
Madam Tan Yinan	88	–	–	–	–	88
Madam Huang Zuoan	88	124	–	–	–	212
	748	444	920	41	15	2,168

Notes:

A) For the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments for the years ended 31 December 2019 and 2018.

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

C) These represent the estimated value of share options granted to the directors under the Group's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 30.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 30.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included one director (2018: two) of the Company whose emoluments are disclosed in note 9 above. Details of the emoluments paid by the Group to the remaining four (2018: three) non-director individuals during the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	602	423
Bonus	1,183	1,160
Retirement scheme contributions	75	84
Share-based payments	97	21
	1,957	1,688

The emoluments fell within the following band:

	2019 Number of individuals	2018 Number of individuals
Nil up to HK$1,000,000 (equivalent to RMB856,000)	4	3

For the years ended 31 December 2019 and 2018, 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.

11. 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 revenue, 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 revenue 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 revenue 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.

12. DIVIDENDS

I) Dividends payable to owners of the Company attributable to the year

	2019 RMB'000	2018 RMB'000
Final dividend of HK28.04 cents, equivalent to RMB25.13 cents per ordinary share (2018: HK25.86 cents, equivalent to RMB22.66 cents) proposed after the end of the reporting period (Note I)	**62,502**	56,359

	2019 RMB'000	2018 RMB'000
No special dividend (2018: HK25.86 cents, equivalent to RMB22.66 cents) proposed after the end of the reporting period	**–**	56,359

	2019 RMB'000	2018 RMB'000
Special dividend of HK67.15 cents, equivalent to RMB59.51 cents per ordinary share (2018: nil) declared on 23 December 2019	**148,006**	–

Note I:

The Directors recommend the payment of a final dividend of HK28.04 cents, equivalent to RMB25.13 cents per ordinary share, totaling RMB62,502,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 20 May 2020. These financial statements do not reflect this recommended dividends.

II) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2019 RMB'000	2018 RMB'000
Final dividend of HK25.86 cents, equivalent to RMB22.66 cents per ordinary share (2018: HK30.72 cents, equivalent to RMB25.68 cents) in respect of the previous financial year, approved and paid during the year	**56,359**	63,870
Special dividend of HK25.86 cents, equivalent to RMB22.66 cents per ordinary share (2018: HK30.72 cents, equivalent to RMB25.68 cents) in respect of the previous financial year, approved and paid during the year	**56,359**	63,870

13. BASIC AND DILUTED EARNINGS PER SHARE

A) Basic earnings per share

The calculation of basic earnings per share is based on the following profit attributable to owners of the Company and weighted average number of ordinary shares outstanding:

(i) Profit attributable to owners of the Company

	2019 RMB'000	2018 RMB'000
Earnings used in calculating basic earnings per share	**122,484**	114,510

(ii) Weighted average number of ordinary shares

	Number of shares	
	2019 **'000**	2018 '000
Weighted average number of ordinary shares in issue	**248,714**	248,714
Weighted average number of ordinary shares for the purpose of basic earning per share	**248,714**	248,714

B) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2019 and 2018 was the same as the basic earnings per share because that the exercise price of the share options granted was higher than the weighted average market price of the Company's shares during the year ended 31 December 2019 and 2018.

14. PROPERTY, PLANT AND EQUIPMENT

(A) Property, plant and equipment

	Buildings (Note I) $'000	Leasehold improvements $'000	Plant and equipment $'000	Furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost:							
At 1 January 2018	42,894	12,482	19,048	6,590	2,825	1,826	85,665
Additions	–	2,763	666	1,469	247	1,018	6,163
Disposals	–	–	(79)	(410)	(864)	–	(1,353)
Transfer	–	–	36	59	–	(95)	–
Exchange adjustments	–	78	–	1	–	–	79
At 31 December 2018	42,894	15,323	19,671	7,709	2,208	2,749	90,554
At 1 January 2019	42,894	15,323	19,671	7,709	2,208	2,749	90,554
Additions	–	768	684	977	307	1,393	4,129
Disposals	–	(304)	(54)	(189)	(437)	–	(984)
Transfer	–	–	463	56	–	(519)	–
Exchange adjustments	–	40	–	59	–	–	99
At 31 December 2019	42,894	15,827	20,764	8,612	2,078	3,623	93,798
Accumulated depreciation							
At 1 January 2018	3,889	3,644	11,761	4,905	2,272	–	26,471
Charge for the year	1,488	903	1,206	659	95	–	4,351
Eliminated on disposals	–	–	(54)	(371)	(783)	–	(1,208)
Exchange adjustments	–	66	–	(9)	–	–	57
At 31 December 2018	5,377	4,613	12,913	5,184	1,584	–	29,671
At 1 January 2019	5,377	4,613	12,913	5,184	1,584	–	29,671
Charge for the year	1,487	868	1,057	815	130	–	4,357
Eliminated on disposals	–	(288)	(48)	(133)	(391)	–	(860)
Exchange adjustments	–	37	–	54	–	–	91
At 31 December 2019	6,864	5,230	13,922	5,920	1,323	–	33,259
Carrying amounts							
At 31 December 2019	36,030	10,597	6,842	2,692	755	3,623	60,539
At 31 December 2018	37,517	10,710	6,758	2,525	624	2,749	60,883

Note I:

Included in buildings is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB29,877,000 as at 31 December 2019. The Group purchased the property from 蘇州建興置業有限公司 (the "developer") in 2013. The Group has fully paid the cost of the buildings but at the end of the reporting period, the Group has not obtained the ownership certificate yet. The Group has litigations against the developer these years and there are no material adverse effect on the business operation and financial position of the Group.

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

(B) Right-of-use assets

The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 3.

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	**31 December 2019 RMB'000**	1 January 2019 RMB'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost with remaining lease term of:			
– between 22 and 40 years	(I)	**27,244**	12,198
Other leasehold land and buildings leased for own use, carried at depreciated cost	(II)	**14,775**	22,193
		42,019	34,391

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 (Note) RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**439**	–
Other leasehold land and buildings leased for own use	**6,445**	–
	6,884	–
Impairment loss on right-of-use assets on other leasehold land and buildings leased for own use	**2,081**	–
Interest on lease liabilities (note 7(C))	**634**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**754**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	5,121

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

(B) Right-of-use assets *(Continued)*

Notes:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

During the year, additions to right-of-use assets were approximately RMB16,614,000. This amount included the purchase of a leasehold property of approximately RMB15,485,000, and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

The total cash outflow for leases in 2019 was RMB6,223,000.

The maturity analysis of lease liabilities is set out in note 27.

(I) Ownership interests in leasehold land and buildings held for own use

The Group holds several leasehold land and industrial buildings for its manufacture of small size wooden handicrafts and accessories business, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

Included in right-of-use assets is land use rights of a piece of land in Chongqing City Wanzhou District (the "Land") having carrying amount approximately RMB6,163,000 (2018:RMB6,324,000) as at 31 December 2019. 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. 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 consolidated financial statements.

On 8 February 2012, Carpenter Tan received another notice from 萬州經濟技術開發區土地儲備中心, informing the Group that the Land will be resumed by the municipal government due to town planning and the Group will be compensated through an exchange with another piece of land. On 24 August 2017, the government officially announced that the Company could start to use the land as industrial purpose. The management has started to plan for a production complex on the land since 1 September 2017. The management expects that the fair value of the land 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.

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

(B) Right-of-use assets *(Continued)*

(II) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses and retail stores through tenancy agreements. The retail stores leases typically run for an initial period of 1 to 3 years. Lease payments are usually increased every year to reflect market rentals.

During the year ended 31 December 2019, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates. The amount of fixed and variable lease payments recognised in profit or loss for the year is summarised below:

	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores – Hong Kong	4,772	–	4,772

15. PREPAID LEASE PAYMENTS

	Land use rights RMB'000 (Note 15(C))
Cost:	
At 1 January 2018 and 31 December 2018	21,499
Impact on initial application of HKFRS 16 (Note 15(A))	(21,499)
At 1 January 2019 and 31 December 2019	–
Accumulated depreciation and impairment:	
At 1 January 2018	4,845
Charge for the year	737
At 31 December 2018	5,582
Impact on initial application of HKFRS 16 (Note 15(A))	(5,582)
At 1 January 2019 and 31 December 2019	–
Carrying amounts	
At 31 December 2019	–
At 31 December 2018	15,917

Notes:

A) The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 3.

15. PREPAID LEASE PAYMENTS *(CONTINUED)*

B) Analysed for reporting purposes as follows:

	2019 RMB'000	2018 RMB'000
Current portion	–	737
Non-current portion	–	15,180
	–	15,917

C) All the Group's land use rights are in the PRC.

16. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2018	97,900
Change in fair value	2,220
At 31 December 2018	100,120
At 1 January 2019	100,120
Change in fair value	1,120
At 31 December 2019	101,240

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.

16. INVESTMENT PROPERTIES *(Continued)*

A) FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(I) FAIR VALUE HIERARCHY *(Continued)*

	Fair value at 31 December 2019 RMB'000	**Fair value measurements as at 31 December 2019 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	**5,240**	**–**	**–**	**5,240**
– Commercial – PRC	**96,000**	**–**	**–**	**96,000**

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	5,120	–	–	5,120
– Commercial – PRC	95,000	–	–	95,000

During the years ended 31 December 2019 and 2018, 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 2019. The valuation was 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. The financial controller has discussion with the valuers on the valuation assumptions and valuation results as at 31 December 2019.

16. 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	RMB6,964 - RMB9,445 (2018: RMB6,525 – RMB8,909)
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% (2018: 7.5%)
		Monthly market rent per square meter, taking into account of factors such as location condition, size of property and layout/design	RMB91 - RMB250 (2018: RMB89 – RMB244)

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 and monthly market rents and negatively correlated to the market yield.

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16. 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 2018	4,900	93,000	97,900
Net gain from a fair value adjustment recognised in valuation gains on investment properties in profit or loss	220	2,000	2,220
At 31 December 2018 and 1 January 2019	5,120	95,000	100,120
Net gain from a fair value adjustment recognised in valuation gains on investment properties in profit or loss	120	1,000	1,120
At 31 December 2019	5,240	96,000	101,240

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

17. INTANGIBLE ASSETS

	Trademark RMB' 000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,037
Accumulated amortisation and accumulated impairment	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,037
Carrying amount	
At 31 December 2019	–
At 31 December 2018	–

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.

18. SUBSIDIARIES

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.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest held by the Company		Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
		Directly	Indirectly			
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	Retailing sale of small size wooden handicrafts and accessories	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	–	90.9%	RMB11,000,000	Distribution of small size wooden handicrafts and accessories through internet	Domestic enterprise
Jiangsu Mujianggu Tourism Development Company Limited ("Jiangsu Mujianggu")	The PRC	–	100%	USD10,000,000	Distribution of small size wooden handicrafts and accessories through internet	Domestic enterprise

\# The subsidiary was deregistered in September 2019.

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19. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**108,145**	100,169
Work-in-progress	**19,109**	17,476
Finished goods	**25,818**	27,981
	153,072	145,626

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

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	**131,106**	118,657
Write down of inventories	**4,804**	5,008
Reversal of write-down of inventories	**(225)**	(67)
	135,685	123,598

The reversal of write-down of inventories made in prior years arose due to the slow-moving inventories were sold during the year.

20. 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:

	2019 RMB'000	2018 RMB'000
Trade receivables	**4,835**	2,389
Less: Loss allowance (note 20(B))	**(36)**	(38)
	4,799	2,351

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

	2019 RMB'000	2018 RMB'000
0 to 30 days	**2,992**	2,217
31 to 60 days	**37**	43
61 to 90 days	**879**	4
91 to 180 days	**630**	2
181 to 365 days	**198**	7
Over 1 year	**63**	78
	4,799	2,351

B) Movements in the loss allowance for trade receivables

Loss allowance 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 (see note 2(H)(I)).

The movements in the loss allowance for trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
Opening loss allowance at 1 January	**38**	94
Written off of previous recognised impairment loss	**(19)**	–
Loss allowance on trade receivables	**17**	–
Reversal of loss allowance on trade receivables	**–**	(56)
Closing loss allowance at 31 December	**36**	38

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

20. 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:

	2019 RMB'000	2018 RMB'000
Past due but not impaired		
1 to 30 days past due	**37**	43
31 to 60 days past due	**879**	4
61 to 150 days past due	**630**	2
151 to 365 days past due	**198**	7
More than 1 year past due	**63**	78
	1,807	134
Neither past due nor impaired	**2,992**	2,217
	4,799	2,351

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.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Other receivables	**4,157**	2,525
Trade and other deposits	**13,914**	10,136
Prepayments	**528**	2,487
VAT and other non-income tax recoverable	**293**	412
	18,892	15,560

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVPL")

	2019 RMB'000	2018 RMB'000
Principal Guaranteed Wealth Management Product, at fair value		
– Non-current	–	65,000
– Current	447,584	370,480
	447,584	435,480

As at 31 December 2019, the Group's financial asset at FVPL represents investment in principal guaranteed wealth management product with following details:

	RMB'000
Balance as at 1 January 2019	435,480
Additions	620,647
Change in fair value	20,902
Repayment	(629,445)
Balance as at 31 December 2019	447,584

The amount represents investment in principal guaranteed wealth management products issued by bank in the PRC with expected return ranging from 2.9% to 4.4% per annum (31 December 2018: 2.1% to 4.8% per annum). The amount of RMB nil (31 December 2018: RMB 65,000,000) is with maturity of more than one year. The carrying amount approximated the fair value.

23. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 RMB'000	2018 RMB'000
Provision for the year	**25,783**	22,692
(Over)/under provision in prior years, net	**(374)**	155
Withholding tax on dividend	**13,805**	6,835
	39,214	29,682
Tax paid	**(32,623)**	(31,842)
	6,591	(2,160)
Balance of provision for income tax related to prior years	**27,837**	29,324
Net income tax payable	**34,428**	27,164

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:

	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 2018	4,446	13,351	13,500	31,297
Release upon distribution of dividends (note 8(A))	–	–	(6,835)	(6,835)
Charge to consolidated statement of profit or loss for the year (note 8(A))	–	2,198	4,607	6,805
At 31 December 2018	4,446	15,549	11,272	31,267

	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 2019	**4,446**	**15,549**	**11,272**	**31,267**
Release upon distribution of dividends (note 8(A))	**–**	**–**	**(13,805)**	**(13,805)**
Charge to consolidated statement of profit or loss for the year (note 8(A))	**–**	**727**	**5,658**	**6,385**
At 31 December 2019	**4,446**	**16,276**	**3,125**	**23,847**

23. 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 approximately RMB42,269,000 (2018: RMB36,418,000) 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 approximately RMB39,037,000 (2018: RMB34,307,000) which do not expire under current tax legislation.

24. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

A) CASH AND BANK BALANCES

	2019	2018
	RMB'000	RMB'000
Cash and bank balances in the consolidated statement of financial position	**39,380**	46,203
Cash and cash equivalents in the consolidated cash flow statement	**39,380**	46,203

Cash at bank earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2019, the balances that were placed with banks in the PRC amounted to approximately RMB33,092,000 (2018: RMB39,468,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

24. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(CONTINUED)*

B) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities RMB'000 (note 27)
At 1 January 2018	–
Changes from financing cash flows	–
At 31 December 2018	–
Impact on initial application of HKFRS 16	18,474
At 1 January 2019	18,474
Changes from financing cash flows	(6,223)
Exchange adjustments	(399)
New leases entered	142
Interest expenses	634
At 31 December 2019	12,628

25. TRADE PAYABLES

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

	2019 RMB'000	2018 RMB'000
0 to 30 days	**2,222**	2,318
31 to 60 days	**530**	752
61 to 90 days	**59**	80
91 to 180 days	**4**	110
181 to 365 days	**48**	73
Over 1 year	**235**	284
	3,098	3,617

26. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Dividend payable	**149,800**	1,753
Other payables and accruals	**21,237**	14,958
Provision for sales returns (note 26(A))	**3,011**	2,607
VAT and other non-income tax payables	**2,332**	3,039
Trade deposits received	**15,896**	13,229
Contract liabilities (note 26(B))	**4,012**	6,580
	196,288	42,166

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

	2019 RMB'000	2018 RMB'000
At 1 January	**2,607**	3,311
Charge/(reversal) for the year	**404**	(704)
At 31 December	**3,011**	2,607

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) Under HKFRS 15, "receipt in advance" amounting RMB6,046,000 which was previously included in trade deposit received are now included under contract liabilities at 1 January 2018.

All the contract liabilities at the beginning of the year has been recognised as revenue during the year.

27. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)	
	Present value of minimum lease payments $'000	Total minimum lease payments $'000	Present value of minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	4,977	5,398	5,456	6,067
After 1 year but within 2 years	3,538	3,810	5,171	5,597
After 2 years but within 5 years	1,906	2,430	4,653	5,299
After 5 years	2,207	2,430	3,194	3,608
	12,628	14,068	18,474	20,571
Less: total future interest expenses		(1,440)		(2,097)
Present value of lease liabilities		12,628		18,474

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

28. 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 RMB36,000 (2018: RMB36,000) was released to profit or loss.

29. SHARE CAPITAL

	Number of shares	Amount HK$	Amount equivalent to RMB
Ordinary shares of HK$0.01			
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	100,000,000	87,926,000
Issued and fully paid:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	248,714,000	2,487,140	2,189,160

(A) Authorised share capital

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 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.

The Group is not subject to any externally imposed capital requirements.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 29 December 2009 whereby the directors of the Company are authorised, at their discretion, to invite certain employees, directors, consultants, suppliers, customers and shareholders (the "Grantees") of any member of the Group, to take up options at consideration HK$4.896 for options granted on 31 August 2018 to subscribe for shares of the Company. The options will be exercisable in three tranches and 30%, 30% and 40% of the options granted vest on one year, two years and three years from the grant date respectively (the"Vesting Dates").

Pursuant to the relevant terms of the share option scheme, the options are exercisable from the Vesting Dates to 30 August 2023. Each of the options will give the holder the right to subscribe for 1 ordinary share in the Company and will be settled gross in shares. After all of the above grants, a total number of 900,000 share options were granted to the Grantees.

In addition, the unexercised options granted under the share option scheme will be forfeited when the Grantees cease to be the directors or employees of the Group for reasons other than death, ill-health or retirement.

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors			
– On 31 August 2018	90,000	1 year from the date grant	5 years
– On 31 August 2018	90,000	2 years from the date grant	5 years
– On 31 August 2018	120,000	3 years from the date grant	5 years
Options granted to employees			
– On 31 August 2018	180,000	1 year from the date grant	5 years
– On 31 August 2018	180,000	2 year from the date grant	5 years
– On 31 August 2018	240,000	3 year from the date grant	5 years
Total share options granted	900,000		

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The number and weighted average exercise prices of share options are as follows:

	2019		2018	
	Weighted exercise price HK$	**Number of options**	Weighted exercise price HK$	Number of options
Outstanding at the beginning of the year	**4.896**	**900,000**	–	–
Granted during the year	**–**	**–**	4.896	900,000
Outstanding at the end of the year	**4.896**	**900,000**	4.896	900,000
Exercisable at the end of the year	**4.896**	**360,000**	4.896	90,000

No share option was exercised, lapsed and cancelled during the year.

The share option scheme is governed by chapter 17 of the Listing Rules. No option has been granted for the year ended 31 December 2019.

The share options outstanding at 31 December 2019 had an exercise price of HK$4.896 and a weighted average remaining contractual life of 3.67 years (2018: 4.67 years).

31. 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 68.

The Company

	Attributable to owners of the Company					
	Share premium RMB'000 (note A)	Currency translation reserve RMB'000 (note F)	Other reserves RMB'000 (note D)	Equity settled Share-based payment reserve RMB'000 (note G)	Retained profits RMB'000	Total RMB'000
At 1 January 2018	110,503	(13,597)	–	–	89,958	186,864
Profit for the year	–	–	–	–	109,164	109,164
Exchange differences arising on translation of functional currency to presentation currency	–	2,867	–	–	–	2,867
Total comprehensive income for the year	–	2,867	–	–	109,164	112,031
Equity settled share-based transactions	–	–	–	47	–	47
Dividends	–	–	–	–	(127,740)	(127,740)
Share repurchase	–	–	(196)	–	–	(196)
At 31 December 2018	110,503	(10,730)	(196)	47	71,382	171,006

	Attributable to owners of the Company					
	Share premium RMB'000 (note A)	Currency translation reserve RMB'000 (note F)	Other reserves RMB'000 (note D)	Equity settled share-based payment reserve RMB'000 (note G)	Retained profits RMB'000	Total RMB'000
At 1 January 2019	110,503	(10,730)	(196)	47	71,382	171,006
Profit for the year	–	–	–	–	206,887	206,887
Exchange differences arising on translation of functional currency to presentation currency	–	3,060	–	–	–	3,060
Total comprehensive income for the year	–	3,060	–	–	206,887	209,947
Dividends	–	–	–	–	(260,723)	(260,723)
Equity settled share-based transactions	–	–	–	145	–	145
At 31 December 2019	110,503	(7,670)	(196)	192	17,546	120,375

31. RESERVES *(Continued)*

In 2018, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		RMB	RMB	RMB' 000
September 2018	50,000	3.93	3.92	196

During the year ended 31 December 2018, 50,000 ordinary shares of the Company were repurchased, these repurchased shares had not been cancelled as at 31 December 2019 and the date of this report.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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. Other subsidiaries, Jiangsu Carpenter Tan and Beijing Carpenter Tan had profit in the current year. RMBnil (2018: RMB1,536,000) and RMB279,000 (2018: RMB336,000), being approximately 10% of their respective profit before appropriation for the year was transferred to this reserve.

31. RESERVES *(Continued)*

C) Statutory reserves *(Continued)*

I) Statutory surplus reserve *(Continued)*

As the other PRC subsidiaries of the Group either had a loss for the years ended 31 December 2019 and 2018 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 2019 and 2018 accordingly.

In 2019, the Company's wholly-owned subsidiary, Zi Qiang Wood Works and Chongqing Carpenter Little Handicrafts Co., Ltd are deregistered. The statutory surplus reserves of amounting RMB12,908,000 has been transferred to retained profits for the year ended 31 December 2019.

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 8(A)(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 RMBnil (2018: RMBnil) of its net profit to these funds for the year ended 31 December 2019. In 2019, Zi Qiang Wood Works was deregistered. The management consulted with PRC lawyers and assessed that the Group no longer required to keep such reserves and therefore the reserves of RMB75,464,000 has been transferred to retained profits for the year ended 31 December 2019.

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 and share repurchased but not yet cancelled during the year ended 31 December 2019.

During the year 2018, the Company repurchased 50,000 shares at prices ranging from RMB3.92 to RMB3.93 through the Stock Exchange at a total consideration of approximately RMB196,000, these repurchased shares had not been cancelled as at 31 December 2019.

E) Property revaluation reserve

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

31. RESERVES *(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(Q).

G) Equity settled share-based payment reserve

The equity settled share-based payment reserve comprises the portion of the grant date fair value of unexpected shares options granted to the grantees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payment in note 2(M)(II).

H) Distributable reserves

Distributable reserves of the Company as at 31 December 2019 was RMB128,049,000 (2018: RMB181,885,000).

32. FINANCIAL INSTRUMENTS

A) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Trade receivables	**4,799**	2,351
Other receivables	**4,157**	2,525
Financial assets at fair value through profit or loss	**447,584**	435,480
Cash and bank balances	**39,380**	46,203
Financial assets at amortised cost	**495,920**	486,559
Financial liabilities		
Trade payables	**3,098**	3,617
Other payables and accruals	**171,037**	16,711
Financial liabilities at amortised cost	**174,135**	20,328

32. FINANCIAL INSTRUMENTS *(Continued)*

B) Financial risk management objectives and policies

Details of the Group's financial instruments as stated in note 32(A) are disclosed in the respective note. 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*

The Group is exposed to foreign currency risk primarily in bank and cash balances that is denominated in United States dollars and Euros. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arise.

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

	2019 **RMB'000**	2018 RMB'000
Assets		
US$	**398**	1,447
Euro	**100**	52
	498	1,499

32. 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 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.

	Effect on profit after tax and retained profits	
	2019	2018
	RMB'000	RMB'000
US$	**20**	64
Euro	**5**	3
	25	67

II) Interest rate risk

The Group is exposed to interest rate risk mainly from bank deposits (note 24) of the Group. 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.

32. FINANCIAL INSTRUMENTS *(Continued)*

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

II) Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates of bank deposits of the Group. 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 profit for the year ended 31 December 2019 and the retained earnings as at the reporting date would increase by approximately RMB386,000 (2018: RMB451,000). An equal and opposite impact on the Group's profit for the respective years would result if the interest rates had been 100 basis points lower.

III) Credit risk

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 review the recoverable amount of each individual debt regularly to ensure that adequate allowances are recognised for irrecoverable amounts. In this regard, the directors 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.

IV) Liquidity risk

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

32. FINANCIAL INSTRUMENTS *(Continued)*

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

IV) *Liquidity risk* *(Continued)*

	Weighted average effective interest rate RMB'000	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2018							
Trade payables	–	3,617	–	–	–	3,617	3,617
Other payables and accruals	–	16,711	–	–	–	16,711	16,711
		20,328	–	–	–	20,328	20,328
At 31 December 2019							
Trade payables	–	3,098	–	–	–	3,098	3,098
Other payables and accruals	–	171,037	–	–	–	171,037	171,037
		174,135	–	–	–	174,135	174,135

C) Fair value

I) *Fair value hierarchy*

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

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.

32. FINANCIAL INSTRUMENTS *(Continued)*

C) FAIR VALUE *(Continued)*

I) *FAIR VALUE HIERARCHY (Continued)*

- 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 2019 RMB'000	**Fair value measurements as at 31 December 2019 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	**447,584**	**–**	**–**	**447,584**

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	435,480	–	–	435,480

During the years ended 31 December 2019 and 2018, 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.

32. FINANCIAL INSTRUMENTS *(CONTINUED)*

C) FAIR VALUE *(CONTINUED)*

II) *INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENT*

	Fair value as at		Level 3		
Financial assets	**31 December 2019 RMB' 000**	31 December 2018 RMB' 000	**Valuation technique and key inputs**	**Significant unobservable inputs**	**Range**
Financial assets at fair value through profit or loss					
– Principal guaranteed wealth management products	**447,584**	435,480	Discounted cash flow	Expected returns	2.9% to 4.4% (2018: 2.1% to 4.8%)

The fair value of financial assets at fair value through profit or loss in Level 3 is determined by discounting the contractual price of financial assets. The discount rate used is derived from the expected returns ranging from 2.9% to 4.40%. The fair value measurement is positively correlated to the expected returns.

33. COMMITMENTS

A) CAPITAL COMMITMENTS

At 31 December 2019, capital commitments not provided for in the financial statements were as follows:

	2019 RMB' 000	2018 RMB' 000
Contracted but not provided for in respect of		
– property, plant and equipment	**942**	1,535

33. COMMITMENTS *(Continued)*

B) Operating lease commitments

As lessee

I) At 31 December 2018, the total future minimum lease payables under non-cancellable operating leases in respect of premises are as follows:

	2018 RMB'000
Within one year	5,251
After one year but within five years	11,590
After five years	3,984
	20,825

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(E), and the details regarding the Group's future lease payments are disclosed in note 27.

As lessor

(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 2019, the total future minimum lease payments receivable under non-cancellable operating leases in respect of premises are as follows:

Minimum lease payments receivable on leases are as follows:

	2019 **RMB'000**
Within one year	**3,396**
After one year but within two years	**3,892**
After two year but within three years	**505**
	7,793

33. COMMITMENTS *(CONTINUED)*

B) OPERATING LEASE COMMITMENTS *(CONTINUED)*

AS LESSOR (CONTINUED)

The Group had contracted with leases for the following future minimum lease payments:

	2018 RMB'000
Within one year	4,090
After one year but within five years	9,310
	13,400

34. RELATED PARTY TRANSACTIONS

(A) KEY MANAGEMENT COMPENSATION

Remuneration for key management personnel of the Group including certain amounts paid to the directors as disclosed in note 9 and certain amounts paid to the highest paid employees as disclosed in note 10, is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**3,481**	3,695
Post-employment benefits	**115**	125
Equity-settled share-based payment expenses	**145**	36
	3,741	3,856

Note:

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

(B) In 2019, Jiangsu Carpenter Tan, a wholly-owned subsidiary of the Group, entered into investment agreement with Jurong Yuechang Travel, a company owned by Mr. Tan Chuan Hua, who is an executive Director and chairman of the Group, for making a capital injection into Jiangsu Carpenter Tan at a consideration of RMB15 million which were arrived at arm's length negotiation between the Group and Jurong Yeuchang. The consideration is settled by the transfer of the ownership of the right-of-use assets from Jurong Yuechang Travel to Jiangsu Carpenter Tan at a fair value of RMB15 million. As at 31 December 2019, the carrying amount of the right-of-use assets is approximately RMB15,407,000.

35. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Investment in a subsidiary		**47**	47
Current assets			
Amounts due from subsidiaries		**294,391**	194,876
Prepayment		**–**	127
Cash and cash equivalents		**706**	335
		295,097	195,338
Current liabilities			
Amounts due to subsidiaries		**21,338**	19,087
Other payables and accruals		**151,242**	3,103
		(172,580)	(22,190)
Net current assets		**122,517**	173,148
NET ASSETS		**122,564**	173,195
CAPITAL AND RESERVES			
Share capital	29	**2,189**	2,189
Reserves	31	**120,375**	171,006
TOTAL EQUITY		**122,564**	173,195

Approved and authorised for issue by the board of directors on 30 March 2020.

Tan Chuan Hua

Tan Lizi

36. EVENTS AFTER REPORTING PERIOD

The outbreak of coronavirus (COVID-19) epidemic since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the epidemic on the Group's businesses and has commenced to put in place various measures including but not limited to the offline franchise stores incentive scheme to provide a discount to the offline franchise stores for goods to be purchased from the Group. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report.

37. ULTIMATE HOLDING COMPANY

At 31 December 2019, the directors consider the immediate parent and ultimate holding company of the Group 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.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

PRINCIPAL PROPERTIES HELD FOR INVESTMENT PURPOSES

China

Location	Lot number	Type	Lease term
Nos. 701-703, 703A, 705-713, 713A, 715, 723 and 723A, 7th Floor, North Tower of Junefield Plaza, Nos. 6, 8, 10, 12, 16 and 18 Xuanwu Menwai Street, Xuanwu District, Beijing,	–	Commercial	2044
Levels 43 and 44, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing,	JB3-49-68	Commercial	2045
Portion of Level 42, Yingli Building (Future International), No. 6 Yizhi Road, Jianxin Bei Road, Jiangbei District, Chongqing,	JB3-49-68	Commercial	2045
Unit Nos. 2-5, 2-6, 2-7 and 2-8, Block A7, Jiazhou Garden, Longxi Road, Yubei District, Chongqing,	YB4-19-46	Residential	2062
A residential unit situated at No. 1-8-3, No. 8 Huangjiaoping Street, Jiulongpo District, Chongqing,	JL4-14-92	Residential	2051

FINANCIAL SUMMARY

The following table sets out the financial summary of the Group for the five years ended 31 December:

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**336,538**	312,274	301,616	263,783	276,062
Profit before taxation	**154,344**	144,162	157,211	143,787	148,368
Income tax	**(31,794)**	(29,652)	(36,995)	(29,784)	(28,462)
Profit for the year	**122,550**	114,510	120,216	114,003	119,906
Attributable to					
Owners of the Company	**122,484**	114,510	120,216	114,003	119,906

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**867,525**	822,140	841,841	749,678	706,697
Total liabilities	**(270,921)**	(104,882)	(105,672)	(78,014)	(83,260)
Equity attributable to owners of the Company	**596,604**	717,258	736,169	671,664	623,437

	As at 31 December				
	2019	2018	2017	2016	2015
Liquidity and Gearing					
Current ratio(1)	**2.78**	7.96	7.16	9.97	8.97
Quick ratio(2)	**2.14**	5.97	5.47	8.18	7.54
Asset-liability ratio(3)	**N/A(4)**	N/A(4)	N/A(4)	N/A(4)	N/A(4)

Notes:

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

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

(3) Asset-liability ratio is calculated as total bank borrowings divided by total assets and multiplied by 100%.

(4) As at 31 December 2019, 2018, 2017, 2016 and 2015, the Group did not have any bank borrowings. The calculation of asset-liability ratio is not meaningful.