譚木匠

梳造东方美

SHU ZAO DONG FANG MEI

2023 ANNUAL REPORT

譚木匠控股有限公司*
CARPENTER TAN HOLDINGS LIMITED

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

* For identification purpose only


譚木匠

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tan Chuan Hua *(Chairman)*
Mr. Tan Di Fu
Mr. Luo Hongping *(appointed on 1 February 2023)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Kam Wing, Donald
Ms. Liu Liting
Mr. Yang Tiannan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

AUTHORISED REPRESENTATIVES

Mr. Chan Hon Wan *CA*
Mr. Tan Chuan Hua

REGISTERED OFFICE

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Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

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Chongqing
The PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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17/F, Far East Finance Centre
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Hong Kong

PRINCIPAL BANKERS

China Construction Bank
86 Hau Yei Tang Road
Wanzhou, Chongqing
The PRC

Agricultural Bank of China
Wanzhou Fen Hang Ying Ye Bu
222 Tai Bai Road
Wanzhou, Chongqing
The PRC

AUDITOR

Crowe (HK) CPA Limited
9th Floor
Leighton Centre
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LEGAL ADVISORS TO THE COMPANY

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Hong Kong

STOCK CODE

837

COMPANY WEBSITE

www.ctans.com

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Changes
	2023	2022	Increase/
	RMB'000	RMB'000	(Decrease)
Financial Highlights			
Revenue	**499,688**	348,002	43.6%
Cost of sales	**(198,811)**	(142,754)	39.3%
Gross profit	**300,877**	205,248	46.6%
Profit before taxation	**209,691**	133,363	57.2%
Profit attributable to owners of the Company	**173,734**	107,250	62.0%
Basic earnings per share (RMB cents)	**69.85**	43.12	62.0%
Proposed final dividend per share (HK cents)	**38.64**	25.03	54.4%

	As at 31 December		Changes Increase/
	2023	2022	(Decrease)
Liquidity and Gearing			
Current ratio(1)	**6.88**	6.57	4.7%
Quick ratio(2)	**4.22**	3.51	20.2%
Gearing ratio(3)	**N/A(4)**	N/A(4)	–

Notes:

(1) Current ratio is calculated as total current assets divided by total current liabilities as at the relevant year end.

(2) Quick ratio is calculated as total current assets less inventories divided by total current liabilities as at the relevant year end.

(3) Gearing ratio is calculated as total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year and multiplied by 100%.

(4) As at 31 December 2023 and 2022, the Group did not have any interest-bearing bank borrowings. The calculation of gearing 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" or "Carpenter Tan") for the year ended 31 December 2023 (the "Year Under Review") to the shareholders (the "Shareholders") and potential investors for your review.

In the past year, under the environment where both international and domestic markets were relatively weak with sluggish growth in general, thanks to everyone's full attention and support as well as the joint efforts of all employees and the franchisees of the Group, the Group has achieved a relatively good operating performance and market growth, and managed to bring a satisfactory result.

On the occasion of the Company's 30th anniversary of establishment, the Company would like to express its sincere gratitude to all investors, Shareholders and people from all walks of life who have offered care and support to Carpenter Tan over the years. The Company also held celebration activities for all employees and franchisees. Externally, we put forward the marketing ideas and specific requirements of "embarking on a new chapter with heart". Internally, we put forward the working principles and practice requirements of "honesty and integrity, happy work, selflessness, incorruptibility and compliance, kindness and humbleness, moral and uprightness", so as to identify problems, raise awareness, formulate rules and promote development.

Looking back at the past 30 years, the times have changed; the market has changed, and so has the competitive landscape. We must adapt to changes and not rest on our laurels nor cling to our past. Instead, we must keep pace with the changing times, dare to be the first among all, and actively embrace this era. At the same time, we have to remain true to our original aspiration to uphold the value of "honesty, hard work and happiness" and the spirit of craftmanship of making a good comb. We use these as the ruler to measure ourselves at all times, and stay true to our heart. When crafting each comb, we must first carefully cultivate every member of Carpenter Tan so we will never lose our original aspiration and spirit of craftmanship.

Encouragement for 2024: Let's keep evolving day and night; let go of the past and forge ahead.

Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

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MANAGEMENT REVIEW

The Company undertook the third three-year development plan. At the beginning of the year 2023, the Company clearly put forward, among others, the main directions of work, key tasks and business objectives for the whole year, including corporate governance, performance targets, governance policies, market rectification, specialty store upgrade, product development, hot item creation, technology research and development, brand building, safe production, supply guarantee, manpower policy, financial service, charity activities, project construction, multi-dimensional work such as improving production efficiency, increasing product gross profit, enhancing raw material utilization, and promoting and ensuring the employment of people with disabilities.

Due to the market optimization layout implemented against the three-year pandemic, the market recognition and competitiveness of the Company's brand have been better improved. As a result, the specialty stores have expanded to better channels, better business districts, better shopping malls and better shop locations, while the quality and profitability of new specialty stores are further improved. Meanwhile, the Company has strengthened its support and building of specialty stores located at tourist attractions, transportation port and other places that can represent the Company's brand image, thereby enhancing its brand recognition and market influence. Supportive measures have been put forward to revitalize the Northeast market, and the Northeast market begins to recover significantly. A new model of overseas market expansion has been implemented, while the expansion of overseas online and offline markets has been simultaneously strengthened. At the same time, the Company has put more effort on market rectification and achieved fruitful results. The franchise system has become more confident and the Company's credibility has been further maintained and improved.

The Company has strengthened its efforts in building and disseminating brand culture, and offline pop-up events became a sight to behold, which received genuine support, high acceptance and active invitation by customers and organizers. In 2024, the Company will continue to promote the experiential activities of the "Garden of Combs" both internationally and domestically.

During the Year Under Review, the Company had clear objectives, effective measures, full confidence, and diligent management. All departments performed their duties and cooperated closely. The Company made considerable progress and achieved good results in various aspects such as corporate governance. The material safety and strategic reserve was further consolidated, and the development of new products and creation of hot items made outstanding achievements. The transformation and application of technological development results and the improvement of production efficiency were increasingly effective. The product system was further optimized, with the new products and comprehensive gross profit margin reasonably increased. The market space was better expanded and the number and quality of specialty stores were significantly increased and improved. Accordingly, the Company's terminal retail and comprehensive profit performance exceeded expectations and increased significantly.

I. OFFLINE BUSINESS

For the year ended 31 December 2023, POS sales for our offline business reached 139.80% of the planned target, representing an increase of 56.00% compared to 2022. During the Year Under Review, the offline business team seized opportunities to quickly capture market development opportunities, actively explored and innovated, and achieved certain results in key business indicators such as new stores, image enhancement, profit enhancement and group purchase business, boldly exploring new channels, new retail and other business models. Facing the increasing user demand and the complex and ever-changing market environment, the offline business adhered to the development strategy of brand, product and culture in parallel, and established a deep friendship with end users by broadening sales and promotion channels, enriching product system and after-sales service as well as conveying cultural connotation and emotional value.

1. *SPECIALTY STORES OVERVIEW*

For the year ended 31 December 2023, Carpenter Tan had a total of 1,161 franchised stores and 1 self-operated store in Mainland China, 5 franchised stores in other countries and regions, and 3 self-operated stores in Hong Kong. The total number of stores was 1,170. There was an increased by 75 stores as compared to 1,095 stores as of 31 December 2022. Among them, shopping mall stores, image stores of the third generation, and Morandi image stores accounted for 66.70%, 66.44% and 29.86%, respectively.

Number of franchised stores, overseas stores and counters as at 31 December 2023

	As at 31 December			
	2023		2022	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	**1,161**	**1**	1,088	1
Hong Kong	**–**	**3**	–	2
Other countries and regions	**5**	**–**	4	–
Total	**1,166**	**4**	1,092	3

Number of franchised stores distribution in China as at 31 December 2023

	As at 31 December			
	2023		2022	
Type of stores	Number of franchised store	Percentage	Number of franchised store	Percentage
Shopping mall	**774**	**66.7%**	676	62.1%
Street shop	**248**	**21.3%**	269	24.7%
Department store	**63**	**5.4%**	61	5.6%
Supermarket	**17**	**1.5%**	25	2.3%
Scenic spot	**44**	**3.8%**	43	4.0%
Transportation hub	**7**	**0.6%**	8	0.7%
Hotel	**2**	**0.2%**	2	0.2%
Others	**6**	**0.5%**	4	0.4%
Total	**1,161**	**100.0%**	1,088	100.0%

2. CHANNEL DEVELOPMENT

In terms of the development of store channel:

During the Year Under Review, the number of new stores reached 215, reaching a record high of 165.38% of the annual plan. The proportion of stores in shopping malls reached 92.09%. At the same time, the average area of new stores increased significantly to 23.82 square meters. As a result, the Group's store scale quickly recovered to the pre-pandemic level, and the store image was also significantly improved. Significant breakthroughs have been made in the development of key provinces and cities and blank markets such as Beijing, Shanghai, Zhejiang, Henan, Shaanxi, Hubei and Northeast China (Heijiliao). In terms of city distribution of new stores: Beijing, Shanghai, Guangzhou and Shenzhen accounted for 31.00%, provincial capitals and sub-provincial cities accounted for 67.44%. The layout of the stores has become more reasonable, which has consolidated the foundation for the long-term development of the Group's offline business.

During the Year Under Review, the offline business team continuously strengthened the requirements for basic management and service of stores, introduced external training resources, self-built internal training teams at all levels, implemented internal and external training programs for the management and first-line shopping guides, and conveyed the Group's operation philosophy of "making friends with a comb" to the first-tier stores by providing customers with a clean and comfortable shopping environment that was fill with experience and strong cultural atmosphere so as to facilitate reputation marketing.

In terms of the development of major customer channel:

During the Year Under Review, we launched themed group-purchase merchandise, which brought good wishes to customers. Customers could choose any patterns in the theme gallery, and they could also customize patterns and personalized value-added service by themselves, making the group purchase gifts more unique and meaningful. At the same time, the Group supported the Group purchase in various aspects: adjusting the group purchase policy, providing multi-versions of group purchase catalogue, lowering the charging rates for words engraving and gold and silver glazing, updating the engraving template, and continuously enriching the e-cards for group purchase products, aiming to encourage franchised stores to actively expand group purchase business.

A total of 126 external group purchases were signed with the Group through stores, representing an increase of 20.00% as compared to the corresponding period of last year. Group purchases amounted to approximately RMB6.28 million, representing an increase of 11.00% as compared to the corresponding period of last year. The group purchase amount achieved by the franchised stores through independent engagement was approximately RMB83.04 million, accounting for approximately 11.50% of the annual sales results.

3. OFFLINE ACTIVITIES

During the Year Under Review, the offline business team proactively contacted and coordinated various channels to implement brand promotion closely with the stores through resource exchange, cost reduction, efficiency enhancement and other means, under the premise and requirements of ensuring that sales expenses were controllable and achieving optimal conversion. During the Year Under Review, we held a total of 1 offline pop-up event, 3 brand train promotion activities, 1 important node promotion, 12 brand exhibitions led by various types of governments at all levels, more than 130 self-owned brand promotions in various regions across the country, and successfully cooperated with a well-known middle school in Beijing to hold 1 "wood art course". Through the explanation and on-site experience of wooden comb-making culture and craftsmanship, the brand could penetrate into young people, realized long-term promotion exploration and accumulated valuable experience.

4. MEMBERSHIP SERVICE

During the Year Under Review, we completed the redesign and visual adjustment of the user interface of our membership system. We also added new module functions such as member points redemption card coupons, interactive member points functions, member questionnaire and launch of new agricultural by-products to provide better visuals and interactive experiences for our members. The total number of active members reached 780,000, reaching 108.45% of the new member target. A total of 135,080 member redemption orders were processed, representing an increase of 221.00% as compared to the corresponding period of last year. The significant increase in member redemption orders reflected the significant increase in the number of active brand members and, to a certain extent, reflected the effective upgrades of membership service.

5. NEW PRODUCT LAUNCH

During the Year Under Review, a total of 45 new products were launched on Valentine's Day, International Women's Day, Mother's Day, Children's Day, Father's Day, Qixi Festival, Double Eleven, respectively, and were well received by the market. Among them, 2 new home furnishing products were distributed in limited quantities as rewards to customers; 1 set of Chinese Zodiac concept products was distributed in limited quantities to celebrate the Mid-Autumn Festival. Among the remaining 42 new products, 12 functional products were launched as the main type of products in 2023，which can meet the needs of different groups of people from multiple perspectives and types, including 2 sharp-tail combs for children, 2 large sized angular wood massage boards, 1 tendon sticks, and 7 tendon combs. At the same time, Carpenter Tan's own IP was developed, and 5 new products of the Panda Tantan (熊貓譚譚) series, 2 new products of the Long Yan Da Yue (龍顏大悦) series were launched respectively. Based on the organization, optimization and supplement of the product system, a total of 4 wooden lacquer combs, 3 inserted lacquer combs, 5 hair bob accessories, 2 high-end inserted carved combs, 9 inserted wooden combs, 2 BJ lacquer combs were launched.

6. IMPROVING STORE IMAGE

During the Year Under Review, the total number of stores designed was 329. 267 stores completed design plans and 253 stores were renovated, including 209 new stores, 24 relocated stores and 20 refurbished stores. Categorized by store style, there were a total of 64 Carpenter Tan third generation-styled stores and a total of 189 Morandi-styled stores. The image of Morandi has been well received, accounting for approximately 70.00% of the completed number. Such image could be continuously enhanced and promoted.

Mini-sized comb-making equipment was added to some of the larger stores to enrich the consumption scenarios by adding handmade experience modules and enhance shopping enjoyment.

7. OFFLINE BUSINESS FOCUS IN 2024

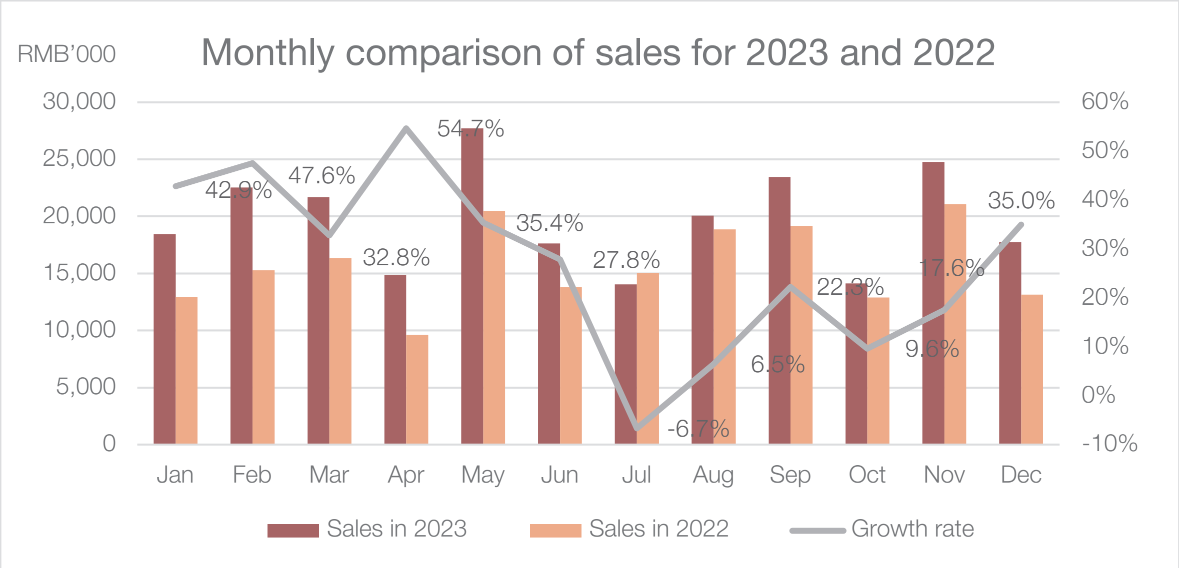
We will consolidate and further expand the existing sales channels. Through improving the number and quality of the stores, we will enhance users' understanding and recognition of the brand and products. Offline business will continue to play the role as a window and medium for face-to-face communication with users. Through exploring and satisfying the needs of group purchase, we will strengthen key customers' understanding and acceptance of the gift attributes and value enhancement contained in the products.

Through analyzing the needs of target customers, we will plan and arrange product portfolios, enrich product categories, enhance product value and improve product quality. We will also strengthen the promotion and dissemination of new products and interaction between users, and reshape the enduring best-selling classics. We will formulate appropriate marketing strategies and activities, effectively reaching more consumer groups through cooperation with stores, communication with private domains and integration of platforms, strengthening the development of offline interactive activities with new and old consumers, establishing and spreading the emotional connection with family, love and friendship.

We will continuously devote resources to give back to our users. Through continuous promotion of our membership system, we plan to provide customers with more favorable membership redemption gifts and more comprehensive membership services to further meet the needs of our members. By making good use of reasonable suggestions, and understanding users' opinions and feedback through WeCom, Mini Programs, Aps, etc., we will ensure timely response and positive improvements.

II. ONLINE BUSINESS

For the year ended 31 December 2023, the online business completed sales of approximately RMB237 million and met 112.90% of the yearly target, representing a year-on-year increase of 25.72% when compared to same period of 2022. Since its establishment, the sales data of the online business team has been increasing every year. From 2014 to 2020, the annual growth rate kept declining due to increasing sales base, from the highest point of increase of 35.00% to the lowest point of 6.12%. Starting from 2021, the growth rate has returned to more than 15.00%, and reached the highest point of 25.72% this year, with sales continuously breaking historical highs.



1. *NEW PLATFORM EXPANSION*

During the Year Under Review, two new platforms, Kuaishou and Jingxi, were introduced. Kuaishou platform was mainly used to open flagship stores and cover channels. We used reposted short videos for brand promotion and did not conduct live sales. Currently, the traffic and sales volume of our brand are relatively low on this platform. Since Jingxi platform and the flagship store shared the same backstage, traffic and sales volume on Jingxi platform could not be calculated separately. We mainly used the Jingxi platform as a new exposure display to continuously attract traffic to the JD flagship store.

2. *NEW PLATFORM MODULES AND NEW PROMOTION METHODS*

In terms of the use of new promotion methods, the online business team kept up with platform development trend, actively opened new platform modules and operated new promotion methods, such as marketing on Gen Dan Bao mini program, private domain group chat and dedicated customer services, new customer promotion of the brand and super short video promotion. The cumulative transaction volume brought by new channels and new promotion models accounted for 11.00% of the total business volume.

3. DOUYIN CHANNEL EXPANSION

In terms of Douyin channel promotion, we focused on promoting brand culture, and adopted the three-in-one promotion model of with our own account operation + talent account creative video promotion + leading account live streaming. During the Year Under Review, (i) a total of 314 videos were published on our own account, with the total number of followers reaching more than 276,000, the total account exposure exceeding 140 million and the total account interactions reaching over 2.516 million; (ii) we collaborated with a total of 64 talent accounts and published a total of 96 videos for the year, with the total promotion exposure reaching over 59.8049 million and the total promotion interaction exceeding 856,000; (iii) we cooperated with Dongfang Zhenxuan account to conduct two Douyin live streaming promotions, with the cumulative exposures in the live streaming reaching 76.5356 million, the number of viewers in the live streaming room reaching 14.1313 million, and the number of visitors for our brand products reaching 2.05 million. The sales of the two live streamings accounted for 46% of the total Douyin sales of the corresponding month. However, the shortcoming was that the host did not make sufficient explanation on the brand culture during the live streaming was and failed to fully achieve the dual purposes of brand promotion and sales.

4. MARKETING ACTIVITIES

During the Year Under Review, we carried out a total of 14 online marketing activities. On-site and off-site content promotion was arranged in advance based on activity nodes and the pace of platform activities, putting effort on various channels simultaneously. Therefore, sales increased significantly during the event. For example, the average daily sales increased by 39% year-on-year during the 8-day Mother's Day event, breaking the historical record. However, the overall average daily sales of Double Eleven increased by only 3.22% year-on-year, which exposed our inadequate online exclusive products framework. There are still many subdivided paths that need to be supplemented with our main products. In the future, we will exert strong effort on optimization and build a sound product system.

5. ON-SITE AND OFF-SITE CONTENT PROMOTION

We continued to output content through on-site content channels and off-site Xiaohongshu channel to promote brand culture and strengthen emotional marketing, adhering to the two-pronged approach of "expanding crowd assets + on-site conversion". During the Year Under Review, on-site channels such as Tmall and JD (personal product recommendation, Daka Dianping, good product sharing, Guangguang, U-first, ranking, golden procedures, etc.) published a total of 1,065 pieces of talent content, generated more than 5.686 million customer views and more than 2.448 million customer visits. Off-site Xiaohongshu published 155 pieces of content, generated more than 2.46 million readership and more than 221,000 interaction.

6. DIGITAL TRANSFORMATION

AI softwares were actively used to improve data capabilities, customer care capabilities and service capabilities based on our business needs. We improved our online data analysis capabilities and existing customer care service by utilizing smart AI softwares in scenarios such as revisiting customers who made inquiry but did not place order in the past 30 days, Business Advisor competing store data capture, market brand ranking analysis, Vipshop work order reminder, online shop manager (Jackyun) clear analysis, revisiting existing customers via AI smart phone calls, YTO Express and ems express automatic interception. Hence, the brand reputation was enhanced. Utilizing the Banniu work order system, we completed the registration and analysis of after-sales return orders, the feedback processing of pre-sales reception issues, SF express automatic interception, after-sales batch refund by Alipay, management list processing of public opinion monitoring, etc. This improved the work process connection between various positions in departments and enhanced work efficiency and overall service capabilities.

7. *CREATING POPULAR PRODUCTS*

During the Year Under Review, the online business team created popular new products based on 3 products, being "Da Ju Da Li (大橘大利)", "Xin Xiang Shi Cheng (心想事橙)" and "Meng Xiong (萌熊)". According to the online product sales statistics, "Meng Xiong (萌熊)" ranked first in terms of both sales volume and sales revenue; "Xin Xiang Shi Cheng (心想事橙)" ranked fifth in terms of both sales volume and sales revenue; "Da Ju Da Li (大橘大利)" ranked twelfth in terms of sales volume and ranked ninth in terms of sales revenue.

The online business sales team is equipped with matured capabilities to create popular products, from warm-up and launch of new products to attracting new members with tools, night time live streaming room recommendations and using post-purchase links to promote cross-selling. The online business sales team can exert their sales capabilities on the premise of sufficient product strength and inventory. At the same time, we are also fully aware that the time span of creating a popular product should follow the product life cycle, so as to maximize the traffic bonus obtained from the popular product in the cycle.

8. *TMALL LIVE STREAMING*

During the Year Under Review, the online business team continued to set up live streaming rooms on Tmall platform, with a total of 2,678 streaming hours throughout the year and a year-on-year increase of 73% in transaction amount generated from streaming. The live broadcast room penetration rate reached 10.6% and the annual live broadcast sales target achievement rate was 170%. There were 42,000 new fans, representing a year-on-year increase of 53%. The total number of viewers in the live streaming rooms was 4.35 million, representing a year-on-year increase of 42%. We remained first in terms of store live streaming sales in the comb industry, and achieved outstanding store live streaming scale.

9. *ONLINE BUSINESS FOCUS IN 2024*

The marketing activities for 2024 will be carried out under the general strategy of "adhering to the basic idea of channel diversification". We will cooperate with on-site content channels, off-site Xiaohongshu channel, Douyin channel and other publicity channels to carry out promotion simultaneously. We will actively contact and maintain cooperation with reputable top streamers and accounts to expand the topicality and exposure of our brand.

We will continuously improve and enhance our service capabilities. Firstly, we continuously invest resources in fundamental system optimization, increase the number of JD consulting robots to improve the efficiency of artificial intelligence use, and increase the weight of store DSR assessment while improving service quality to obtain more free platform traffic. Secondly, we optimize the design of store homepage and product details page to enhance the visual tone of the brand and increase the staying time of customers. Thirdly, we improve the overall service quality across the stores, such as price guarantee service for members, words engraving and gold glazing, response time of stores, etc., to reduce return rate and time spent of refund processing. We also take measures such as providing small compensation/red packets for minor problems like damaged packaging to avoid refund, so as to improve net sales rate.

We will optimize online product system and improve special product system. The popular products, products for redirecting traffic and profitable products of each platform need to be reclassified to maximize the advantages of each platform.

We will construct an online omni-channel membership system, develop private domain traffic pool, which will be the entrance of fission marketing, and establish the brand's own free traffic network to support our sales. We will transform customers from traffic operation to members retention to bring room for sales increase for the brand, truly accumulating the online crowd assets and creating long term value for the brand.

We will create popular products based on the new products of the Year of the Dragon and the panda IP series. We will use corresponding nodes to pave the way for the basic sales of new product, and simultaneously combine various new product promotion tools and on-site and off-site promotion empowerment, in order to gradually increase the weighting of products and increase product sales. In terms of promotion direction, we will plan activities and visual schemes with the key focus on "dragon" elements and "panda" elements. With the creation of brand owned IP, we will also improve IP display layout to implant into consumer's heart. Leveraging on our IP image, we will get more involved with the youngsters, reaching more people and enhancing the brand awareness.

III. OVERSEAS BUSINESS

During the Year Under Review, the overseas business team mainly carried out the following tasks:

Actively visited and developed new and existing overseas franchisees and opened new overseas franchised stores. The new Morandi style store in Toronto, Canada opened at the end of July this year, which is also the first overseas Morandi style store; the new joint-venture store in Malaysia completed the renovation and commenced trial operation at the end of December 2023.

Performed well in the content production of overseas social media accounts and found suitable celebrities to attract traffic to the website. We continued to update the content of social media accounts, and filmed a series of model unboxing videos for products on the US official website.

Participated in the Malaysia Cultural Fair held in Kuala Lumpur and presented a 72-square-meter custom-made booth, which attracted a large number of visitors, highlighting the brand image and charm.

Continued to deepen the expansion of the Hong Kong market and cooperated with the famous hair salon HAIR CORNER in Festival Walk, Kowloon Tong, Hong Kong to open a new counter.

For the year ended 31 December 2023, offline overseas business recorded a total shipment of RMB3,857,500, representing a year-on-year increase of 15.12%. The sales of cross-border e-commerce platform amounted to RMB798,500, representing a year-on-year increase of 32.72%. The self-operated stores and online platforms in Hong Kong achieved a total sales of HK$4,648,400, representing a year-on-year increase of 25.60%, and the Hong Kong market realized a turnaround from loss to profit.

Overseas business outlook:

To consolidate presence in the Southeast Asian market, actively promote the overseas joint venture policy and open 2 to 3 new stores in the Southeast Asian market; to deeply cultivate the Hong Kong market, explore the new market in Kowloon and expand the coverage of stores; to carry out franchise cooperation in Hong Kong; in key overseas markets, to change domestic shipments to shipping from overseas warehouses so as to improve logistics and distribution efficiency, reduce logistics costs and improve customer shopping experience; to participate in large-scale overseas exhibitions such as the Las Vegas Consumer Goods Fair and the Tokyo Gift Show; focusing on key markets such as North America and Southeast Asia, to increase social media promotion effort in order to bring traffic for our brands and increase sales in online and offline stores.

IV. INNOVATIVE RESEARCH AND DEVELOPMENT

During the Year Under Review, the creative R&D team focused on the research and development on the structure and function of the products, improved the combing function and use experience of the inserted combs, and continued to promote the optimization and iterative upgrade of the product system. In terms of product technique, we completed the development of new products of large lacquer technique, the verification of color lining mother-of-pearl inlay technique and the verification of cloisonné enamel technique. In terms of product design, we designed our own IP elements "Panda Tantan (熊貓譚譚)" and "Chinese Zodiac Longlong (生肖龍龍)", and successfully created online popular products. In terms of material utilization, we paid attention to the systematic matching of new products' materials, carried out complementary development and supplementary development of material usage specifications, and strived to maximize the utilization of materials.

During the Year Under Review, we completed the design and development of 11 projects for new products and launched 36 regular new products. 22 out of 25 products that have been trial-marketed and evaluated were transferred to regular products, representing a successful rate of product launch of 88%. Our self-developed new products in last year, namely Meng Xiong (萌熊), Wo Niu (蝸牛) and Yu Xiu (毓秀), entered top 50 in retail, among which, the individual retail sales of Meng Xiong (萌熊) exceeded RMB40 million.

During the Year Under Review, we continued to optimize our packaging system, among which, cotton cloth bags, Qixuan hairpin packaging and Qixuan hair care comb packaging underwent optimization and structure improvement, resulting in significant cost reduction. We improved the packaging structure of red sandalwood products and added folding materials to enhance the sense of value of high-end products. We also completed the design and development of large set packaging.

Innovative research and development outlook:

Continue to improve the overall gross profit margin of new products/products: continue to promote the development and optimization of functional products to increase the added value of products; enhance the design transformation capability, develop new resources and control product costs; continue to promote the development and innovation of independent products and make continuous breakthroughs.

Promote the design and development of product elimination plan and upgrade projects to increase the gross profit margin of old products effectively.

Continue to improve and optimize packaging to meet functional needs and reduce costs effectively.

Combine our own IP to keep building and launching popular products, and adjust the design and development frequency in real time according to the actual situation of the market, so as to give full play to the potential of popular products and prolong the life cycle and profit cycle.

V. PRODUCTION TECHNOLOGY

During the Year Under Review, with the significant increase in market order demand, the main theme of the production organization was "increasing production capacity and ensuring supply" throughout the year. Under the principle of "making full use of our human resources", the production organization team did not adopt human wave tactics, but gave priority to enhancing production efficiency by improving process technology, promoting the use of self-developed equipment and introducing equipment. At the same time, we adopted various methods such as one post with multiple skills and mutual cooperation between different factories, to assure the supply of market orders effectively.

With the completion of inspection and acceptance of the plant in the southern area of the new factory, the construction of production lines in the new factory has also accelerated. 5 drying kilns have been put in operation, and the installation and construction of complementary facilities such as dust removal systems, air compressor stations and grinding saw rooms have been completed. Currently, there are 7 drying kilns available for use in the factory. New large and small sport cars are also gradually improving the accuracy and quality of modified materials, which have effectively solved the bottleneck of material processing at the front end of the production.

The manufacturing and installation and commission of prototype equipment for automated polishing technology have been completed and the target value of four-unit simultaneous processing has been achieved. This technology will play an active role in reducing technical difficulties and labor intensity of the operation.

The automatic round corner processing technology of the comb shape has been upgraded and transformed, which effectively reduced labor intensity of employees and improve work efficiency.

The functional improvement process technology of redwood material has been completed and put in operation, which improved the weather resistance of redwood material products effectively, reduced the proportion of deformation and cracking of mixing wood structure products by 30%, and increased the input-output ratio of materials by 15% at the same time.

The improvement of the functional weight gain of lotus wood has been completed, so that the wood density can meet the material requirements for making combs and this becomes the technical reserve of the Company's material strategy.

As of 31 December 2023, the Group's effective patents included 15 invention patents, 60 utility model patents and 25 design patents.

The Company testing laboratory has passed the capability review and verification of China National Accreditation Service for Conformity Assessment (CNAS) to add comb surface roughness and paint film adhesion testing, and hence has been authorized to perform testing in 7 areas for comb products.

VI. LOGISTICS AND DISTRIBUTION

During the Year Under Review, the logistics and distribution team paid close attention to the market needs and coordinated production capacity, timely released production and procurement plans to ensure that market orders and appropriate safety inventories were met. The total production, distribution and shipment amounted to 5.398 million units throughout the year. At the same time, we strengthened quality control. Apart from daily inspection, we increased the frequency of random inspections in warehouses, and identified and solved abnormalities in a timely manner to guarantee products are in good condition and ensure that the unqualified products will not be shipped out of the warehouses.

During the Year Under Review, a total of 30 maintenance stations, including logistics center maintenance stations, Jurong maintenance stations and maintenance stations at each specialty store, operated efficiently and completed 247,506 maintenance products in total throughout the year, which was recognized by our users. With the continuous promotion from the Company and specialty stores, an increasing number of customers have learned about the Company's maintenance policies through Xiaohongshu, Douyin, Weixin, Weibo and other channels, and the number of maintenance products continues to increase. Maintenance service is an important task of the Group. Under the mission of providing users with lifetime services and guarantee, the Group will continue to perform maintenance workflow optimization, maintenance system upgrade, maintenance personnel skill enhancement, after-sale services improvement and other works in the future.

VII. BRAND BUILDING

During the Year Under Review, on the occasion of the 30th anniversary of the establishment of the Company, low-key but grand celebrations were held in Wanzhou, Chongqing and Jurong, Jiangsu. The Time Travel Photo Exhibition was displayed at the ceremony, recording 30 years of ups and downs of Carpenter Tan and the stories of the employees and franchisees along the way.

During the celebration, the hearing impaired employees brought their dance performance "You Look So Good When You Smile". Following the rhythm of movements directed by sign language, they danced with music and exuded youthful passion in their silent world. The workplace exercise competition participated by 6 representative teams set off the climax of the anniversary celebration. The disabled employees sat on the benches and did the room exercises in sync. With the mini drama "Stay Motivated At The Year Of Thirty", dozens of franchisees performed the hardship and sweetness in the co-development with Carpenter Tan.

Mr. Luo Hongping, chief executive officer of the Company, said that over the past 30 years, the Company has always adhered to the core values of honesty, hard work and happiness and fulfilled the social responsibility of honesty, integrity and kindness. These are the vital elements for the Company to grow from small to large, from weak to strong, and to achieve mutual benefits and win-win results. No matter in the past, present and future, the Board, the management, all employees and franchisees of the Company will always uphold the core values established by the Company and perform social responsibilities.

All employees of the Group shall make continuous efforts to maintain a moral and upright atmosphere of the Group at all times; all franchisees shall work tirelessly for deep cultivation, value accumulation and dissemination of the brand, so as to enhance the brand image; the franchise system shall achieve sustainable and healthy development. While adhering to the priority of the quality of franchised store development, the franchisees shall consciously abide by the agreement of the franchise contract with heart and honesty, and shall not violate the requirements, contracts and the laws. The Company will perform well in market services and supervision in strict accordance with contractual agreements, policies and regulations and national laws; with the cultivation of and inheritance to the next generation of Tan, Carpenter Tan's career will be handed down through generations, and we will strive for greater success with young blood.

The founder, Mr. Tan Chuan Hua, recalled his simple original aspiration: to provide people like him with work, food, clothing and housing. His simple aspiration originated from the story of first two yuan. At the time, he wandered on the streets of Kunming penniless. Feeling hungry and cold, he once had the idea of reaching out to others to beg, but in the end, his reason and pride defeated hunger and he rejected the alms and compassion of others. He made his first two yuan by painting portraits for others. It was these two yuan that gave him hope to survive. He then ended his wandering life and returned to his hometown and this was the beginning of Carpenter Tan s entrepreneurial career.

He said that one needs confidence and pride, and so does a brand. If all the stores of the street are closed, but there is still one with lights on, it is Carpenter Tan. Before the pandemic, Carpenter Tan was looked down upon by others, but now, Carpenter Tan are welcomed by all shopping malls, because they see Carpenter Tan’s tenacity and vitality, and this is confidence. Regardless of whether it is a person or a brand, it is necessary to have a big heart in order to go a long way. For Carpenter Tan’s future expectations, he only hopes that Carpenter Tan will be a good company, to aim for a more ambitious goal and go on a longer journey.

During the Year Under Review, the Group received the following recognitions: in April 2023, the Company submitted an application for and entered into the “Specialized and New “Small Giant” Enterprise Cultivation Database” of the Ministry of Industry and Information Technology; in May 2023, the Group received the “Rehabilitation International Centennial Contribution Award” from Rehabilitation International in recognition of 100 representatives or organizations that have contributed to the rehabilitation works worldwide; in June 2023, the Company entered the “Chongqing Culture and Tourism Enterprise Brand Value List”.

Public welfare and charity activities are a full reflection of the Company’s corporate culture and the transmission and inheritance of the love of the Company and its employees. In accordance with the Company’s Measures for the Administration of Public Welfare and Charity Activities, the Company will earnestly carry out charity activities both inside and outside the Company, with a sincere heart rather than a perfunctory effort. During the Year Under Review, employees from Jurong were organised to pick tea and plant Atractylodes at Carpenter’s Valley, to plant trees at Chishan Lake, to carry out “Combing Love with Children” charity activity at the Spring City Experimental School in Maoshan Town, and to carry out “Sending Warmth in Winter” charity activity at Maoshan Nursing Home etc.

We would like to share two interesting stories as follows:

Customer treated me milk tea

Occasionally, “accidents” like this occur at work.

That day, the phone rang as usual, but there came an unusually anxious voice of a man. The reason was that when this customer sent the product to be repaired by express delivery, he accidentally chose the payment method as freight collect. The Company has a clear reminder that goods sent with freight collect will be rejected, but the goods was already sent, and he was worried that the parcel would be returned by the courier, so he asked if we could help pay for shipping fee. He offered to transfer the funds to me via WeChat, and let me help to pay the SF Express staff.

Long-term work experience had formed some standard solutions to problems, but situation like this never happened before. I hesitated whether it was appropriate for a service staff to accept cash from customer directly. But complying with the standards also meant violating the service objective of satisfying customers’ needs with the best effort. At that moment, I felt that I was in a difficult position. Then I thought about it. The customer was so anxious and I checked that the repair product was quite expensive. He would be very sad if it was lost during the return delivery. The Company has always advocated the corporate philosophy of “honest, hard work and happiness”. I believe that honesty is not about being stubborn, rigid and inflexible in work. A standard procedure is only a reference for solving problems. As long as we have a clear conscience, being able to correctly and timely solve customers’ urgent needs should be the first priority. With this in mind, I immediately agreed. Then he added my WeChat account and sent me red packet at once. I opened the red packet and it was 40 yuan! Wasn’t it too much? The shipping fee of a small parcel was not this expensive. I sent him my question, and he replied, “Oh, let me treat you milk tea with the extra money!” Ha! The customer was too polite. I quickly declined, but he didn’t reply.

The next day, the courier delivered his freight-collect parcel with a fee of 20 yuan. I then returned the remaining 20 yuan to him via WeChat. But our Tan fan is so cute and upright that he didn’t collect the money, until it was returned by the system the next day. Alright! I left it here for now. After the product was repaired, I sent it to him together with a 20-yuan note.

Although the money wasn’t much, I could only accept the money for the delivery fee, but not the money for the milk tea. This is the principle! As an ordinary member of Carpenter Tan, I know that it is not easy for the Company to expand from a few stores to thousands of specialty stores, and to develop from a small workshop to a listed company. At the same time, I am also fully aware that only by remaining true to our original aspiration, keeping the bottom line and properly solving every small matter of our customers, can we establish our corporate image and quality in the eyes of our customers, and do our best part to build the century-old brand of Carpenter Tan. (Logistics Center: Zhang Bo)

Opportunities belong to those who are prepared

Zhu Xuelin used to be a material processing staff in our technology center. His hands were not as flexible as ours, but his brain was no duller than ordinary people. I was particularly impressed by his enthusiasm for work and his ability to understand the requirements of the job.

In the past two years, due to the adjustment of the Company’s product structure, the workload of material processing was significantly reduced. He took the initiative to express to the department many times that he would like to learn more while he was young and was willing to follow the arrangements of job transfer.Last year, he was transferred to the greening team in the factory as he wished. Every time I meet him in the factory, he always chats with me about what is new in his new position. I am really happy to see him adapting to his new position so quickly.

When I met him last time, he has already become a factory fire facility operator. It turned out that those days back in the greening team, he did not choose to loaf around, but voluntarily participated in the training of fire facility operators in Chongqing and successfully obtained the vocational qualification certificate. He frankly told me that in fact, the Company has already provided many job opportunities for disabled employees. But due to physical reasons, there are really some jobs that he is not capable of. However, if he encounters a position that he can be qualified for with hard work, and he does not give it a try but only blames others for his disability, he would be very sorry for the Company, and even more sorry for himself.

I am sincerely happy for his growth, and at the same time, I am filled with complicated emotions. Over the years, the Company has been adhering to the philosophy of training employees to be diligent and capable, and has provided us with many promotion channels. But if we don't work hard to accumulate knowledge and experience, and just want to sit back and wait for miracles to happen, we will only end up gaining nothing. Opportunities belong to those who are prepared. As long as we stay motivated and persevering, we all can complete the magnificent transformation and see a brighter self. (Technology Center: Liao Heng)

VII. HUMAN RESOURCES AND COMPREHENSIVE GOVERNANCE

The Group has strengthened its internal governance. Throughout the year, there have been 6 cases involving a total of 8 individuals who violated the Company's code of conduct and management system. 4 departments were commended and 4 departments were criticized by way of public notices. We deeply embodied the Company's existing values, further established a clean and upright corporate atmosphere, observed incorruptibility and code of conduct, and maintained a "simple, clean, transparent" cooperation relationship inside and outside the Company.

During the Year Under Review, with the rapid recovery of the market, there was bottleneck pressure in meeting the production demands and ensuring the supply of orders. In response, the Company has been consistently implementing measures such as optimizing manpower and promoting multi-skilling, while also strengthening the conversion of production operations and capabilities through autonomous technological research and development as well as introduction of external technology, resulting in proactive and effective improvements and safeguards. Although order production and supply are currently operating at a high level of pressure, the Company firmly believes that with the application of more technological achievements and the optimization of product process structure, the bottleneck in production operations will be overcome, thus ensuring market supply.

Continuing to adhere to the principle of tightening the personnel usage, the Company adopted the method of reducing the number of employees and increasing efficiency and would not fill the vacancy for retired and resigned positions other than marketing, product development and technology research and development. This approach has yielded significant results. Focusing on employee development channels, promotion grades, employment conditions, salary incentives and other aspects, the Company re-established the remuneration and performance system of manpower so that employees had a direction and goal to strive for. The Company put in place incentives for stimulation, forming a good competition and incentive mechanism and atmosphere. These efforts promoted the harmonious coexistence and mutual development of employees and the Company, fostering a shared growth.

The Group strictly abided by the national laws and regulations on labor safety, environmental protection and occupational health, and ensured that the system was sound, the measures were appropriate, and the inspection was in place. While fulfilling the national labor, safety, environmental protection and other compliance requirements, the Company held safety production and operation risk work meetings every quarter to summarize, rectify and prevent process problems in a timely manner. During the Year Under Review, there were no violations of laws and regulations on the protection of employees' labor rights, no labor disputes or litigation, and no labor safety, environmental protection and occupational health accidents. During the production, sales and use of the products, there were no cases of toxic side effects or allergic reactions.

The Group was committed to promoting the employment of the disabled. This year, the Group set up a special development fund to support the disabled and held the first sports meeting for disabled employees. Efforts have been made to improve and enhance the conditions of venues and equipment for the rehabilitation of the disabled, which involved the construction of a community for disabled individuals and the comprehensive implementation of renovations to make production workshops more accessible and equipped with user-friendly and barrier-free restroom facilities. The Company further improved the production and living facilities of the disabled employees who lived in the factory, fully reflecting the humanistic care of the Company. This year, the Company was also rewarded in the "Rehabilitation International Centennial Celebration" held in China by the International Disability Alliance. Ms. Zhang Haidi, the then chairman of the China Disabled Persons' Federation, cordially encouraged Carpenter Tan, "honor belongs to the past. In the future, we have to work together for better cause of the disabled."

The Group actively responded to the national call for low-carbon, environmental protection, and energy-saving policies. While promoting the construction of the new factory in Wanzhou and upgrading the existing plants, the Company successfully implemented the construction of solar photovoltaic power generation. At present, it has been put into operation, and the Company firmly believes that this proactive response to the national policy and the development strategy that benefits both the country and the people will drive the Company towards a more sustainable and positive development path.

The Group has intensified its efforts in the construction of the new factory in Wanzhou, as well as in the technological upgrades and research and development of process equipment. With the completion and operation of the southern area of the new factory in Wanzhou, longstanding bottlenecks in material processing and drying have been resolved. This has enabled the establishment and implementation of an optimized craftmanship that involved processing of raw timber using saws instead of planers, leading gradual and effective enhancement in material utilization and product quality. The construction of phase one of the northern area of the new factory in Wanzhou is being accelerated, with plans to relocate the logistics center by the end of 2024. This move aims to fundamentally address the long-standing "three-in-one" risk issue associated with the current location of the department. Significant progress has been made in craftmanship improvement, autonomous technological research and development, and the introduction of external technologies. While effectively reducing the difficulty of required skills and the intensity of operations, the Company has seen an improvement in production efficiency, a further enhancement of market supply capabilities, and a gradual realization of perfect integration of advanced processing technology and manual craftsmanship.

After three years of the pandemic, people's awareness of health and wellness has significantly increased. The Company slightly underestimated the growing demand for market health and wellness concept products after the pandemic. During the first quarter of the year, there was a slight delay in implementing production and supply assurance measures for regular orders and group-purchase products. However, the Company responded swiftly, made timely adjustments, and quickly improved production capacity to ensure a steady supply. Nevertheless, the Company is currently operating under high pressure and at a demanding level. It is crucial to make tangible improvements in 2024 to effectively address this situation.

In terms of market regulation, a total of 79 cases of non-compliant business practices were identified throughout the year. 74 cases were confirmed with solid evidence and under litigation, and 19 cases have been closed, resulting a recoverable amount of compensation amounted to RMB198,000. In 2021 and 2022, a total of 18 litigations were settled by court through mediation (ruling, compulsory execution), resulting in the recoverable compensation amount of RMB313,000.

During the Year Under Review, in response to the counterfeiting of the Company's appearance-patented product "Meng Xiong" (萌熊), the Company carried out patent protection. Three cases were confirmed with solid evidence and under litigation, with one case scheduled for trial in February 2024.

In respect of trademark management, the Group held a total of 776 valid trademarks for the year ended 31 December 2023. Among them, Carpenter Tan (including Chong Tan (重譚) and Xiang Tan (香譚)) owned 395 registered trademarks in China, as well as 129 registered trademarks in Hong Kong, Macau, Taiwan, and overseas. Mujianggu owned 233 registered trademarks in China, and 19 registered trademarks in Hong Kong, Macau, Taiwan, and overseas.

FINANCIAL REVIEW

1. Revenue

The Group recorded a revenue of approximately RMB499,688,000 for the year ended 31 December 2023, representing an increase of approximately RMB151,686,000 or 43.6% as compared to that of approximately RMB348,002,000 for the year ended 31 December 2022. The increase in revenue was mainly due to the gradual recovery of market demand due to the control of the Pandemic during the Year Under Review as compared to the year ended 31 December 2022. The revenue of offline business amounted to approximately RMB282,441,000, representing an increase of approximately RMB104,199,000 or 58.5% against last year of approximately RMB178,242,000. The revenue of online business amounted to approximately RMB211,468,000, representing an increase of approximately RMB45,059,000 or 27.1% against last year of approximately RMB166,409,000. The revenue of directly-operated outlets amounted to approximately RMB4,661,000, representing an increase of approximately RMB1,494,000 or 47.2% against last year of approximately RMB3,167,000. As at 31 December 2023, the Group had 1,166 franchised stores and 4 directly-operated outlets, respectively, while as at 31 December 2022, the Group had 1,092 franchised stores and 3 directly-operated outlets, respectively. The franchise fee income was approximately RMB1,118,000, which represents an increase of approximately RMB934,000 or 507.6% when compared to that of approximately RMB184,000 of last year.

	For the year ended 31 December			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Revenue				
– Combs	**46,072**	**9.2**	41,150	11.8
– Mirrors	**552**	**0.1**	317	0.1
– Box sets	**447,459**	**89.6**	302,692	86.9
– Other accessories*	**4,487**	**0.9**	3,659	1.1
Franchise fee income	**1,118**	**0.2**	184	0.1
Total	**499,688**	**100.0**	348,002	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 RMB198,811,000 for the year ended 31 December 2023, representing an increase of approximately RMB56,057,000 or 39.3% as compared to that of approximately RMB142,754,000 for the year ended 31 December 2022. The increase in cost of sales was in line with the increase in sales volume and the change in sales mix for the Year Under Review.

3. Gross profit and gross profit margin

For the year ended 31 December 2023, the gross profit of the Group was approximately RMB300,877,000, representing an increase of approximately RMB95,629,000 or 46.6% as compared to that of approximately RMB205,248,000 for the year ended 31 December 2022. The gross profit margin increased from 59.0% in 2022 to 60.2% in 2023. The increase in gross profit margin was mainly due to the change in sales mix of our Group for the Year Under Review.

4. Other income and other net gain/(loss)

Other income and other net gain/(loss) was a gain of approximately RMB41,210,000 for the year ended 31 December 2023, representing an increase of approximately RMB5,846,000 or 16.5% as compared to the gain of approximately RMB35,364,000 for the year ended 31 December 2022. Other income and other net gain/(loss) was mainly comprised of PRC VAT refunds of approximately RMB26,865,000, rental income of approximately RMB4,860,000, interest income of approximately RMB8,805,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB883,000 and negative fair value change of investment properties of approximately RMB5,550,000, respectively (2022: PRC VAT refunds of approximately RMB19,097,000, rental income of approximately RMB5,881,000, interest income of approximately RMB422,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB8,382,000 and negative fair value change of investment properties of approximately RMB2,020,000, respectively).

5. Selling and distribution expenses

The selling and distribution expenses of the Group amounted to approximately RMB85,502,000 for the year ended 31 December 2023, representing an increase of approximately RMB15,742,000 or 22.6% as compared to that of approximately RMB69,760,000 for the year ended 31 December 2022. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB29,962,000, delivery charges of approximately RMB11,289,000, depreciation of right-of-use assets of approximately RMB2,948,000, salaries and allowances of approximately RMB13,221,000 and travelling expenses of approximately RMB1,910,000, respectively (2022: advertising and promotion expenses of approximately RMB25,646,000, delivery charges of approximately RMB8,717,000, depreciation of right-of-use assets of approximately RMB2,925,000, salaries and allowances of approximately RMB10,850,000 and travelling expenses of approximately RMB1,735,000, respectively).

6. Administrative expenses

The administrative expenses of the Group were approximately RMB40,469,000 for the year ended 31 December 2023, representing an increase of approximately RMB8,494,000 or 26.6% as compared to that of approximately RMB31,975,000 for the year ended 31 December 2022. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB22,330,000, legal and professional fee of approximately RMB1,166,000, design and sample expenses of approximately RMB961,000, consultancy fee of approximately RMB521,000 and audit and review fee of approximately RMB1,067,000, respectively (2022: salaries and allowances of approximately RMB17,675,000, legal and professional fee of approximately RMB1,229,000, design and sample expenses of approximately RMB538,000, consultancy fee of approximately RMB364,000 and audit and review fee of approximately RMB1,028,000, respectively).

7. Other operating expenses

Other operating expenses of the Group were approximately RMB5,844,000 for the year ended 31 December 2023, representing an increase of approximately RMB957,000 or 19.6% as compared to that of approximately RMB4,887,000 for the year ended 31 December 2022.

8. Finance costs

The finance costs of the Group were approximately RMB581,000 for the year ended 31 December 2023, representing a decrease of approximately RMB46,000 or 7.3% as compared to that of approximately RMB627,000 for the year ended 31 December 2022. The finance costs were interest on lease liabilities.

9. Income tax

For the year ended 31 December 2023, the income tax expenses of the Group amounted to approximately RMB35,917,000, representing an increase of approximately RMB9,812,000 or 37.6% when compared to that of approximately RMB26,105,000 for the year ended 31 December 2022. The increase was mainly due to the increase in profit before taxation during the Year Under Review. The details are set out in Note 8(A) to the Financial Statements in this report.

The effective tax rate for the Year Under Review was 17.1% as compared to 19.6% for the year ended 31 December 2022.

10. Profit for the year

As a result of the foregoing, the profit for the year ended 31 December 2023 was approximately RMB173,774,000, representing an increase of approximately RMB66,516,000 or 62.0% as compared to that of approximately RMB107,258,000 for the year ended 31 December 2022. The increase was mainly due to the increase in gross profit 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 2023 was approximately RMB173,734,000, representing an increase of approximately RMB66,484,000 or 62.0% as compared to that of approximately RMB107,250,000 for the year ended 31 December 2022.

ANALYSIS OF MAJOR CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

1. Property, plant and equipment

The Group's property, plant and equipment consist of building, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2023, the book value of property, plant and equipment of the Group amounted to approximately RMB105,925,000, representing an increase of approximately RMB14,555,000 or 15.9% as compared with the previous year of approximately RMB91,370,000. The increase was mainly attributable to the increase in construction in progress for the year ended 31 December 2023. The details are set out in Note 14(A) to the Financial Statements in this report.

2. Inventories

The Group's inventories as at 31 December 2023 increased by approximately RMB3,706,000 or 1.5% from approximately RMB244,430,000 as at 31 December 2022 to approximately RMB248,136,000 as at 31 December 2023, primarily due to the increase in work-in-progress goods. Work-in-progress goods increased by approximately RMB8,934,000 or 52.4% from approximately RMB17,047,000 in last year to approximately RMB25,981,000 in this year. The details are set out in Note 18 to the Financial Statements in this report.

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 2023, the Group's trade receivables amounted to approximately RMB6,808,000 which increased by approximately RMB1,459,000 or 27.3% as compared to that of approximately RMB5,349,000 as at 31 December 2022. The ageing analysis of trade receivables is set out in Note 19 to the Financial Statements in this report.

4. Other receivables, deposits and prepayments

The Group's other receivables, deposits and prepayments (non-current plus current portion) increased by approximately RMB1,289,000 or 15.5% from approximately RMB8,306,000 as at 31 December 2022 to approximately RMB9,595,000 as at 31 December 2023. The increase in other receivables, deposits and prepayments was mainly due to an increase in prepayments when compared to that of last year.

5. Trade payables

As at 31 December 2023, the Group's trade payables amounted to approximately RMB6,856,000 which increased by approximately RMB2,092,000 or 43.9% as compared to that of approximately RMB4,764,000 as at 31 December 2022. The credit terms granted by the suppliers are generally 30 days. The ageing analysis of trade payables is set out in Note 24 to the Financial Statements in this report.

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 and contract liabilities. The Group's other payables and accruals increased by approximately RMB5,676,000 or 12.7% from approximately RMB44,759,000 as at 31 December 2022 to approximately RMB50,435,000 as at 31 December 2023. The increase in other payables and accruals was primarily due to an increase in trade deposits received during the Year Under Review.

CASH FLOWS

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.

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB40,221,000, which mainly comprised the net cash inflow generated from operating activities with the amount of approximately RMB189,659,000, net cash outflow used in investing activities with the amount of approximately RMB89,463,000, net cash outflow used in financing activities with the amount of approximately RMB59,870,000 and the foreign exchange loss of approximately RMB105,000. Details of cash flows of the Group are set out on pages 70 and 71 of the Consolidated Cash Flow Statement in this report.

CAPITAL STRUCTURE

1. Indebtedness

As at 31 December 2023, the Group did not have any interest-bearing bank borrowings (31 December 2022: RMB nil).

2. Gearing ratio

As at 31 December 2023 and 2022, the Group did not have any interest-bearing bank borrowings. The calculation of gearing ratio is not meaningful.

3. Pledge of assets

As at 31 December 2023, the Group did not have any pledged assets to the bank (31 December 2022: RMB nil).

4. Capital expenditure

The capital expenditures of the Group primarily included purchases of plant and equipment, furniture and fixtures, construction in progress and motor vehicles. The Group's capital expenditures amounted to approximately RMB21,056,000 and approximately RMB18,286,000 for the year ended 31 December 2023 and the year ended 31 December 2022, 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 2023, 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 2023, the Group had cash and bank balances of approximately RMB67,381,000 (31 December 2022: approximately RMB27,160,000), which was mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2023, the Group had capital commitment amounted to approximately RMB44,433,000 (31 December 2022: approximately RMB16,279,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2023, the Group had not made any material acquisition and disposal.

FUTURE OUTLOOK

I. MARKETING WORKS

1. We will establish and carry out marketing works based on the business structures of three segments: domestic offline market (marketing department), domestic online market (e-commerce department), and overseas business department (overseas online and offline business).

2. Domestic offline market: to stabilize and expand the foundation and market size of the domestic market; to continuously improve the quality of established stores and new store openings, targeting prime locations in favorable commercial areas and shopping malls; to execute effective offline marketing and promotional activities for the "Garden of Combs", offering a captivating experience of the art of combing; to continuously support the establishment of brand image stores in new first-tier cities; to continue implementing market development policy support for the revitalization of the Northeast Region; to consistently engage in brand image maintenance and development with a focus on cleanliness and clarity; to focus on the training and succession of the second generation of Tan family within the franchise system.

3. Domestic e-commerce: to enhance the overall service quality and value-added services of the stores; to optimize the storefront layout and product detail pages; to continuously collaborate with top-tier influencers to secure opportunities for exposure and sales-driven activities, consistently promoting the brand; to expand marketing activities targeted towards our members, ensuring the maintenance and sustaining long-term interactive engagement of online members; to carry out effective product categorization, inventory control, and further strengthen on-site management; to vigilantly monitor and detect illegal online sales and counterfeit information on online platforms, promptly contacting platforms to remove links, and liaising with administrative and risk control center to pursue litigation for safeguarding rights.

4. International market: to prioritize the development of offline market from the perspective of sustainable and healthy brand cultivation and development, while concurrently conducting pilot works for online overseas agency business; the Company provides full support for business expansion, ensuring human resource stability, implementing compensation and performance incentives, and adhering to the principles of learning from mistakes, taking bold initiatives, having work planning and implementation measures, but not setting sales profit performance targets and budgets for the time being. We will conduct effective offline brand image building in overseas markets, persistently and boldly exploring, implementing, adjusting, and making necessary corrections to identify a successful model suitable for the Company's international business.

5. To carry out effective brand promotion for "Garden of Combs" through pop-up events and other activities; to promote the establishment of the flagship store image designed by Tommy Li, the launch of products and packaging, as well as marketing and promotional campaigns.

II. PRODUCT DEVELOPMENT

We will carry out annual scheduled release of new products, new packaging, as well as graphic material design and support. We will develop highly processed products such as filigree enamel and mother-of-pearl inlay, followed by small-scale market sales, and achieve mass production and launch of new lacquer craftsmanship products. We will also put into practice and leverage the achievements from the collaborative team of Tommy L. Besides, we will develop independent IP and create popular products both online and offline.

III. TECHNOLOGICAL RESEARCH AND DEVELOPMENT

We will intensify our efforts in technology research and development, unwaveringly adhering to the principle of "perfectly integrating advanced processing techniques with traditional craftsmanship" so as to maintain the artisan culture of our brand and the craftsmanship attribute of our products. We will strengthen innovation in craftsmanship, the transformation and utilization of technological advancements, ensuring their effective implementation. We will also improve the assessment and reward framework for accomplishments and tangible contributions in craftsmanship innovation, technological research and development, and comprehensively promote the work of technological innovation.

IV. UPHOLDING CORE VALUES

We firmly uphold the core values of "honesty, hard work, and happiness" and actively embody the work ethic of "honesty and integrity, happy work, selflessness, incorruptibility and compliance, kindness and humbleness, moral and uprightness".

V. ENCOURAGING INNOVATION

We will continue to encourage bold innovation and embrace a culture of learning from mistakes, effectively implement measures to encourage innovation and cultivate a favorable atmosphere for innovation. Following the Company's approach to fostering an atmosphere for innovation, we will actively drive innovative initiatives and generate substantial innovative contributions. We will also take strict measures to address low-level mistakes, subjective errors, and any misconduct of a negative nature.

VI. BRAND BUILDING

We will first excel our craftmanship before narrating the Tan Carpenter Story. Our focus will be on the cultivation, establishment and communication of brand culture. We will develop the new module of "Garden of Combs" and participate in brand promotion activities such as wooden art weeks, wooden art exhibitions, and design competitions in colleges.

VII. HUMAN RESOURCES FOCUS

We will consistently adhere to the three strategic principles in personnel management, not compromising on our rigorous approach. We will persistently promote employment opportunities for individuals with disabilities and remain unwavering in our pursuit of tax incentives.

VIII. MARKET RECTIFICATION

We will closely monitor, strictly crack down on counterfeit and inferior products, and rigorously investigate violations in online sales. Our efforts will be dedicated to cultivating the Company's credibility and further strengthening the confidence of the franchise system in itself and in the Company. It is our goal to create a respected company and brand reputation while ensuring customer experience and emotional resonance. Regarding market rights protection, it is crucial to maintain proactive and effective communication with the marketing department, and work together to carry out collaborative works such as gathering evidence, notarization, reporting and handling, ensuring control and mutual confidentiality with advisory lawyers.

IX. OTHER AREAS OF FOCUS

Carpenter Tan is applying for National-level Intangible Cultural Heritage and National-level Cultural Industry Demonstration Base for the craftmanship of comb making. We are also working on establishing international standards for "Wooden Comb" ("Haircomb") and plan to release the English version of industry standards for "Haircomb" in real-time. Additionally, we are conducting preliminary work for the health and wellness planning of Mujianggu. Furthermore, we are undertaking preliminary work to establish a creative district along the riverbanks in new factory in Wanzhou.

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programs to our employees, including, among others, introductory training, safety training and technical training, to enhance their skills and knowledge. As at 31 December 2023, the Group had a total of 1,001 employees (2022: 968 employees), total staff cost for the Year Under Review amounted to approximately RMB101,746,000 (2022: approximately RMB81,456,000).

The salaries of our employees depend mainly on their position, nature of work and results of their annual performance evaluation. For employees of our PRC subsidiary, we made contributions to social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident funds for our employees in accordance with applicable PRC laws and regulations. We have established a labour union that aims to protect our employees' legal rights, assist us in attaining our economic objectives and encourage employees to participate in management decisions.

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 HK38.64 cents per share for the year ended 31 December 2023 to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2024, amounting to approximately HK$96,103,000 (equivalent to approximately RMB87,000,000) in total, subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Thursday, 23 May 2024. The dividend payout ratio is 50.0% of the profit for the year attributable to owners of the Company.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends, the above-mentioned final dividend is expected to be paid on or before Sunday, 30 June 2024.

DIRECTORS

Executive Directors

Mr. Tan Chuan Hua (譚傳華), aged 66, 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 25 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 Ms. Fan Cheng Qin, father of Mr. Tan Di Fu. Mr. Tan was appointed as an executive Director of the Company on 20 June 2006.

Mr. Tan Di Fu (譚棣夫), aged 38, 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 Ms. Fan Cheng Qin. Mr. Tan was appointed as an executive Director of the Company on 18 August 2010.

Mr. Luo Hongping (羅洪平), aged 57, at present is the administration controller of the Group. Mr. Luo joined the Group in July 2003, and is responsible for human resources and administration, risk management, finance and accounting, product design, technological research and development, company culture, production, storage and logistic and construction. He has been the factory manager of the Wanzhou factory of the Group 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 ten 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 four years where he gained experience in sales of electrical appliances. Mr. Luo was appointed as an executive Director and chief executive officer of the Company on 1 February 2023. Upon the appointment as an executive Director and chief executive officer of the Company, Mr. Luo will continue to serve as the administration controller of the Group.

Independent non-executive Directors

Mr. Chau Kam Wing, Donald (周錦榮), aged 61, has over 31 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), respectively, these four companies 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.

Ms. Liu Liting (劉麗婷), aged 42, has over 19 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. Ms. 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. Ms. Liu was appointed as an independent non-executive Director of the Company on 31 May 2017.

Mr. Yang Tiannan (楊天南), aged 55, has about 32 years of experience in the financial and securities market. Prior to joining the Company, Mr. Yang served as a manager of the financial and securities department of Beijing Vantone Holdings Co., Limited* (北京萬通實業股份有限公司) from January 1993 to August 1999. Subsequently, Mr. Yang served as the associate vice president of the customer department of Merrill Lynch in California, the United States from September 1999 to December 2001. From March 2002 to August 2005, Mr. Yang served as the investment consultant of Manulife Financial Corporation. Since September 2007, Mr. Yang has been the chief executive officer of Beijing Golden Stone Asset Management Co., Limited (北京金石致遠資產管理有限公司). Mr. Yang is currently the visiting professor of College of Management and Economics* (管理與經濟學院) of Beijing Institute of Technology, Zhongnan University of Economics and Law and Northeast Normal University. Mr. Yang obtained a Master degree of Business Administration from University of San Diego in the United States in May 2001. Mr. Yang was appointed as an independent non-executive Director of the Company on 20 June 2022.

SENIOR MANAGEMENT

Ms. Fan Cheng Qin (范成琴) aged 59, 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 20 years' experience in the industry of manufacturing small wooden handicrafts. Ms. Fan is the spouse of Mr. Tan Chuan Hua, the mother of Mr. Tan Di Fu.

Ms. Liu Kejia (劉珂佳), aged 39, is the deputy chief executive officer of the Group. Ms. Liu joined the Group in October 2009, and is responsible for the sales management and business development of the Group. Ms. Liu held a bachelor degree in business administration awarded by Chongqing Postal and Telecommunication University (重慶郵電大學) and was engaged in the project management of Singapore Certis CISCO (策安科技) before joining the Group.

Mr. Chan Hon Wan (陳漢雲), aged 63, 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 37 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.

* *For identification purpose only*

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' continuous 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 had complied with the code provisions as set out in the CG Code in force, other than code provision C.2.1 of the CG Code as set out in Appendix C1 to the Listing Rules.

According to code provision C.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. During the period from 1 January 2023 to 1 February 2023, Mr. Tan Chuan Hua holds both the positions of the chairman of the Board and the chief executive officer. The Board believes that vesting the role of both positions in Mr. Tan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this arrangement will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element in the Board. The Board believes that the arrangement outlined above is beneficial to the Company and its business.

Nevertheless, in order to comply with the CG Code, Mr. Tan resigned as the chief executive officer of the Company on 1 February 2023 and Mr. Luo Hongping was appointed as a chief executive officer of the Company on 1 February 2023.

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 2023, the Board comprises a total of six Directors, being three executive Directors and three independent non-executive Directors. Mr. Tan Chuan Hua, Mr. Tan Di Fu and Mr. Luo Hongping served as executive Directors; and Mr. Yang Tiannan, Ms. Liu Liting and Mr. Chau Kam Wing, Donald served as independent non-executive Directors. These 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 section headed "Biography of Directors and Senior Management" on pages 33 to 35 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" on page 41 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 Articles 84(1) of 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 Di Fu and Chau Kam Wing, Donald 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

We have adopted the board diversity policy (the "Board Diversity Policy") with a view to achieving a sustainable and balanced development. Our Board has a balanced composition comprising six Directors, including one female Director and five male Directors as at the date of this report. Our Directors aged between late-thirty and mid-sixty as at the date of this report, and were from different backgrounds. Our Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates of our Directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, race, educational background, professional experience, skills and knowledge. We aim to achieve a balanced composition of our Board by ensuring appropriate balance of diversity in various aspects, including gender diversity, so as to enable our Board to discharge its duties and responsibilities effectively. The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity, such that there is a pipeline of female senior management and potential successors to the Board in the future. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We planned to identifying female candidates and appointing at least one more female director on the Board within three years.

As at 31 December 2023, the Group employed a total of 1,001 full time employees, the overall gender ratio in the workforce for male to female was male 42.4% to female 57.6%.

In recognition of the importance of board diversity, we will continue to promote diversity of our Company at all levels, including at the Board and senior management level, to enhance the effectiveness of our corporate governance. We will continue to provide diversified career development opportunities to our staff and engage different training resources for our staff in order to develop future candidates for Director and senior management. Our nomination committee is responsible for the implementation of the Board Diversity Policy and compliance with relevant codes governing board diversity under the CG Code as set forth in Appendix 14 to the Listing Rules. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness.

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 an audit committee (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 Ms. Liu Liting, Mr. Yang Tiannan 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" on page 41 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 2022, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2023 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 27 March 2024 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 and the results announcement for the year ended 31 December 2023, and this 2023 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, and was of the opinion that the preparation of the financial statements in this 2023 annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 17 November 2009 with written terms of reference in compliance with the CG Code. The terms of reference were updated on 30 December 2022, in accordance with the prevailing provision of the CG Code. The Remuneration Committee currently has three members, namely Ms. Liu Liting, Mr. Yang Tiannan 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 a nomination committee (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 Ms. Liu Liting, Mr. Yang Tiannan 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 include:

- 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 meetings.

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 will be 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 2023 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. Luo Hongping *(appointed on 1 February 2023)*	4/4	–	–	–	1/1
Independent Non-Executive Directors					
Mr. Chau Kam Wing, Donald	4/4	2/2	2/2	2/2	1/1
Ms. Liu Liting	4/4	2/2	2/2	2/2	1/1
Mr. Yang Tiannan	4/4	2/2	2/2	2/2	1/1

Subsequent to the year ended 31 December 2023 and up to the date of this report, the Board held another Board meeting in March 2024 for the main purpose of approving the annual results of the Group for the year ended 31 December 2023 and this annual report for publication and formulating business development strategies. All Directors attended such meeting.

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. Lou Hongping *(appointed on 1 February 2023)*	— Reading materials/attending external and in house seminars and programmes
Ms. 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 Tiannan	— 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.

BUSINESS COMPLIANCE AND ANTI-CORRUPTION

We strive to maintain a high level of business integrity as it is vital to our reputation and the protection of our business partners and customers. To achieve so, the Group is in strict compliance with the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong, and the Anti-Money Laundering Law and the Criminal Law of the PRC.

We do not, in any case, tolerate any business misconduct and malpractices, this includes any form of bribery, extortion, fraud and money laundering. As stated clearly in the Prevention of Bribery Ordinance incorporated in our Employee's Handbook, unethical business practices such as the offering and accepting of gifts are strictly prohibited. Once we discover any misconduct committed, the employees will be subject to termination of employment or disciplinary action.

Holding on to the values of openness, probity and accountability, we have formulated the Whistleblowing Policy which allows employees to voice their concerns or if they suspect any misconduct is being committed within the business. As the policy provides absolute anonymous reporting channels, it protects the whistleblowers from any unfair treatment and undesired consequences such as dismissal, victimization and disciplinary action, even for substantiated cases. At the same time, the Audit Committee has been tasked with handling the cases and delineating the investigation procedures. The Whistleblowing Policy not only apply to internal employees but also to our suppliers and contractors.

During the Year Under Review, there were no reported legal cases regarding the corrupt practices of our employees relating to bribery, extortion, fraud and/or money laundering. Though the Group did not provide any internal anti-corruption training to Directors and employees during the Year Under Review, they are encouraged to attend anti-corruption training provided by external parties at the Company's expenses.

REMUNERATION OF EXTERNAL AUDITORS

For the year ended 31 December 2023, the total remuneration paid to the external auditors in Hong Kong for audit services amounted to approximately RMB707,000 (equivalent to approximately HK$790,000).

For the year ended 31 December 2023, the total remuneration for the permissible non-audit services provided by the external auditors amounted to approximately RMB250,000 (equivalent to approximately HK$280,000), mainly representing the remuneration for interim reporting 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 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 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 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 enquiries 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.

CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum and articles of association by special resolution passed on 23 May 2023 and effective on 23 May 2023. Please refer to the circular of the Company dated 20 April 2023 for details. Save as disclosed, during the year ended 31 December 2023, there had been no significant change in the Company's constitutional documents, a copy of which is available on the websites of the Stock Exchange and the Company.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

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, 27 March 2024

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023 (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 2023 and the state of affairs of the Company and the Group at that date are set out in the Consolidated Financial Statements on pages 65 to 142.

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 HK38.64 cents per share for the financial year ended 31 December 2023 to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2024, amounting to approximately HK$96,103,000 (equivalent to approximately RMB87,000,000) in total, subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Thursday, 23 May 2024. The dividend payout ratio is 50.0% of the profit for the year attributable to owners of the Company.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends, the above-mentioned final dividend is expected to be paid on or before Sunday, 30 June 2024.

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 forthcoming annual general meeting

The register of members of the Company will be closed from Friday, 17 May 2024 to Thursday, 23 May 2024 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 16 May 2024.

To qualify for the proposed final dividend

The register of members of the Company will be closed from Friday, 31 May 2024 to Thursday, 6 June 2024 (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 in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 30 May 2024.

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 32. 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

Included in the Group's property, plant and equipment, there is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB24,682,000 as at 31 December 2023. 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 as at 31 December 2023, the Group has not obtained the ownership certificate yet. The Group has litigations against the Developer in these few years. During the Year Under Review, the Developer was under liquidation procedure. The management has obtained legal opinion and assessed it is more probable for the liquidator will continue to execute the sales and purchase agreement between the Developer and the Group and complete the issue of ownership certificate. Therefore, there are no material adverse effect on the business operation and financial position of the Group.

Save as disclosed above, as at 31 December 2023, 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 disclosed in the announcement of the Company dated 21 September 2022 (the "Announcement"), there had been a change in use of the net proceeds from the Listing. Please refer to the Announcement for further details. As at 31 December 2023, the Group had utilised approximately RMB100,800,000 of the net proceeds and the remaining balance of the net proceeds is approximately RMB16,000,000. Details of which are set out in the table below:

	Planned use of the net proceeds as disclosed in the Prospectus *(RMB million)*	Revised use of net proceeds as disclosed in the Announcement *(RMB million)*	Actual utilised amount of the net proceeds as at 31 December 2023 *(RMB million)*	Unutilised amount of the net proceeds as at 31 December 2023 *(RMB million)*	Expected timeline of utilisation
Enhancement of the Group's design and product development and enhancement of operational efficiency	25.5	25.5	25.5	–	N/A
Construction of production base, logistic center and purchase of production equipment and machinery	27.5	27.5	27.5	–	N/A
Enhancement of the sales network and sales support services through internet and group sales to corporate customers	16.5	16.5	16.5	–	N/A
General working capital of the Group	12.2	12.2	12.2	–	N/A
Setting up new international shops in the overseas market	11.0	–	–	–	N/A
Setting up high-end home accessories shops in the PRC under the brand name of "Tan's"	19.0	–	–	–	N/A
Setting up lifestyle handicraft stores	5.1	–	–	–	N/A
Further enhancement of the Group's production facilities and environmental protection infrastructure	–	18.0	12.0	6.0	July 2024
Enhancement of the Group's logistic center	–	17.1	7.1	10.0	July 2024
	116.8	116.8	100.8	16.0	

The expected timeline for utilising the remaining net proceeds is made based on the best estimation of the Company taking into account, among others, the prevailing and future market conditions and business developments and needs, and therefore is subject to change.

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 its 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. Details of the Share Option Scheme are set out in the Prospectus. The Share Option Scheme was expired on 28 December 2019.

As at 31 December 2023, a total of 400,000 share options to subscribe for a total of 400,000 ordinary shares of HK$0.01 each in the capital of the Company under the Share Option Scheme which were accepted by certain eligible participants, have been lapsed. A summary of share options granted under the Share Option Scheme of the Company during the year ended 31 December 2023 is as follows:

					Number of Share Options					
Grantees	Position held with the Group	Date of grant	Option period (Note 1)	Exercise price per share (HK$) (Note 2)	Outstanding as at 1 January 2023	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2023	Approximate percentage of the Company's total issued share capital
Ms. Liu Kejia	Sales Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	–	–	(200,000)	–	–
Mr. Luo Hongping	Administration Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	–	–	(200,000)	–	–
					400,000	–	–	(400,000)	–	–

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.

BORROWINGS

The Group did not have any borrowings for the year ended 31 December 2023.

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 2022 and up to the date of this report, at least 25% issued shares of the Company were held by public Shareholders.

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

For the year ended 31 December 2023, 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 28 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 the "Consolidated Statement of Changes in Equity" on page 69 and Note 30 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, 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 RMB127,250,000, of which approximately RMB87,000,000 (equivalent to approximately HK$96,103,000) 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 RMB50,000 for the year ended 31 December 2023 (2022: approximately RMB475,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2023 are set forth in Note 14(A) to the Financial Statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The fair value of the Group's investment properties as at 31 December 2023 amounted to approximately RMB91,570,000 which had decreased by approximately RMB5,550,000 when compared to 2022. Details of movements in the investment properties of the Group are set out in Note 15 to the Financial Statements of the Group for the year ended 31 December 2023. Details of the principal properties held for investment purposes are set out on page 143 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 2023 are set out in Note 17 to the Financial Statements.

DIRECTORS

The Directors of the Company during the financial year ended 31 December 2023 and up to the date of this report are as follows:

Executive Directors

Mr. Tan Chuan Hua *(Chairman)*
Mr. Tan Di Fu
Mr. Luo Hongping *(appointed on 1 February 2023)*

Independent Non-Executive Directors

Mr. Chau Kam Wing, Donald
Ms. Liu Liting
Mr. Yang Tiannan

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 33 to 35 of this report.

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 (2022: 1 Director). 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 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 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 are as follows:

	RMB'000
Executive Directors	
Mr. Tan Chuan Hua *(Chairman)*	274
Mr. Tan Di Fu	88
Mr. Luo Hongping *(appointed on 1 February 2023)*	722
Independent Non-Executive Directors	
Mr. Chau Kam Wing, Donald	132
Ms. Liu Liting	88
Mr. Yang Tiannan	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 2023, 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 2023, 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%
Yang Tiannan	Beneficial owner	2,480,000	0.99%

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.

(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 2023, 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. Ms. Fan is a controlling shareholder within the meaning of the Listing Rules.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2023 are set out in Note 33 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 2023, the Group had pledged bank deposit of RMB nil to the bank to secure a financial guarantee issued by the bank to distribution agents for the Group's operation (2022: RMB3,000,000).

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various short term bank borrowings when required. As at 31 December 2023, 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 2023, the Group had cash and bank balances of approximately RMB67,381,000 (2022: approximately RMB27,160,000) mainly generated from operations of the Group and funds raised by the Company in 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 2.8% of the Group's total revenue and sales to the largest customer accounted for approximately 0.6% of the Group's total revenue for the year ended 31 December 2023. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 48.5% of the Group's total purchases and purchases from the largest supplier accounted for approximately 23.2% of the Group's total purchases for the year ended 31 December 2023.

None of the Directors, their associates, or any Shareholder which to the knowledge of the Directors owns 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 2023 are set out in Note 2(O) 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 in the "Financial Summary" on page 144 of this report.

EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period as at the date of this report.

AUDITOR

Crowe (HK) CPA Limited ("Crowe (HK)") acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 December 2023. Crowe (HK) retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (HK) 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, 27 March 2024

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 65 to 142, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Net realisable value of inventories	
Refer to notes 4 and 18 to the consolidated financial statements and the accounting policies on page 84. 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 checked the accuracy of stock ageing of the inventories, on a sample basis, with reference to the relative purchase invoices. 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. We reviewed the subsequent utilisation of raw materials, on a sample basis, with reference to the subsequent usage report to identify obsolete inventories. We have observed inventory counts to identify any defective or obsolete inventories.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises 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 AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 Audit Committee is responsible 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, actions taken to eliminate threats or safeguards applied.

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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong
27 March 2024

Leung Pak Ki
Practising Certificate Number P08014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**499,688**	348,002
Cost of sales		**(198,811)**	(142,754)
Gross profit		**300,877**	205,248
Other income and other net gain/(loss)	6	**41,210**	35,364
Administrative expenses		**(40,469)**	(31,975)
Selling and distribution expenses		**(85,502)**	(69,760)
Other operating expenses		**(5,844)**	(4,887)
Profit from operations		**210,272**	133,990
Finance costs	7(C)	**(581)**	(627)
Profit before taxation	7	**209,691**	133,363
Income tax	8(A)	**(35,917)**	(26,105)
Profit for the year		**173,774**	107,258
Attributable to			
Owners of the Company		**173,734**	107,250
Non-controlling interests		**40**	8
Profit for the year		**173,774**	107,258
Earnings per share			
Basic and diluted	13	**RMB69.85 cents**	RMB43.12 cents

The notes on pages 72 to 142 form part of these consolidated financial statements.

Details of dividends payable to owners of the Company attributable to profit for the year are set out in Note 12.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 RMB'000
Profit for the year	**173,774**	107,258
Other comprehensive income/(expense) for the year		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**3,538**	3,392
Item that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(3,829)**	(8,495)
Other comprehensive expense for the year, net of nil income tax	**(291)**	(5,103)
Total comprehensive income for the year	**173,483**	102,155
Attributable to		
Owners of the Company	**173,443**	102,147
Non-controlling interest	**40**	8
Total comprehensive income for the year	**173,483**	102,155

The notes on pages 72 to 142 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14(A)	**105,925**	91,370
Right-of-use assets	14(B)	**38,362**	38,110
Investment properties	15	**91,570**	97,120
Intangible assets	16	**–**	–
Non-pledged fixed bank deposit	23(A)	**53,000**	53,000
Other receivables, deposits and prepayments	20	**601**	767
		289,458	280,367
Current assets			
Inventories	18	**248,136**	244,430
Income tax recoverable	22(A)	**–**	2
Trade receivables	19	**6,808**	5,349
Other receivables, deposits and prepayments	20	**8,994**	7,539
Financial assets at fair value through profit or loss	21	**10,000**	57,710
Non-pledged fixed bank deposit (maturity over 3 months, but within 1 year)	23(A)	**300,000**	180,000
Cash and cash equivalents	23(A)	**67,381**	27,160
Pledged bank deposit	23(B)	**–**	3,000
		641,319	525,190
Current liabilities			
Trade payables	24	**6,856**	4,764
Other payables and accruals	25	**50,435**	44,759
Income tax payable	22(A)	**33,724**	28,522
Lease liabilities	26	**2,179**	1,939
		(93,194)	(79,984)
Net current assets		**548,125**	445,206
Total assets less current liabilities		**837,583**	725,573

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred tax liabilities	22(B)	**17,943**	23,779
Deferred income	27	**518**	530
Lease liabilities	26	**10,638**	9,385
		(29,099)	(33,694)
NET ASSETS		**808,484**	691,879
CAPITAL AND RESERVES			
Share capital	28	**2,189**	2,189
Reserves	30	**802,196**	685,631
Equity attributable to owners of the Company		**804,385**	687,820
Non-controlling interests		**4,099**	4,059
TOTAL EQUITY		**808,484**	691,879

Approved and authorised for issue by the board of directors on 27 March 2024.

Tan Chuan Hua
Director

Luo Hongping
Director

The notes on pages 72 to 142 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company										
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 30(A))	Capital reserve RMB'000 (Note 30(B))	Statutory reserves RMB'000 (Note 30(C))	Other reserves RMB'000 (Note 30(D))	Property revaluation reserve RMB'000 (Note 30(E))	Currency translation reserve RMB'000 (Note 30(F))	Equity settled share-based payment reserve RMB'000 (Note 30(G))	Retained profits RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	2,189	110,503	10,275	58,450	17,542	12,245	(16,085)	406	472,871	4,051	672,447
Profit for the year	–	–	–	–	–	–	–	–	107,250	8	107,258
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	3,392	–	–	–	3,392
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(8,495)	–	–	–	(8,495)
Total comprehensive income for the year	–	–	–	–	–	–	(5,103)	–	107,250	8	102,155
Dividends approved in respect of the previous year (note 12)	–	–	–	–	–	–	–	–	(55,215)	–	(55,215)
Dividends declared in respect of the current year (note 12)	–	–	–	–	–	–	–	–	(27,508)	–	(27,508)
Transfer to reserve	–	–	–	62	–	–	–	–	(62)	–	–
Transfer upon forfeiture of share options	–	–	–	–	–	–	–	(144)	144	–	–
At 31 December 2022	2,189	110,503	10,275	58,512	17,542	12,245	(21,188)	262	497,480	4,059	691,879
At 1 January 2023	2,189	110,503	10,275	58,512	17,542	12,245	(21,188)	262	497,480	4,059	691,879
Profit for the year	-	-	-	-	-	-	-	-	173,734	40	173,774
Exchange differences on translation from functional currency to presentation currency	-	-	-	-	-	-	3,538	-	-	-	3,538
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(3,829)	-	-	-	(3,829)
Total comprehensive income for the year	-	-	-	-	-	-	(291)	-	173,734	40	173,483
Dividends approved in respect of the previous year (note 12)	-	-	-	-	-	-	-	-	(56,878)	-	(56,878)
Transfer to reserve	-	-	-	146	-	-	-	-	(146)	-	-
Transfer upon expiry of share options	-	-	-	-	-	-	-	(262)	262	-	-
At 31 December 2023	2,189	110,503	10,275	58,658	17,542	12,245	(21,479)	-	614,452	4,099	808,484

The notes on pages 72 to 142 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Profit before taxation		**209,691**	133,363
Adjustments for:			
Finance costs	7(C)	**581**	627
Interest income	6	**(8,805)**	(422)
Fair value loss on investment properties	6	**5,550**	2,020
Fair value gain on financial assets at fair value through profit or loss	6	**(883)**	(8,382)
Net loss on disposal of property, plant and equipment	7(B)	**44**	102
Depreciation of property, plant and equipment	7(B)	**6,462**	4,625
Depreciation of right-of-use assets	7(B)	**3,652**	3,628
Write down of inventories	7(B)	**2,091**	4,850
Reversal of write-down of inventories	7(B)	**(18)**	(57)
Net unrealized foreign exchange gain		**–**	(18)
Government grants released from deferred income	6	**(12)**	(35)
Reversal of loss allowances on trade receivables, net	6	**(6)**	(35)
Loss allowance on other receivables, net	7(B)	**37**	38
Reversal of provision for sales returns	7(B)	**(508)**	(1,891)
Loss on termination of lease contract	6	**–**	8
Operating profit before working capital changes		**217,876**	138,421
Increase in inventories		**(5,779)**	(51,120)
Increase in trade receivables		**(1,453)**	(412)
(Increase)/decrease in other receivables, deposits and prepayments		**(1,326)**	716
Increase in trade payables		**2,092**	2,323
Increase/(decrease) in other payables and accruals		**6,184**	(2,088)
Cash generated from operations		**217,594**	87,840
Interest received		**8,805**	422
Income tax paid		**(33,991)**	(16,495)
Withholding tax paid		**(2,749)**	(4,310)
Net cash generated from operating activities		**189,659**	67,457

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(21,056)**	(18,286)
Proceeds from disposal of property, plant and equipment		**–**	57
Placement of pledged bank deposit		**–**	(3,000)
Withdrawal of pledged bank deposit		**3,000**	–
Placement of non-pledged fixed bank deposit (maturity over 3 months but within 1 year)		**(300,000)**	(233,000)
Withdrawal of non-pledged fixed bank deposits (maturity over 3 months but within 1 year)		**180,000**	–
Payment for purchase of financial assets at fair value through profit or loss		**(100,200)**	(264,110)
Proceeds from sale of financial assets at fair value through profit or loss		**148,793**	532,362
Net cash (used in)/generated from investing activities		**(89,463)**	14,023
Financing activities			
Dividend paid	23(C)	**(56,878)**	(82,723)
Capital element of lease liabilities paid	23(C)	**(2,411)**	(2,334)
Interest element of lease liabilities paid	23(C)	**(581)**	(627)
Net cash used in financing activities		**(59,870)**	(85,684)
Net increase/(decrease) in cash and cash equivalents		**40,326**	(4,204)
Cash and cash equivalents at beginning of year	23(A)	**27,160**	35,795
Effect of foreign exchange rate changes, net		**(105)**	(4,431)
Cash and cash equivalents at end of year	23(A)	**67,381**	27,160

The notes on pages 72 to 142 form part of these consolidated financial statements.

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 Type A Factory Building, Longbao Shuanghekou, Light Industry Park, Wanzhou District, Chongqing, 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 and also engaged in the operation of retail shops for direct sale of the Group's products in Hong Kong. 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

A) Statement of compliance

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all 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. Material accounting policy information adopted by the Group are disclosed below.

The HKICPA has issued certain new and amendments to HKFRSs which are mandatorily effective or available for early adoption for the current accounting period of the Group. 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

B) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 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"). The 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.

C) Subsidiaries And Non-ContRolling Interests

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. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

C) SUBSIDIARIES AND NON-CONTROLLING INTERESTS *(Continued)*

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. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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)).

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(G)(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)).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

D) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than construction in progress, 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 equipment	5 to 10 years
Furniture and fixtures	5 to 6 years
Motor vehicles	5 to 6 years

Construction in progress represents buildings, leasehold improvements, and 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 profits.

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 recognised in profit or loss during the reporting period in which they are incurred.

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

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss. The cost of those items is measured in accordance with the measurement requirements of HKAS 2 Inventories (“HKAS 2”). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(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

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 or less. 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 (less any lease incentives receivable) 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. 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.

Lease payments also include amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

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 less any lease incentives received, 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, and is reduced by any lease incentives received. Except for that which is classified as investment property and measured at fair value, right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

E) LEASED ASSETS *(Continued)*

(I) AS A LESSEE *(Continued)*

When the Group obtains ownership of the underlying leased asset at the end of the lease term, upon exercising purchase option, the cost of the relevant right-of-use asset and the related accumulated depreciation and impairment loss is transferred to the appropriate category of property, plant and equipment.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to financial asset measured at amortised cost (see notes 2(G)(I) and 2(R)(III)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in cost of right-of-use assets.

The Group presents right-of-use assets, that do not meet the definition of investment property, as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate used to determine those payments, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate. When there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate, being the interest rate implicit in the lease for the remainder of the lease term, or the Group's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. When the lease liability is remeasured in either of these ways, 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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") and that is not accounted for as a separate lease. In this case, the consideration in the modified contract is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the associated non-lease components are included in the respective lease components. The lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position. In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

E) Leased assets *(Continued)*

(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. Initial direct costs attributable to finance lease are included in the initial measurement of the net investment in the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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(R)(IV).

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

When the Group is an intermediate lessor, the sub-lease is 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.

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payments, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

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 also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

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(R)(IV).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) 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 bank deposits, cash and bank balances, trade receivables, other receivables and deposits which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

G) 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 life of a financial instrument.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix/internal credit rating 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 a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Significant increase in credit risk *(Continued)*

— an actual or expected internal credit rating downgrade for the borrower;

— an actual or expected significant change in the operating results of the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

— significant changes in the expected performance and behaviour of the borrower.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

Definition of default

For internal credit risk management, 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 unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. 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.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

Measurement and recognition of ECL *(Continued)*

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, with the exception of trade receivables, other receivable and deposits where the corresponding adjustment is recognised through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(R)(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.

Credit-impaired financial assets

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;

— the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

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

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

— the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

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. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

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.

(ii) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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 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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

(II) Impairment of non-financial assets *(Continued)*

— 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 value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversal of impairment losses

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.

(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.

H) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

I) 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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method, less allowance for ECL (see note 2(G)(I)).

J) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

K) 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 ECLs in accordance with the policy set out in note 2(G)(I).

Cash at bank excludes bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash. Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 23.

L) 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 excluding transaction costs which are recognised directly in profit or loss, 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.

For an explanation of how the Group determine fair value of financial instruments, see note 31(c).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(M) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(N) Derecognition of financial LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

O) 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 stated 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

O) EMPLOYEE BENEFITS *(CONTINUED)*

(II) EQUITY-SETTLED SHARE-BASED PAYMENTS

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity settled share-based payment reserve within equity. The fair value is measured at grant date, without taking into consideration of all non-market vesting conditions, 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.

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 under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity settled share-based payment 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 equity settled share-based payment reserve) except where forfeiture is only due to not achieving market vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the equity settled share-based payment 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 profits). When the share options are forfeited prior to the expiry date, the amount previously recognised in equity settled share-based payment reserve will be transferred to retained profits.

(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.

(IV) DEFINED BENEFIT PLAN OBLIGATIONS

The Group has a defined benefit plan, representing long service payment ("LSP") under the Hong Kong Employment Ordinance. The Group's net defined benefit obligation is measured by discounting the estimated cost to the Group of the benefit that employees have earned in return for their service in the current and prior periods, after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

P) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are:

— temporary differences arising from goodwill not deductible for tax purposes,

— 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 do not give rise to equal taxable and deductible temporary differences,

— temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that 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, and

— temporary differences related to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

P) INCOME TAX *(Continued)*

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 sale of those assets at their carrying value at the reporting date unless the properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties 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.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that a taxation authority will accept an uncertain tax treatment. If it is probable that the taxation authority will accept an uncertain tax treatment, the Group shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used by a group entity in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount method or the expected value method, depending on which method the Group expects to better predict the resolution of the uncertainty.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Q) Provisions, contingent liabilities and onerous contracts

(i) Provisions and Contingent liabilities

Provisions are recognised when the Group has a present 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 uncertain future events not wholly within the control of the Group is also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The cost of fulfilling a contract comprises the costs that relate directly to the contract, which consist of both the incremental costs of fulfilling that contract (e.g., direct labour and materials); and an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling with the contract.

R) 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 the Group's assets under leases in the ordinary course of the Group's business.

In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

R) 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").

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. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

The Group typically offers franchisees customers rights of return the eligible products for a period of 1 year upon customer acceptance. Such rights of return give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. A provision for sales return is recognised for the expected returns. The Group updates the measurement of the provision for sales return at the end of each reporting period for changes in expectations about the amount of refunds and recognises corresponding adjustments as revenue. A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods). At the end of each reporting period, the Group updates the measurement of the asset arising from changes in expectations about products to be returned. The asset is separately presented from the provision for sales return.

(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. For financial assets (other than purchased or originated credit-impaired financial assets) measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

R) Revenue and other income *(Continued)*

(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 when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in profit or loss of the period in which it becomes receivable. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related asset.

S) 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, except the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's net investment in the foreign operation.

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 and are not re-translated. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. 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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

The results of operations in foreign currencies outside the PRC are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the foreign exchange rates ruling at the dates of the transactions are used. 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.

The functional currency of the Company is Hong Kong dollars ("HK$"). For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency for easy reference for international investors. Exchange differences relating to the retranslation of the Group's net assets in HK$ to the Group's presentation currency (RMB) are recognised directly in other comprehensive income and accumulated in currency translation reserve. Such exchange differences accumulated in the currency translation reserve are not reclassified to profit or loss subsequently.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

T) Related parties

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

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

(II) has significant influence over the Group; or

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

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

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

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

(III) Both the entity and a subsidiary of the Group 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.

U) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the discrete 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.

V) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds. Consideration paid, including any directly attributable incremental costs, for purchase of the Company's ordinary shares is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's ordinary shares.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period for the first time, which are mandatorily effective for the Group's financial annual period beginning on or after 1 January 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The Group has not applied any amendments to HKFRSs that are not yet mandatorily effective for the current accounting period. The application of the new and amendments to HKFRSs, HKASs and guidance from HKICPA in the current year has no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

Amendment to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with amendments.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS *(Continued)*

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In prior years, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applied HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities were not recognised due to application of the initial recognition exemption.

The Group has applied the amendments for the first time in the current year retrospectively. The Group recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at 1 January 2022. However, there was no material impact on the consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no material impact on the retained profits at 1 January 2022 as a result of the change. The key impact on the Group is related to the disclosure of components of deferred tax assets and liabilities recognised (note 22(B)).

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules*

The amendments apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

A) Significant accounting judgement in applying the accounting policies

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

(I) 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.

(II) Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

(III) Determining the method to estimate variable consideration and assessing the constraint for the sale of goods

As disclosed in Note 2(R)(I), contracts for the sale of goods to franchisees customers include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determines that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration attributable to right of return in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determines that the estimate of variable consideration attributable to right of return is not constrained based on its historical experience.

B) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of 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) Write-down of inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-down of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-down 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-down of inventories in the period in which such estimate has been changed.

4. 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) 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.

(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.

(VI) VARIABLE CONSIDERATION 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 which are in good condition and resaleable 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 which are in good condition and resaleable. The amount of the products exchanged or refunded by a particular franchisee for a year should not exceed 3% of its total purchase for that year (except those returns resulted from the termination of the franchise agreements).

As disclosed in Note 2(R)(I), the Group estimates variable consideration to be included in the transaction price for the sale of goods to franchisees customers with right of returns.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

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

(VI) VARIABLE CONSIDERATION FOR SALES RETURNS (CONTINUED)

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

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.

The Group updates its assessment of expected returns annually and the provision for sales return are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. At 31 December 2023, refund liabilities for provision for sales returns attributable to expected returns amount to RMB2,962,000 (2022: RMB3,470,000).

(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 end of the reporting period.

(VIII) FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Where the fair value of financial assets 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.

(IX) LEASES – ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiary that does not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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's 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 from contracts with customers by sales channels is as follows:

	2023 **RMB'000**	2022 RMB'000
Online business		
– Sales of goods	**211,468**	166,409
Offline business		
– Sales of goods	**282,441**	178,242
– Franchise joining fee income	**1,118**	184
	283,559	178,426
Directly-operated outlets		
– Sales of goods	**4,661**	3,167
	499,688	348,002

The Group's customer base is diversified. No individual customer (2022: nil) had transaction which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2023.

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

6. OTHER INCOME AND OTHER NET GAIN/(LOSS)

	2023	2022
	RMB'000	RMB'000
Government grants (note (I))	**2,908**	2,497
Government grants released from deferred income (note 27)	**12**	35
Interest income from financial assets measured at amortised cost		
– bank interest income	**8,805**	422
PRC VAT refunds (note 8(A)(VI))	**26,865**	19,097
Operating lease rental income from investment properties	**4,860**	5,881
Net foreign exchange gain	**505**	18
Change in fair value of investment properties (note 15)	**(5,550)**	(2,020)
Change in fair value of financial assets at		
fair value through profit or loss (note 21)	**883**	8,382
Reversal of loss allowances on trade receivables (note 19(B))	**6**	35
Loss on termination of lease contract	**–**	(8)
Others	**1,916**	1,025
	41,210	35,364

Note:

(I) In 2023, among the government grants, approximately RMB2,908,000 (2022: approximately RMB2,497,000) was for the PRC subsidiaries of the Group. It was the funding support mainly from Chongqing Regulatory Bureau, Ministry of Finance and Chongqing Provincial Human Resources and Social Security Department (the "Funds"). The purpose 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. There are no unfulfilled conditions and other contingencies attaching to these grants.

7. PROFIT BEFORE TAXATION

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

	2023 RMB'000	2022 RMB'000
A) Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	**92,101**	71,674
Contributions to defined contribution retirement scheme	**9,645**	9,782
Total staff costs (note (I))	**101,746**	81,456
B) Other items		
Auditor's remuneration		
– audit services	**707**	680
– non-audit services	**250**	238
Cost of inventories sold (note (I) and 18)	**196,738**	137,961
Depreciation of right-of-use assets (note (I))	**3,652**	3,628
Depreciation of property, plant and equipment (note (I))	**6,462**	4,625
Loss allowance on other receivables, net	**37**	38
Net loss on disposal of property, plant and equipment	**44**	102
Reversal of provision for sales returns (note 25(A))	**(508)**	(1,891)
Write down of inventories (note 18)	**2,091**	4,850
Reversal of write-down of inventories (note 18)	**(18)**	(57)
Gross rental income from investment properties	**(4,860)**	(5,881)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	**671**	719
Net rental income	**(4,189)**	(5,162)
C) Finance cost		
Interest on lease liabilities (notes 14(B) and 23(C))	**581**	627

Note:

(I) Cost of inventories includes approximately RMB64,341,000 (2022: RMB50,511,000) 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:

	2023 RMB'000	2022 RMB'000
Current tax		
PRC Enterprise Income Tax (notes (I) and (II))	**34,712**	22,293
Hong Kong profits tax (note (IV))	**–**	–
Withholding tax on dividends (note (V))		
- Provision for the year	**4,579**	4,310
	39,291	26,603
Over provision in prior years, net		
PRC Enterprise Income Tax	**(287)**	(427)
	39,004	26,176
Deferred tax		
Transfer to current tax upon distribution of dividends (note 22(B))	**–**	(4,310)
Provision for the year (note 22(B))	**(3,087)**	4,239
Total	**35,917**	26,105

Notes:

(I) On 6 April 2012, the State Administration of Taxation of the PRC (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, Chongqing Carpenter Tan Handicrafts Co., Ltd ("Carpenter Tan"), wholly-owned subsidiary, 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. On 23 April 2020, the SAT extended the policy from 1 January 2021 to 31 December 2030.

8. INCOME TAX *(Continued)*

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

Notes: *(Continued)*

(II) 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% (2022: 25%) except for Carpenter Tan (2022: Carpenter Tan) which is eligible for the income tax concessions according to the preferential tax policies as stated in note 8(A)(I) above.

(III) 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.

(IV) No provision for Hong Kong profits tax has been made for the years ended 31 December 2023 and 2022 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for both years.

(V) 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.

(VI) Pursuant to the notice on preferential tax policies to entities with disabilities issued by the SAT, Ministry of Finance of the PRC that, Carpenter Tan, a wholly-owned subsidiary of the Group, 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 since 24 November 2016.

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)*

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

	2023 RMB'000	2022 RMB'000
Profit before taxation	**209,691**	133,363
Tax charge at domestic tax rates applicable to profits in the countries concerned	**52,401**	33,424
Tax effect of non-deductible expenses	**186**	2,340
Tax effect of non-taxable incomes	**(2,053)**	(2,199)
Effect of tax concessions granted to subsidiaries (note 8(A)(VI))	**(5,624)**	(4,387)
Effect of concessionary tax rate enjoyed by subsidiaries (note 8(A)(I))	**(12,629)**	(7,036)
Unrecognised temporary differences	**(2)**	(62)
Unrecognised tax losses	**–**	523
Utilisation of previously unrecognised tax losses	**(654)**	(369)
Withholding tax on dividends (note 8(A)(V))	**4,579**	4,298
Over provision in prior years	**(287)**	(427)
Income tax expense	**35,917**	26,105

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 2023

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(G)) RMB'000	Total RMB'000
Executive directors						
Mr. Tan Chuan Hua (note 9(B))	88	64	122	–	–	274
Mr. Tan Di Fu	88	–	–	–	–	88
Mr. Luo Hongping (note 9(C))	81	202	399	40	–	722
Independent non-executive directors						
Mr. Yang Tiannan (note 9(F))	88	–	–	–	–	88
Mr. Chau Kam Wing, Donald	132	–	–	–	–	132
Ms. Liu Liting	88	–	–	–	–	88
	565	266	521	40	–	1,392

9. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2022

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(G)) RMB'000	Total RMB'000
Executive directors						
Mr. Tan Chuan Hua (note 9(B))	88	64	–	–	–	152
Mr. Tan Di Fu	88	116	–	–	–	204
Mr. Tan Lizi (note 9(A) & 9(D))	29	666	337	15	–	1,047
Independent non-executive directors						
Mr. Yang Yang (note 9(E))	40	–	–	–	–	40
Mr. Chau Kam Wing, Donald	132	–	–	–	–	132
Ms. Liu Liting	88	–	–	–	–	88
Mr. Yang Tiannan (note 9(F))	48	–	–	–	–	48
	513	846	337	15	–	1,711

The executive directors' emoluments were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments were for their services as directors of the Company.

Notes:

A) For the year ended 31 December 2022, RMB623,000 were paid by the Group to Mr. Tan Lizi as compensation for loss of office. No emoluments were paid by the Group to the directors and chief executive as an inducement to join or upon joining the Group for both years. None of the directors waived or agreed to waive any emoluments for the years ended 31 December 2023 and 2022.

B) Being the Executive Director and Chairman of the Group. Appointed as chief executive officer ("CEO") with effect from 1 May 2022 and resigned as CEO on 1 February 2023.

C) Mr. Luo Hongping appointed as Executive Director and CEO on 1 February 2023.

D) Mr. Tan Lizi resigned as executive director and CEO on 1 May 2022.

E) Mr. Yang Yang resigned as independent non-executive director on 12 June 2022.

F) Mr. Yang Tiannan appointed as independent non-executive director on 20 June 2022.

G) 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 notes 2(O)(II) and 29.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 29.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included one director (2022: one) of the Company whose emoluments are disclosed in note 9 above. Details of the aggregate emoluments paid by the Group to the remaining four (2022: four) non-director individuals during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries and other emoluments	**524**	634
Bonus	**1,312**	1,363
Retirement scheme contributions	**138**	124
	1,974	2,121

The emoluments of the 4 (2022: 4) individuals (who are not directors of the Company) with the highest emoluments are within the following band:

	2023	2022
	Number of individuals	Number of individuals
Nil up to HK$1,000,000 (equivalent to RMB894,000 (2022: RMB851,000))	**4**	4

No emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

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 chief operating decision maker 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

	2023 RMB'000	2022 RMB'000
Interim dividend of HK nil cents, equivalent to RMB nil cents per ordinary share (2022: HK12.96 cents, equivalent to RMB11.06 cents per ordinary share)	–	27,508
Final dividend of HK38.64 cents, equivalent to RMB34.98 cents per ordinary share (2022: HK25.03 cents, equivalent to RMB22.11 cents) proposed after the end of the reporting period (Note I)	**87,000**	54,991
	87,000	82,499

Note I:

The Directors recommend the payment of a final dividend of HK38.64 cents, equivalent to RMB34.98 cents per ordinary share, totaling RMB87,000,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 23 May 2024. 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

	2023 RMB'000	2022 RMB'000
Final dividend in respect of the financial year ended 31 December 2022, approved and paid during the current year, of HK25.03 cents, equivalent to RMB22.86 cents per ordinary share (2022: in respect of the financial year ended 31 December 2021, approved and paid during the year ended 31 December 2022, of HK27.15 cents, equivalent to RMB22.20 cents per ordinary share)	**56,878**	55,215

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

	2023	2022
	RMB'000	RMB'000
Earnings used in calculating basic earnings per share	**173,734**	107,250

(II) Weighted average number of ordinary shares

	Number of shares	
	2023	2022
	'000	'000
Weighted average number of ordinary shares outstanding	**248,714**	248,714

B) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2023 and 2022 was the same as the basic earnings per share because the exercise price of the share options granted was higher than the average market price of the Company's shares during the exercisable period before the lapse of the share options during the year ended 31 December 2023 and during the year ended 31 December 2022.

14. PROPERTY, PLANT AND EQUIPMENT

A) Property, plant and equipment

	Buildings (Note I) RMB'000	Leasehold improvements RMB'000	Plant and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2022	42,894	15,785	22,670	10,257	1,723	24,415	117,744
Additions	–	369	673	922	–	16,322	18,286
Disposals	–	–	(513)	(127)	(161)	–	(801)
Transfer	–	–	3,285	–	–	(3,285)	–
Exchange differences	–	20	–	1	–	–	21
At 31 December 2022	42,894	16,174	26,115	11,053	1,562	37,452	135,250
At 1 January 2023	42,894	16,174	26,115	11,053	1,562	37,452	135,250
Additions	–	–	552	1,342	312	18,850	21,056
Disposals	–	–	(28)	(159)	–	–	(187)
Transfer	–	–	2,312	1,366	–	(3,678)	–
Exchange differences	–	9	–	–	–	–	9
At 31 December 2023	42,894	16,183	28,951	13,602	1,874	52,624	156,128
Accumulated depreciation							
At 1 January 2022	9,838	6,553	14,958	7,315	1,228	–	39,892
Charge for the year	1,487	695	1,462	867	114	–	4,625
Eliminated on disposals	–	–	(467)	(114)	(61)	–	(642)
Exchange differences	–	4	–	1	–	–	5
At 31 December 2022	11,325	7,252	15,953	8,069	1,281	–	43,880
At 1 January 2023	11,325	7,252	15,953	8,069	1,281	–	43,880
Charge for the year	1,488	770	1,418	2,688	98	–	6,462
Eliminated on disposals	–	–	(25)	(118)	–	–	(143)
Exchange differences	–	4	–	–	–	–	4
At 31 December 2023	12,813	8,026	17,346	10,639	1,379	–	50,203
Carrying amounts							
At 31 December 2023	30,081	8,157	11,605	2,963	495	52,624	105,925
At 31 December 2022	31,569	8,922	10,162	2,984	281	37,452	91,370

Note I:

Included in buildings is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB24,682,000 (2022: RMB25,981,000) as at 31 December 2023. 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. Since the year ended 31 December 2021, the developer was under liquidation procedure. The management has obtained legal opinion and assessed it is more probable for the liquidator to continue to execute the sales and purchase agreement between the developer and the Group and complete the issue of ownership certificate. Therefore, 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 analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	2023 RMB'000	2022 RMB'000
Ownership interests in leasehold land held for own use, carried at cost less depreciation	(I)	**23,992**	24,820
Other leasehold land and buildings leased for own use, carried at cost less depreciation	(II)	**14,370**	13,290
		38,362	38,110

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	**828**	828
Other leasehold land and buildings leased for own use	**2,824**	2,800
	3,652	3,628
Interest on lease liabilities (note 7(C))	**581**	627
Expense relating to short-term leases	**324**	229

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

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

During the year, additions to right-of-use assets were approximately RMB3,845,000 (2022: RMB207,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements for new leases.

The total cash outflow for leases in 2023 was RMB3,316,000 (2022: RMB3,190,000).

The maturity analysis of lease liabilities is set out in note 31(B)(IV).

(I) Ownership interests in leasehold land 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 of approximately RMB5,578,000 (2022: RMB5,739,000) as at 31 December 2023. 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.

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. The Group has commenced the development on the Land during the year, 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 LEASEHOLD LAND AND BUILDINGS 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 2023 and 2022, 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:

	2023		
	Fixed payments RMB'000	**Variable payments RMB'000**	**Total payments RMB'000**
Retail stores – Hong Kong	**1,435**	**–**	**1,435**

	2022		
	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores – Hong Kong	1,359	–	1,359

In addition, the Group has obtained the right to use certain land to construct a production complex through tenancy agreements which run for a period of 18 years. Lease payments are usually increased every few years to reflect market rentals.

Lease liabilities of RMB12,817,000 are recognised with related right-of-use assets of RMB14,370,000 at 31 December 2023 (2022: lease liabilities of RMB11,324,000 and related right-of-use assets of RMB13,290,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2022	99,140
Net fair value loss recognised in profit or loss (note 6)	(2,020)
At 31 December 2022	97,120
At 1 January 2023	97,120
Net fair value loss recognised in profit or loss (note 6)	(5,550)
At 31 December 2023	91,570

The Group leases out certain commercial and residential property units under operating leases. The leases typically run for an initial period of 1 to 6 years (2022: 1 to 6 years). Lease payments are fixed over the lease terms.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and lessees' options to purchase the properties at the end of lease terms.

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.

15. INVESTMENT PROPERTIES *(Continued)*

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

(I) FAIR VALUE HIERARCHY *(Continued)*

	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	**4,870**	**–**	**–**	**4,870**
– Commercial – PRC	**86,700**	**–**	**–**	**86,700**

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 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	92,000	–	–	92,000

During the years ended 31 December 2023 and 2022, 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 2023. The valuation was carried out by Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group. Cushman & Wakefield 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 Direct Comparison Approach or 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 2023.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

15. 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	Premium/(discount) to transaction price (including but not limited to location, size and layout/design of property)	(10)% – 3% (2022: 0% – 5%)
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% (2022: 7.5%)
		Monthly market rent per square meter, taking into account of factors such as location condition, size of property and layout/design	RMB71 – RMB205 (2022: RMB86 – RMB257)

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 adjusted transaction price and negatively correlated to the market yield.

15. INVESTMENT PROPERTIES *(Continued)*

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

(II) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS *(Continued)*

There were no transfers into or out of Level 3 during the year. 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 2022	5,240	93,900	99,140
Net fair value loss recognised in profit or loss, included in other income and other net gain/loss	(120)	(1,900)	(2,020)
At 31 December 2022 and 1 January 2023	5,120	92,000	97,120
Net fair value loss recognised in profit or loss, included in other income and other net gain/loss	(250)	(5,300)	(5,550)
At 31 December 2023	4,870	86,700	91,570

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

The Group did not change any valuation techniques in determining the Level 3 fair values.

16. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,037
Accumulated amortisation and accumulated impairment	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,037
Carrying amount	
At 31 December 2023	–
At 31 December 2022	–

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.

17. 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 and voting power 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
Beijing Carpenter Tan Handicrafts Company Limited ("Beijing Carpenter Tan")	The PRC	–	100%	RMB10,000,000	Property investment	Domestic enterprise
Jiangsu Carpenter Tan Tourism Development Company Limited ("Jiangsu Carpenter Tan")	The PRC	–	100%	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	–	95%	USD13,684,211	Distribution of small size wooden handicrafts and accessories through internet	Foreign-owned enterprise

None of the subsidiaries had issued any debt securities at the end of the year.

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	189,151	188,900
Work-in-progress	25,981	17,047
Finished goods	33,004	38,483
	248,136	244,430

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

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	196,738	137,961
Write down of inventories	2,091	4,850
Reversal of write-down of inventories	(18)	(57)
	198,811	142,754

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

Except for raw materials of RMB138,448,000 (2022: RMB122,042,000) that are expected to be recovered more than twelve months after the reporting period, all the other inventories are expected to be recovered within one year.

19. 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:

	2023 RMB'000	2022 RMB'000
Trade receivables from contracts with customers	6,854	5,401
Less: Loss allowance (note (B))	(46)	(52)
	6,808	5,349

At 1 January 2022, trade receivables from contracts with customers (after loss allowance of RMB87,000) amounted to RMB4,902,000.

19. TRADE RECEIVABLES *(Continued)*

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

	2023 **RMB'000**	2022 RMB'000
0 to 30 days	**3,662**	4,944
31 to 60 days	**1,939**	52
61 to 90 days	**672**	4
91 to 180 days	**323**	26
181 to 365 days	**169**	207
Over 1 year	**43**	116
	6,808	5,349

B) Movements in the loss allowance for trade receivables

The movements in the loss allowance in respect of lifetime ECL recognised for trade receivables are as follows:

	2023 **RMB'000**	2022 RMB'000
Opening loss allowance at 1 January	**52**	87
Reversal of loss allowance on trade receivables (note 6)	**(6)**	(35)
Closing loss allowance at 31 December	**46**	52

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. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Other receivables	**2,066**	2,297
Trade and other deposits	**5,078**	4,366
Prepayments	**2,269**	1,436
VAT and other non-income tax recoverable	**306**	294
	9,719	8,393
Less: Loss allowance (note (A))	**(124)**	(87)
	9,595	8,306
Representing:		
Current	**8,994**	7,539
Non-current	**601**	767
	9,595	8,306

Except for rental deposits of RMB601,000 (2022: RMB767,000) which are expected to be recovered after one year from the end of the reporting period, all other deposits, prepayments and other receivables are expected to be recovered or recognised as expense within one year.

A) Movements in the loss allowance for other receivables are as follows:

	2023 RMB'000	2022 RMB'000
Opening loss allowance at 1 January	**87**	49
Loss allowance	**37**	38
Closing loss allowance at 31 December	**124**	87

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

	2023 RMB'000	2022 RMB'000
Financial assets mandatorily measured at FVPL:		
Principal Guaranteed Wealth Management Product, at fair value		
– maturity within one year	10,000	57,710

During the year ended 31 December 2023, the Group's financial asset at FVPL is unlisted investment with following movements:

	RMB'000
Balance as at 1 January 2022	317,580
Additions	264,110
Change in fair value* (note 6)	8,382
Disposal	(532,362)
Balance as at 31 December 2022	57,710
Balance as at 1 January 2023	57,710
Additions	100,200
Change in fair value* (note 6)	883
Disposal	(148,793)
Balance as at 31 December 2023	10,000

* Includes unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period:

	RMB'000
2023	–
2022	–

The amount represents investment in principal guaranteed wealth management products issued by banks in the PRC with expected return ranging from 1.5% to 2.90% per annum (31 December 2022: 2.54% to 3.30% per annum). They were mandatorily classified as financial assets at FVPL as their contractual cash flows are not solely payments of principal and interest.

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2023 RMB'000	2022 RMB'000
At 1 January	**28,520**	22,480
Charged to profit or loss (note 8(A))	**39,004**	26,176
Exchange difference	**191**	669
Tax paid	**(36,740)**	(20,805)
Reclassified from deferred tax upon distribution of dividends	**2,749**	–
At 31 December	**33,724**	28,520
Representing:		
Income tax recoverable	**–**	(2)
Income tax payable	**33,724**	28,522
	33,724	28,520

B) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/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 arising from undistributed profits of subsidiaries RMB'000	Right-of-use asset RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	4,446	16,643	2,761	–	–	23,850
Release upon distribution of dividends (note 8(A))	–	–	(4,310)	–	–	(4,310)
(Credited)/charged to consolidated statement of profit or loss for the year (note 8(A))	–	(59)	4,298	2,722	(2,722)	4,239
At 31 December 2022	4,446	16,584	2,749	2,722	(2,722)	23,779

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

B) Deferred tax assets and liabilities recognised: *(Continued)*

	Revaluation surplus of land and buildings RMB'000	Fair value changes in investment properties RMB'000	Withholding tax on dividends arising from undistributed profits of subsidiaries RMB'000	Right-of-use asset RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	4,446	16,584	2,749	2,722	(2,722)	23,779
Reclassified to current tax payable upon distribution of dividends	–	–	(2,749)	–	–	(2,749)
(Credited)/charged to consolidated statement of profit or loss for the year (note 8(A))	–	(3,309)	–	(180)	402	(3,087)
At 31 December 2023	4,446	13,275	–	2,542	(2,320)	17,943

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

C) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB57,937,000 (2022: RMB55,345,000) 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 RMB55,285,000 (2022: RMB52,897,000) which do not expire under current tax legislation.

D) Deferred tax liabilities not recognised

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2023, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to RMB526,380,000 (2022: RMB444,084,000). Deferred tax liabilities of RMB26,319,000 (2022: RMB22,205,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

23. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

A) CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash at banks and on hand	**67,381**	27,160
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**67,381**	27,160
Non-pledged fixed bank deposit (maturity over 3 months, but within 1 year)	**300,000**	180,000
Non-pledged fixed bank deposit with original maturity over 1 year	**53,000**	53,000

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

The interest rates for non-pledged fixed bank deposits during the year ended 31 December 2023 ranged from 1.90% to 3.58% per annum (2022: from 2.10% to 3.69%).

As at 31 December 2023, the cash and bank balances and non-pledged fixed bank deposits that were placed with banks in Mainland China amounted to approximately RMB58,998,000 (2022: RMB22,516,000) and RMB353,000,000 (2022: RMB233,000,000) respectively. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange controls.

B) PLEDGED BANK DEPOSIT

Pledged bank deposit represented deposit pledged to bank to secure a financial guarantee issued by the bank to a distribution agent of the Group for the Group's operation. The pledged deposits at 31 December 2022 carried interest at 1.80% per annum and with maturity within 1 year.

At 31 December 2023, pledged bank deposit situated in Mainland China amounted to RMBnil (2022: RMB3,000,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

23. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Continued)*

C) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Dividend payable RMB'000 (note 25)	Lease liabilities RMB'000 (note 26)	Total RMB'000
At 1 January 2022	1,637	13,725	15,362
Changes from financing cash flows	(82,723)	(2,961)	(85,684)
Exchange differences	132	158	290
New leases entered	–	207	207
Lease early terminated	–	(432)	(432)
Interest expenses (note 7(C))	–	627	627
Dividend declared in respect of the previous financial year and interim dividend declared in the year (note 12(I) and (II))	82,723	–	82,723
At 31 December 2022	1,769	11,324	13,093
At 1 January 2023	1,769	11,324	13,093
Changes from financing cash flows	(56,878)	(2,992)	(59,870)
Exchange differences	43	59	102
New leases entered	–	3,845	3,845
Interest expenses (note 7(C))	–	581	581
Dividend declared in respect of the previous financial year (note 12(II))	56,878	–	56,878
At 31 December 2023	1,812	12,817	14,629

24. 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:

	2023 RMB'000	2022 RMB'000
0 to 30 days	5,016	2,979
31 to 60 days	1,511	1,133
61 to 90 days	119	415
91 to 180 days	22	43
181 to 365 days	109	110
Over 1 year	79	84
	6,856	4,764

25. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Dividend payable	1,812	1,769
Salary payable	18,426	12,680
Other payables and accruals	9,602	9,342
Provision for sales returns (note 25(A))	2,962	3,470
VAT and other non-income tax payables	1,345	2,749
Trade deposits received (note 25(C))	12,336	12,270
Contract liabilities (note 25(B))	3,952	2,479
	50,435	44,759

All other payables and accruals are expected to be settled within one year or are payable on demand.

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

	2023 RMB'000	2022 RMB'000
At 1 January	3,470	5,361
Reversal for the year (note 7(B))	(508)	(1,891)
At 31 December	2,962	3,470

The provision for sales returns is determined by the Group using its accumulated historical experience to estimate the expected total sales returns for the year less the actual sales returns already taken place using the expected value method. The franchisees of the Group are allowed to return eligible products under certain conditions listed in note 4(B)(VI).

At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those sales returns.

25. OTHER PAYABLES AND ACCRUALS *(Continued)*

(B) Customers are generally required to make payments for orders prior to delivery of goods. When the Group receives a deposit before the delivery of goods, this will give rise to contract liability.

The Group classifies the contract liabilities as current because the Group expects to settle them within its normal operating cycle, and all contract liabilities are expected to be recognised as income within one year.

The significant changes in contract liabilities in the current year are due to an increase in overall franchisees customers. There was no significant changes in contract liabilities for the year ended 31 December 2022.

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**2,479**	2,876
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(2,479)**	(2,876)
Increase in contract liabilities as a result of receipts in advance from franchisees	**3,952**	2,479
Balance at 31 December	**3,952**	2,479

For the Group's contract liabilities from contracts with customers, there is no revenue recognised in the year ended 31 December 2023 from performance obligations satisfied (or partially satisfied) in previous periods (2022: RMBnil).

(C) Trade deposits received are mainly the deposits received from the Group's franchisees as a security deposit upon entering into the franchise agreements with the Group. The balances are repayable to the franchisees upon the termination of the franchise agreements.

26. LEASE LIABILITIES

At 31 December 2023, the lease liabilities are payable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**2,179**	1,939
After 1 year but within 2 years	**1,450**	695
After 2 years but within 5 years	**2,077**	1,154
After 5 years	**7,111**	7,536
	10,638	9,385
	12,817	11,324

The incremental borrowing rates applied to lease liabilities range from 4.3% to 5% (2022: 4.3% to 5%).

27. 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 RMB12,000 (2022: RMB35,000) was released to other income and other net gain/(loss) (note 6).

28. SHARE CAPITAL

	Number of shares	Amount HK$	Amount equivalent to RMB
Ordinary shares of HK$0.01			
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	10,000,000,000	100,000,000	87,926,000
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	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.

(C) Neither the Company nor any of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

29. 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 with exercise price of HK$4.896 per share for options granted on 31 August 2018 to subscribe for shares of the Company, subject to fulfillment of vesting conditions. 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"). The share option scheme was expired on 28 December 2019.

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 particulars of share options granted and remaining outstanding at 31 December 2023 are as follows:

	Number of share options				
	2023	2022	Vesting period	Exercisable period	Exercise price
Options granted to employees					
– On 31 August 2018	–	120,000	From 31 August 2018 to 30 August 2019	From 31 August 2019 to 31 August 2023	HK$4.896
– On 31 August 2018	–	120,000	From 31 August 2018 to 30 August 2020	From 31 August 2020 to 31 August 2023	HK$4.896
– On 31 August 2018	–	160,000	From 31 August 2018 to 30 August 2021	From 31 August 2021 to 31 August 2023	HK$4.896
Total outstanding share options	–	400,000			

Movements of share options granted to directors and outstanding during the current year are as follows:

		Number of options						
Date of Grant	Exercise price	At 1/1/2023	Granted	Reclassified (note)	Exercised	Cancelled	Expired	At 31/12/2023
31 August 2018	HK$4.896	–	–	200,000	–	–	(200,000)	–

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Movements of share options granted to directors and outstanding during the prior year are as follows:

		Number of options					
Date of Grant	Exercise price	At 1/1/2022	Granted	Exercised	Forfeited	Lapsed	At 31/12/2022
31 August 2018	HK$4.896	300,000	–	–	(300,000)	–	–

Movements of share options granted to employees and outstanding during the current year are as follows:

		Number of options						
Date of Grant	**Exercise price**	**At 1/1/2023**	**Granted**	**Reclassified (note)**	**Exercised**	**Cancelled**	**Expired**	**At 31/12/2023**
31 August 2018	HK$4.896	**400,000**	**–**	**(200,000)**	**–**	**–**	**(200,000)**	**–**

Movements of share options granted to employees and outstanding during the prior year are as follows:

		Number of options					
Date of Grant	Exercise price	At 1/1/2022	Granted	Exercised	Forfeited	Lapsed	At 31/12/2022
31 August 2018	HK$4.896	400,000	–	–	–	–	400,000

Note: The 200,000 outstanding share options granted to Mr. Luo Honping were granted to him when he worked as an employee of the Group. On 1 February 2023, Mr. Luo Honping was appointed as an Executive Director and CEO of the Company. Accordingly, the categories of grantees of outstanding share options were reclassified as shown above.

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

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

	2023		2022	
	Weighted average exercise price HK$	Number of options	Weighted average exercise price HK$	Number of options
Outstanding at the beginning of the year	4.896	400,000	4.896	700,000
Forfeited during the year	–	–	4.896	(300,000)
Expired during the year	4.896	(400,000)	–	–
Outstanding at the end of the year	–	–	4.896	400,000
Exercisable at the end of the year	–	–	4.896	400,000

No share option was exercised during the years ended 31 December 2023 and 2022. During the year ended 31 December 2022, one director resigned and left the Group, the directors of the Group approved to cancel the share options granted to him.

The share option scheme is governed by chapter 17 of the Listing Rules. No option has been granted for the years ended 31 December 2023 and 2022.

The share options outstanding at 31 December 2022 had an exercise price of HK$4.896 and a weighted average remaining contractual life of 0.66 year.

30. RESERVES

The Group

The capital and reserves of the Group are set out in the "Consolidated Statement of Changes in Equity" on page 69.

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/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2022	110,503	(14,187)	(196)	406	782	97,308
Profit for the year	–	–	–	–	79,384	79,384
Exchange differences on translation from functional currency to presentation currency	–	3,392	–	–	–	3,392
Total comprehensive income for the year	–	3,392	–	–	79,384	82,776
Dividends approved in respect of the previous year (note 12)	–	–	–	–	(55,215)	(55,215)
Dividends declared in respect of the current year (note 12)	–	–	–	–	(27,508)	(27,508)
Transfer upon forfeiture of share options	–	–	–	(144)	144	–
At 31 December 2022	110,503	(10,795)	(196)	262	(2,413)	97,361

	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/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2023	110,503	(10,795)	(196)	262	(2,413)	97,361
Profit for the year	–	–	–	–	83,912	83,912
Exchange differences on translation from functional currency to presentation currency	–	2,855	–	–	–	2,855
Total comprehensive income for the year	–	2,855	–	–	83,912	86,767
Dividends approved in respect of the previous year (note 12)	–	–	–	–	(56,878)	(56,878)
Transfer upon expiry of share options	–	–	–	(262)	262	–
At 31 December 2023	110,503	(7,940)	(196)	–	24,883	127,250

30. RESERVES *(Continued)*

Notes:

A) Share premium

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

B) Capital reserve

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

C) Statutory reserves

The 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, upon approval by the relevant authorities, can be used to make up previous years' losses, expand existing operations or convert into additional capital of the subsidiaries.

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 in prior years.

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 2023.

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 note 2(D).

30. RESERVES *(Continued)*

Notes: *(Continued)*

F) Currency translation reserve

Currency translation reserve comprises all foreign exchange differences arising from the translation of financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 2(S).

G) Equity settled share-based payment reserve

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

31. FINANCIAL INSTRUMENTS

A) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Trade receivables	**6,808**	5,349
Other receivables and deposits	**2,576**	3,505
Cash and bank balances	**67,381**	27,160
Non-pledged fixed bank deposit (non-current)	**53,000**	53,000
Non-pledged fixed bank deposit (maturity over 3 months but within 1 year)	**300,000**	180,000
Pledged bank deposit	**–**	3,000
Financial assets at amortised cost	**429,765**	272,014
Financial assets at fair value through profit or loss ("FVPL") – mandatorily measured at FVPL	**10,000**	57,710
Financial liabilities		
Trade payables	**6,856**	4,764
Other payables	**42,176**	36,061
Lease liabilities	**12,817**	11,324
Financial liabilities at amortised cost	**61,849**	52,149

31. FINANCIAL INSTRUMENTS *(Continued)*

B) Financial risk management objectives and policies

Details of the Group's financial instruments as stated in note 31(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 cash and bank balances that are denominated in United States dollars ("US$") and Euros ("Euro"). 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.

	2023 RMB'000	2022 RMB'000
Assets		
US$	**224**	117
Euro	**101**	96
	325	213

Sensitivity analysis

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 by 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 comprehensive income, and the balance below would be negative.

	Effect on profit after tax and retained profits	
	2023 RMB'000	2022 RMB'000
US$	**9**	5
Euro	**4**	4
	13	9

The above sensitivity analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

31. FINANCIAL INSTRUMENTS *(Continued)*

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

II) Interest rate risk

Pledged and non-pledged bank deposits and lease liabilities are carried at fixed interest rates and are not subject to interest rate risk. The Group is exposed to interest rate risk mainly from bank deposits (note 23) 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.

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 2023 and the retained earnings as at the reporting date would increase by approximately RMB646,000 (2022: RMB248,000). 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, pledged and non-pledged bank deposits, bank balances, other receivables and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The estimated loss rates are determined based on historically observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to the general economic conditions, that is available without undue cost or effort. At 31 December 2023, the Group has certain concentration of credit risk for the bank balances and bank deposits as 41.2% (2022: 68.4%) and 85.1% (2022: 89.7%) of total cash and bank balances, pledged bank deposit and non-pledged fixed bank deposits are due from the largest banker and the three largest bankers of the Group, respectively. The Group assessed 12-month ECL for bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

For trade receivables at amortised cost, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables at amortised cost are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including the time value of money where appropriate.

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.

31. FINANCIAL INSTRUMENTS *(Continued)*

B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

III) CREDIT RISK *(Continued)*

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 1 year past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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 Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

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.

	Within 1 year or on demand 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 2022						
Trade payables	4,764	–	–	–	4,764	4,764
Other payables	36,061	–	–	–	36,061	36,061
Lease liabilities	2,454	1,181	2,431	10,071	16,137	11,324
	43,279	1,181	2,431	10,071	56,962	52,149
At 31 December 2023						
Trade payables	**6,856**	**–**	**–**	**–**	**6,856**	**6,856**
Other payables	**42,176**	**–**	**–**	**–**	**42,176**	**42,176**
Lease liabilities	**2,683**	**1,974**	**3,401**	**9,261**	**17,319**	**12,817**
	51,715	**1,974**	**3,401**	**9,261**	**66,351**	**61,849**

31. FINANCIAL INSTRUMENTS *(Continued)*

C) Fair value

I) *Fair value hierarchy*

The directors of the Company consider the carrying amounts of 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.
- 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 2023	**Fair value measurements as at 31 December 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	**10,000**	**–**	**–**	**10,000**

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	57,710	–	–	57,710

During the years ended 31 December 2023 and 2022, 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.

31. 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 2023 RMB'000**	31 December 2022 RMB'000	**Valuation technique**	**Significant unobservable inputs**	**Range**
Financial assets at fair value through profit or loss					
– Principal guaranteed wealth management products	**10,000**	57,710	Discounted cash flow	Expected returns	1.5% to 2.9% (2022: 2.54% to 3.30%)

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 1.5% to 2.9% (2022: ranging from 2.54% to 3.30%). The fair value measurement is positively correlated to the expected returns.

The Group did not change any valuation technique in determining the Level 3 fair values.

With the short maturity of the wealth management products and the applicable rate of expected returns are not significant, the fair value of the wealth management products would not change significantly, and accordingly no sensitivity analysis is presented.

32. COMMITMENTS

A) CAPITAL COMMITMENTS

At 31 December 2023, capital commitments not provided for in the financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Contracted but not provided for in respect of		
– property, plant and equipment	**44,433**	16,279

32. COMMITMENTS *(Continued)*

B) Operating lease arrangements

The Group leases out investment properties under operating lease. The leases were negotiated for terms ranging from 1 to 6 years. None of the lease include contingent rental. At 31 December 2023, the undiscounted lease payments receivable under non-cancellable operating leases in respect of premises are as follows:

	2023	2022
	RMB'000	RMB'000
Within one year	**1,553**	1,412
After one year but within two years	**2,240**	1,711
After two years but within three years	**1,515**	1,763
After three years but within four years	**1,214**	1,023
After four years but within five years	**90**	708
	6,612	6,617

33. 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:

	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	**3,188**	3,693
Post-employment benefits	**178**	139
	3,366	3,832

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.

34. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		–	–
Investment in a subsidiary		47	47
		47	47
Current assets			
Amounts due from subsidiaries		155,865	127,411
Deposit and prepayments		23	31
Cash and bank balances		782	580
		156,670	128,022
Current liabilities			
Amounts due to subsidiaries		24,595	25,625
Other payables and accruals		2,683	2,894
		(27,278)	(28,519)
Net current assets		129,392	99,503
NET ASSETS		129,439	99,550
CAPITAL AND RESERVES			
Share capital	28	2,189	2,189
Reserves	30	127,250	97,361
TOTAL EQUITY		129,439	99,550

Approved and authorised for issue by the board of directors on 27 March 2024.

Tan Chuan Hua
Director

Luo Hongping
Director

35. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group 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.

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

There is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

36. ULTIMATE HOLDING COMPANY

At 31 December 2023, 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.

37. POSSIBLE IMPACT OF AMENDMENTS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of approval for issue of these consolidated financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements, as follows:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

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

The directors anticipate that the application of the above 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				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**499,688**	348,002	330,910	277,261	336,538
Profit before taxation	**209,691**	133,363	130,795	100,785	154,344
Income tax	**(35,917)**	(26,105)	(22,447)	(19,777)	(31,794)
Profit for the year	**173,774**	107,258	108,348	81,008	122,550
Attributable to					
Owners of the Company	**173,734**	107,250	107,663	79,060	122,484

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**930,777**	805,557	784,306	734,415	867,525
Total liabilities	**(122,293)**	(113,678)	(111,859)	(115,276)	(270,921)
Total equity	**808,484**	691,879	672,447	619,139	596,604

	As at 31 December				
	2023	2022	2021	2020	2019
Liquidity and Gearing					
Current ratio[(1)]	**6.88**	6.57	7.42	6.16	2.78
Quick ratio[(2)]	**4.22**	3.51	4.82	4.33	2.14
Gearing ratio[(3)]	**N/A[(4)]**	N/A[(4)]	N/A[(4)]	N/A[(4)]	N/A[(4)]

Notes:

(1) Current ratio is calculated as total current assets divided by total current liabilities as at the relevant year end.

(2) Quick ratio is calculated as total current assets less inventories divided by total current liabilities as at the relevant year end.

(3) Gearing ratio is calculated as total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year and multiplied by 100%.

(4) As at 31 December 2023, 2022, 2021, 2020 and 2019, the Group did not have any interest-bearing bank borrowings. The calculation of gearing ratio is not meaningful.