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CARPENTER TAN HOLDINGS LIMITED

譚木匠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 837)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS HIGHLIGHTS

- Revenue decreased by 17.6% to approximately RMB277,261,000 (2019: RMB336,538,000).
- Gross profit decreased by 21.5% to approximately RMB157,627,000 (2019: RMB200,853,000).
- Gross profit margin decreased by 2.8% points to 56.9% (2019: 59.7%).
- Profit for the year ended 31 December 2020 decreased by 33.9% to approximately RMB81,008,000 (2019: RMB122,550,000).
- Profit attributable to owners of the Company decreased by 35.5% to approximately RMB79,060,000 (2019: RMB122,484,000).
- Earnings per share decreased by 35.5% to approximately RMB31.79 cents (2019: RMB49.25 cents).
- In view of the Group's results, the Directors recommend a final dividend in respect of the year ended 31 December 2020 of HK19.58 cents per share (2019: HK28.04 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 20 May 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Carpenter Tan Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2020 (the “**Year Under Review**”) together with the comparative figures for the year ended 31 December 2019 with the selected notes as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB' 000	2019 RMB' 000
Revenue	4	277,261	336,538
Cost of sales		<u>(119,634)</u>	<u>(135,685)</u>
Gross profit		157,627	200,853
Other income	5	48,354	58,444
Administrative expenses		(37,475)	(34,381)
Selling and distribution expenses		(61,197)	(62,756)
Other operating expenses		<u>(6,067)</u>	<u>(7,182)</u>
Profit from operations		101,242	154,978
Finance costs		<u>(457)</u>	<u>(634)</u>
Profit before taxation	6	100,785	154,344
Income tax	7	<u>(19,777)</u>	<u>(31,794)</u>
Profit for the year		<u>81,008</u>	<u>122,550</u>
Attributable to			
Owners of the Company		79,060	122,484
Non-controlling interests		<u>1,948</u>	<u>66</u>
Profit for the year		<u>81,008</u>	<u>122,550</u>
Earnings per share			
Basic and diluted	9	<u>RMB 31.79 cents</u>	<u>RMB 49.25 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 RMB' 000	2019 RMB' 000
Profit for the year	81,008	122,550
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of functional currency to presentation currency	<u>476</u>	<u>2,374</u>
Total comprehensive income for the year	<u>81,484</u>	<u>124,924</u>
Attributable to		
Owners of the Company	79,536	124,858
Non-controlling interest	<u>1,948</u>	<u>66</u>
Total comprehensive income for the year	<u>81,484</u>	<u>124,924</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB' 000	2019 RMB' 000
Non-current assets			
Property, plant and equipment		60,920	60,539
Right-of-use assets		36,787	42,019
Investment properties		101,240	101,240
Intangible assets	11	<u>–</u>	<u>–</u>
		198,947	203,798
Current assets			
Inventories	12	159,404	153,072
Trade receivables	13	3,714	4,799
Other receivables, deposits and prepayments		12,573	18,892
Financial assets at fair value through profit or loss		264,000	447,584
Cash and bank balances		<u>95,777</u>	<u>39,380</u>
		535,468	663,727
Current liabilities			
Trade payables	14	4,114	3,098
Other payables and accruals		50,479	196,288
Income tax payable		29,013	34,428
Lease liabilities		<u>3,308</u>	<u>4,977</u>
		(86,914)	(238,791)
Net current assets		<u>448,554</u>	<u>424,936</u>
Total assets less current liabilities		647,501	628,734

	Notes	2020 RMB' 000	2019 RMB' 000
Non-current liabilities			
Deferred tax liabilities		23,195	23,847
Deferred income		600	632
Lease liabilities		4,567	7,651
		<u>(28,362)</u>	<u>(32,130)</u>
NET ASSETS		<u>619,139</u>	<u>596,604</u>
CAPITAL AND RESERVES			
Share capital		2,189	2,189
Reserves		604,035	586,615
		<u>606,224</u>	<u>588,804</u>
Equity attributable to owners of the Company		606,224	588,804
Non-controlling interests		12,915	7,800
		<u>619,139</u>	<u>596,604</u>
TOTAL EQUITY		<u>619,139</u>	<u>596,604</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Carpenter Tan Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 20 June 2006 as an exempted company with limited liability under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Building 10, Shang Island, No. 7 Dongchangzhong Road, Jurong City, Jiangsu Province, the People’s Republic of China (the “**PRC**”) respectively.

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

The Company is an investment holding company 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. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

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

b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for the investment properties and financial assets at fair value through profit or loss (“**FVPL**”) are stated at their fair value as explained in the accounting policies set out below.

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

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

c) Subsidiaries

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

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

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as other income in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

4. REVENUE

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

Disaggregation of revenue by sales channels is as follows:

	2020	2019
	RMB' 000	RMB' 000
Online business		
– Sales of goods	<u>121,929</u>	<u>115,290</u>
Offline business		
– Sales of goods	<u>150,727</u>	214,542
– Franchise joining fee income	<u>461</u>	<u>575</u>
	<u>151,188</u>	<u>215,117</u>
Directly-operated outlets		
– Sales of goods	<u>4,144</u>	<u>6,131</u>
	<u>277,261</u>	<u>336,538</u>

The Group’s customer base is diversified. No individual customer (2019: nil) had transactions which exceeded 10% of the Group’s aggregate revenue for the year ended 31 December 2020.

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

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

5. OTHER INCOME

	2020 RMB' 000	2019 RMB' 000
Government grants (notes (i) and (ii))	8,544	2,328
Government grants released from deferred income	32	36
Interest income from financial assets		
– bank interest income	212	228
PRC VAT refunds (notes 7(i) and (vii))	15,677	25,735
Rental income from investment properties	5,767	6,647
COVID-19-related rent concessions received	296	–
Change in fair value of investment properties	–	1,120
Change in fair value of financial assets		
at fair value through profit or loss	16,666	20,902
Others	1,160	1,448
	<u>48,354</u>	<u>58,444</u>

Notes:

- (i) In 2020, among the government grants, approximately RMB8,337,000 (2019: approximately RMB2,328,000) was for the PRC subsidiaries of the Group of which approximately RMB1,873,000 (2019: nil) was for the funding support from Chongqing Regulatory Bureau, Ministry of Finance for providing financial assistance to entities affected by COVID-19 epidemic. The remaining government grants in 2020 amounted approximately RMB6,464,000 (2019: approximately RMB2,328,000) was for funding supporting 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.
- (ii) In 2020, among the government grants, approximately RMB207,000 (2019: nil) was from the Retail Sector Subsidy Scheme under the Anti-epidemic Fund, set up by the Government of HKSAR. The purpose of the funding of the Retail Sector Subsidy Scheme is to provide relief to retailers to tide them over their financial difficulties.

6. PROFIT BEFORE TAXATION

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

	2020 RMB' 000	2019 RMB' 000
a) Staff costs (including directors' emoluments)		
Salaries and other benefits	66,092	67,508
Contributions to defined contribution retirement scheme	630	8,812
Equity-settled share-based payment expenses	116	145
	<u>66,838</u>	<u>76,465</u>
Total staff costs	<u>66,838</u>	<u>76,465</u>
b) Other items		
Auditor's remuneration		
– audit services	692	709
– non-audit services	277	346
Cost of inventories	115,335	131,106
Depreciation of right-of-use assets	6,380	6,884
Depreciation of property, plant and equipment	4,079	4,357
Impairment of right-of-use assets	–	2,081
Loss allowance on trade receivables	63	17
Loss allowance on other receivables, net	5	9
Net loss on disposal of property, plant and equipment	32	76
Net foreign exchange loss	5,674	3,755
Provision for sales returns	562	404
Write down of inventories	4,349	4,804
Reversal of write-down of inventories	(50)	(225)
Gross rental income from investment properties	(5,767)	(6,647)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	786	858
Net rental income	<u>(4,981)</u>	<u>(5,789)</u>
c) Finance cost		
Interest on lease liabilities	457	634

Note:

- (i) Cost of inventories includes approximately RMB40,247,000 (2019: RMB48,780,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2020 RMB' 000	2019 RMB' 000
Current tax		
PRC Enterprise Income Tax (notes 7(ii) and (iii))	17,537	25,783
Hong Kong profits tax (note 7(v))	–	–
Withholding tax on dividends (note 7(vi))		
- Provision for the year	<u>3,125</u>	<u>13,805</u>
	20,662	39,588
Over provision in prior years, net		
PRC Enterprise Income Tax	(233)	(374)
Deferred tax		
Transfer to current tax upon distribution of dividends	(3,125)	(13,805)
Provision for the year (note 7(vi))	<u>2,473</u>	<u>6,385</u>
Total	<u>19,777</u>	<u>31,794</u>

Notes:

- (i) Chongqing Wanzhou District Zi Qiang Wood Works Co., Ltd (“**Zi Qiang Wood Works**”), a wholly-owned subsidiary of the Company, is a registered social welfare enterprise since 29 April 2004. Pursuant to the notice on preferential tax policies to social welfare enterprise issued by the State Administration of Taxation of the PRC (the “**SAT**”), Ministry of Finance of the PRC that, with effect from 1 October 2006, Zi Qiang Wood Works is entitled to income tax concessions on a double deduction of salaries paid to its employees with disabilities, and VAT refund which is equivalent to the number of employees with disabilities multiplied by a specified annual cap amount as determined by the SAT. At the beginning of 2018, Zi Qiang Wood Works was dormant and had transferred its staff to a fellow subsidiary, Chongqing Carpenter Tan Handicrafts Co., Ltd (“**Carpenter Tan**”), which also enjoyed the preferential tax policies since 24 November 2016 (note vii). Since no salary were paid by Zi Qiang Wood Works to its employees with disabilities, thus Zi Qiang Wood Works was no longer entitled to all the income tax concessions mentioned above. In 2019, Zi Qiang Wood Works is deregistered.

The Group recognised the VAT refund in the Group’s consolidated statement of profit or loss on an accrual basis. The amounts of the VAT refunded to the Group during the year are detailed in note 5.

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

On 29 May 2012, both Zi Qiang Wood Works and Carpenter Tan, wholly-owned subsidiaries, obtained the approval from Wanzhou Bureau of the State Administration of Taxation under notice No. 12 to enjoy concessionary Enterprise Income Tax rate of 15% from 1 January 2011 to 31 December 2020. Since Zi Qiang Wood Works was dormant during 2018, Zi Qiang Wood Works is not entitled to enjoy concessionary Enterprise Turnover Tax rate of 15% for the year ended 31 December 2018. In 2019, Zi Qiang Wood Works is deregistered.

- (iii) The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2019: 25%) except for Carpenter Tan (2019: Carpenter Tan) which is eligible for the income tax concessions according to the preferential tax policies as stated in note 7(ii) above.
- (iv) The Company is incorporated in the Cayman Islands and is exempted from income tax in the Cayman Islands. The Company's subsidiary established in the British Virgin Islands is exempted from income tax in the British Virgin Islands.
- (v) No provision for Hong Kong profits tax has been made for the years ended 31 December 2020 and 2019 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these years.
- (vi) Under the Enterprise Income Tax Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

The Group enjoyed the reduced 5% tax rate prior to 31 December 2013. In 2014, the Group applied again for the reduced rate and was requested to meet certain additional review procedures that were not required in previous years.

As at the date of the financial statements, the relevant formalities for the reduced tax rate have been completed. The management consulted with PRC lawyers and assessed that the Group is entitled to 5% withholding income tax rate since 2019. In 2020, a provision of approximately RMB3,125,000 (2019: RMB13,805,000) for current tax and approximately RMB2,027,000 (2019: RMB5,658,000) for deferred tax has been made.

As at 31 December 2020, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group's PRC subsidiaries amounted to approximately RMB2,027,000 (2019: RMB3,125,000) which are expected to be distributed in the foreseeable future.

- (vii) 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 5.

8. DIVIDENDS

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

	2020	2019
	RMB' 000	RMB' 000
Final dividend of HK19.58 cents, equivalent to RMB16.30 cents per ordinary share (2019: HK28.04 cents, equivalent to RMB25.13 cents) proposed after the end of the reporting period (note I)	<u>40,540</u>	<u>62,502</u>
	2020	2019
	RMB' 000	RMB' 000
No special dividend declared during the year (2019: Special dividend of HK67.15 cents, equivalent to RMB59.51 cents per ordinary share declared on 23 December 2019)	<u>-</u>	<u>148,006</u>

Note I:

The Directors recommend the payment of a final dividend of HK19.58 cents, equivalent to RMB16.30 cents per ordinary share, totaling RMB40,540,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 20 May 2021. 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

	2020	2019
	RMB'000	RMB'000
Final dividend of HK28.04 cents, equivalent to RMB25.13 cents per ordinary share (2019: HK25.86 cents, equivalent to RMB22.66 cents) in respect of the previous financial year, approved and paid during the year	<u>62,502</u>	<u>56,359</u>
Special dividend of HK67.15 cents, equivalent to RMB59.51 cents per ordinary share (2019: nil) in respect of and approved in the previous financial year, paid during the year	<u>148,006</u>	<u>–</u>
No special dividend (2019: HK\$25.86 cents, equivalent to RMB22.66 cents per ordinary share) in respect of the previous financial year, approved and paid during the year	<u>–</u>	<u>56,359</u>

9. 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

	2020 RMB' 000	2019 RMB' 000
Earnings used in calculating basic earnings per share	<u>79,060</u>	<u>122,484</u>

(ii) Weighted average number of ordinary shares

	Number of shares	
	2020 ' 000	2019 ' 000
Weighted average number of ordinary shares in issue	<u>248,714</u>	<u>248,714</u>
Weighted average number of ordinary shares for the purpose of basic earning per share	<u>248,714</u>	<u>248,714</u>

b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2020 and 2019 was the same as the basic earnings per share because that the exercise price of the share options granted was higher than the weighted average market price of the Company's shares during the year ended 31 December 2020 and 2019.

10. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about the components of the Group. This information is reported to and reviewed by the board of directors, which is the CODM of the Group, for the purpose of resources allocation and performance assessment.

Management considers the business from a product perspective and assesses its performance based on revenues derived from a broad range of sales of wooden handicrafts and accessories. Over 90% of the Group's revenue, results and assets are derived from a single segment which is manufacture and sales of wooden handicrafts and accessories. No segment information is presented accordingly.

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

Major customers

No analysis of the Group's revenue and contribution from operations by major customers has been presented as there are no transactions with a single external customer equal to or greater than 10% of the Group's total revenue.

11. INTANGIBLE ASSETS

	Trademark RMB' 000
Cost	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>1,037</u>
Accumulated amortisation and accumulated impairment	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>1,037</u>
Carrying amount	
At 31 December 2020	<u><u>–</u></u>
At 31 December 2019	<u><u>–</u></u>

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.

12. INVENTORIES

	2020 RMB' 000	2019 RMB' 000
Raw materials	120,327	108,145
Work-in-progress	16,298	19,109
Finished goods	22,779	25,818
	<u>159,404</u>	<u>153,072</u>

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

	2020 RMB' 000	2019 RMB' 000
Carrying amount of inventories sold	115,335	131,106
Write down of inventories	4,349	4,804
Reversal of write-down of inventories	(50)	(225)
	<u>119,634</u>	<u>135,685</u>

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

13. 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:

	2020 RMB' 000	2019 RMB' 000
Trade receivables	3,813	4,835
Less: Loss allowance (note 13(b))	(99)	(36)
	<u>3,714</u>	<u>4,799</u>

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

	2020	2019
	RMB' 000	RMB' 000
0 to 30 days	3,205	2,992
31 to 60 days	91	37
61 to 90 days	133	879
91 to 180 days	56	630
181 to 365 days	15	198
Over 1 year	214	63
	<u>3,714</u>	<u>4,799</u>

- b) Movements in the loss allowance for trade receivables

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

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

	2020	2019
	RMB' 000	RMB' 000
Opening loss allowance at 1 January	36	38
Written off of previous recognised impairment loss	–	(19)
Loss allowance on trade receivables	63	17
	<u>99</u>	<u>36</u>
Closing loss allowance at 31 December	<u>99</u>	<u>36</u>

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.

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

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

	2020	2019
	RMB' 000	RMB' 000
Past due but not impaired		
1 to 30 days past due	91	37
31 to 60 days past due	133	879
61 to 150 days past due	56	630
151 to 365 days past due	15	198
More than 1 year past due	214	63
	509	1,807
Neither past due nor impaired	3,205	2,992
	3,714	4,799

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

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

14. 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:

	2020	2019
	RMB' 000	RMB' 000
0 to 30 days	3,339	2,222
31 to 60 days	207	530
61 to 90 days	1	59
91 to 180 days	103	4
181 to 365 days	71	48
Over 1 year	393	235
	4,114	3,098

MANAGEMENT REVIEW

It's doubtless that in 2020 the Group underwent a major test unseen in its history. The COVID-19 epidemic (“**Epidemic**”) has tested the abilities of Carpenter Tan to work out and implement strategies, organize events, bear responsibility, and create a sense of community in response to public health emergencies.

During the Year Under Review, the Group pursued the vision of the Chairman Tan Chuan Hua that “Life Outweighs Business”. To be specific, we fully leveraged the collective wisdom and efforts for the staff and their families, the system of franchised stores and social responsibility in the prevention and control of the Epidemic, made donations to the front-line hospitals in Wuhan, and tried our best to help the staff and contribute to the society. In addition, the Group provided clear guidelines on the consistency of the corporate culture and social responsibility with the mainstream values, and expressly included disciplinary provisions for words and deeds against social responsibility and mainstream values in the detailed rules of employee code of conduct.

During the Year Under Review, the Group adhered to the corporate culture and values of teaching employees to be diligent and capable, and made elaborate improvements for several administrative measures, such as the Employee Code of Conduct, the First Inquiry Accountability, the Measures for Changing Innovation Evaluation and Reward, and the Measures for Rewarding Intellectual Property Rights to motivate all employees to make strict demands on themselves and work hard in such a way as living up to the expectations from themselves, departments and the Group.

During the Year Under Review, the Group completed lots of strategic tasks, including many “first” endeavors, such as marketing on WeChat Moments from 7 February, the introduction of the “franchise stores incentive scheme” in March to help stores resume production and operation, the release of the WeChat mini program of the official online store in April, joining in the live stream sales promotion “Xiao Zhu Pei Qi” (launched jointly by CCTV news anchor Zhu Guangquan and Li Jiaqi, one of the top live streaming celebrities in China) in May, the upgrading of membership service and maintenance system in August, advertising in CCTV prime time programmes to show the craftsmanship of Carpenter Tan in September, and online and offline collaborative marketing in November. We are convinced that out of crisis come opportunities. We are more convinced that in every major plight, Carpenter Tan will be reborn and go better and further.

I. Offline Business

Facing an embattled business environment in 2020, the Group gave hands to more than 1,000 franchised stores to mitigate their difficulties. However, to get out of the trouble, they needed to rely on themselves to enhance their abilities for sustainable operation and development, with the direction and guidance of the Group. To alleviate and eliminate the subsequent consequences of the Epidemic, the marketing team sought opportunities amidst the crisis and never gave up. For the year ended 31 December 2020, the POS sales for our offline business reached 66.43% of the planned target, declined by 30.63% when compared to the same period last year. During the Year Under Review, the expanded stores reached 71.43% of the annual planned target, with 55% shopping mall stores which accounted for 80% of the new stores; the ratio of the image stores of the third generation reached 87.12%.

Number of franchised stores, overseas stores and counters as at 31 December 2020

	As at 31 December			
	2020		2019	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,149	2	1,242	3
Hong Kong	–	2	–	3
Other countries and regions	6	–	7	–
Total	<u>1,155</u>	<u>4</u>	<u>1,249</u>	<u>6</u>

Number of franchised stores distribution in China as at 31 December 2020

Type of Stores	As at 31 December			
	2020		2019	
	Number of franchised store	Percentage	Number of franchised store	Percentage
Shopping mall	632	55.0%	638	51.4%
Street shop	331	28.8%	378	30.4%
Department store	79	6.9%	102	8.2%
Supermarket	37	3.2%	57	4.6%
Scenic spot	35	3.0%	30	2.4%
Transportation hub	22	1.9%	24	1.9%
Hotel	2	0.2%	2	0.2%
Others	11	1.0%	11	0.9%
Total	<u>1,149</u>	<u>100.0%</u>	<u>1,242</u>	<u>100.0%</u>

For the year ended 31 December 2020, the main tasks of the sales and marketing departments include:

New Channel Promotion

In early 2020, the closure of stores caused by the Epidemic had a great impact on the operation of offline franchisees. In order to reduce the impact of the Epidemic on the marketing, the Marketing Department started the marketing campaign on WeChat Moments from 7 February. Brand exposure was increased by embarking on social marketing strategy aiming at private domain traffic of franchised stores and staff to disseminate the information on the brand and products. The Marketing Department and APP Material Library pushed 326 pieces of posts on WeChat Moments. There were over 9,000 views of the Material Library, and over 6,000 transfers. 59,000 pieces of goods were delivered by e-commerce and logistics platforms during the closure of stores, with an approximate transaction amount of RMB9,800,000.

A new way of publicity materials release and offline promotion was adopted. In addition to the regular festival posters and POP, a set of photos with the theme of “Love Moment” and the theme of “Beauty of Labour” on the ordinary positions were taken, which provided lively publicity materials about kinship, love, friendship, and pet/brotherhood. We showed advertisements during the 618 and 11.11 shopping campaigns on metros in Beijing, Shanghai, Guangzhou and Shenzhen, with the theme of “comb oriental beauty”, to attract the attention of fast-paced commuters. The use of the WeChat mini program offered a new sales channel for franchisees, an important step to realize the overall digital transformation of the Group and the synergy of online and offline channels.

Upgrading of store image

In early 2020, the Group made some adjustments to the decoration team in line with the changes in the Epidemic situation, and the head of the decoration led the team to carry out decoration tasks so as to guarantee the timely opening of stores through the hard days. In addition, the Group implemented the acceptance system for the decoration team, which requires the regional manager to evaluate the performance of the head of the decoration team on a monthly basis to improve the decoration quality, giving rewards or punishments according to the severity of any problem.

Improvements were made in the design of the third-generation store of Carpenter Tan, mainly reflected in the diversification, integration of counters and functions in the central area of shopping malls and stores, and the major representative stores include the store in Living Mall Kecun, Guangzhou, the store in TeeMall Panyu, Beijing Fun Capital Wanda Plaza, and the store in Dongguan Street, Yangzhou. The image iteration and renewal of stores with Morandi color, mainly reflected in the change of cabinet shape, the increase of design elements, and the change and integration of diversified materials, and the major representative stores include the store in Changsha International Finance Square and the store in Shanghai MetroCity.

Upgrading of product after-sales maintenance

During the Year Under Review, the Group is more determined to promote “life-time free maintenance services” and to do better. The Group aims to upgrade the maintenance services by shortening the maintenance cycle, improving maintenance efficiency, and enhancing customer experience. The Carpenter Tan after-sales maintenance system for members has been launched and 40 authorised comb repair workshops have been established nationwide. The basic requirements and service philosophy of maintenance service upgrading are that common franchised stores that have not been assessed will no longer provide repair service; repair is to be done to the extent possible but for parts that cannot be repaired due to damage or that repair may cause a change, the Company shall seek the prior consent of the customers and explain to them in details; it will gradually transit from the current paid-maintenance policy to free-maintenance policy (except for the replacement of parts); it is expected that by offering life-time maintenance services; it will further add value to the brand.

IP/Cross-border collaboration

During the Year Under Review, the Group extended the Mulan collaboration series. While guaranteeing practicality, the collaboration also restored its prototype based on history to a greater extent, allowing consumers to feel the cultural heritage of the millennium. On Mother's Day, the Group collaborated with Xiaomi Youpin to launch a limited Mother's Day Ankang gift box, which was first launched on Xiaomi Youpin crowdfunding platform in the form of crowdfunding. In addition, the Group is trying to engage with other channel brands. The Ocean Elves series new products are the perfect combination of Carpenter Tan massage plates and Lin Qingxuan essential oil. The Group put forward the concept of star products. Through the packaging upgrade of best-selling products, lifting of visual impression, peripheral design and development, the recognition and sense of value of the star products were raised. Regional featured products were designed and developed. The franchised stores were encouraged to independently develop customized products that meet the local needs. For the best-selling customized products, the Group can convert them to be normal products in line with the demands.

Stable growth in group purchase:

During the Year Under Review, although the retail performance of offline physical stores was less satisfactory, the group purchase business showed steady growth. For the year ended 31 December 2020, the group purchase times increased by 59.6% compared with the same period last year, and the conventional group purchase amount increased by 21.3%, except the amount of the unconventional centralized purchases by specific enterprises.

Change of the training way:

Live training on YY.com was used during the Epidemic. Interactive trainings with sales clerks across the country was conducted twice a week. Pointed offline training was provided for each area after the Epidemic situation was mitigated. After sorting out the training materials of craftsmanship of Carpenter Tan and learning the display courses, the Group started to sort out the store display standard manual in consideration of the implementation schemes actually used in each area.

During the Year Under Review, there are still some problems although we spare no effort in marketing. Festival campaigns were planned in a short time so that there was no sufficient duration for the market response. The contents shown in the membership system were single so that the precipitation of targeted customer assets and more brand promotions were not realized. Additionally, the way of market publicity and promotion was single. The design and material used for store display cabinets were not further improved, and the training for the sales clerks didn't work for the brand upgrading to manifest the connotation of the oriental beauty. The changes in the world and the market require us to make bold innovations and go out of our way to be a better enterprise.

II. Online Business

The special situation of 2020 resulted in a profound development in the “Online Home Economy”. With the efforts of our entire e-commerce team, Carpenter Tan actively explored the new retail model while the sales team conducted online promotion to stimulate consumption, and tried to drive the offline business by online efforts. For the year ended 31 December 2020, our sales reached RMB122 million, representing 107.8% of the total annual target and a year-on-year increase of 5.8% compared with the sales for 2019. Among them, sales in the first quarter fell 16.8% on average, sales in the second quarter increased by 8.2% on average, sales in the third quarter increased by 10.9% on average, and sales in the fourth quarter increased by 19.3% on average.

Meanwhile, during the Year Under Review, e-commerce grasped every marketing node, followed global traffic, and strove to build brand influence and marketing capabilities. Looking back at activities during the Year Under Review, the sales on Valentine’s Day in February and Women’s Day in March declined significantly, representing a decrease of 30.8% and 13.3%, respectively, while all other activities contributed favorably, such as the increase of 102.1% in sales during the Double Eleven event for we followed the official pace closely.

Marketing campaigns in 2020

Month	Event time	Event theme	Corresponding festival	Sales during the event (RMB)	Average daily sales during the event (RMB)	Average daily sales of the event last year (RMB)	The year on year growth/ (decline) of average daily sales during the event
February	7 February – 14 February	Sweet Valentine’s Day (甜蜜情人節)	Valentine’s Day on 14 February	3,056,000	382,000	552,000	(30.8)%
March	1 March – 8 March	Beautiful Goddess’s Day (美麗女神節)	Women’s Day on 8 March	5,006,000	626,000	722,000	(13.3)%
April	11 April – 21 April	Girl Combing Her Hair (梳發少女心)	April	3,454,000	314,000	295,000	6.4%

Month	Event time	Event theme	Corresponding festival	Average		Average (decline) of average daily sales during the event	The year on year growth/ (decline) of average daily sales during the event
				Sales during the event (RMB)	daily sales during the event (RMB)		
May	4 May – 10 May	Protect the Beauty of Mother (守護媽媽的美)	Mother’s Day	8,250,000	1,179,000	962,000	22.6%
June	1 June – 20 June	Beauty Life (美顏生活)	618 Festival	6,638,000	332,000	331,000	0.3%
July	12 July – 18 July	Serving Chopsticks and Spoons (公筷公勺)	Selected specially for July	2,156,000	308,000	280,000	10.0%
August	18 August – 25 August	Give Him/Her A Lyric Poetry (送TA一首梳情詩)	Qixi Festival	8,255,000	1,032,000	891,000	15.8%
September	1 September – 11 September	Grateful Teacher’s Day (感恩教師節)	Teacher’s Day	7,542,000	686,000	530,000	29.4%
November	1 November – 11 November	Carnival of Life (在生活狂歡季)	Double Eleven	12,244,000	111.3	551,000	102.0%
December	10 December – 12 December	Beauty in primping (美在梳妝)	Double Twelve	2,335,000	778,000	829,000	(6.2)%

Meanwhile, the e-commerce platform also carried out various innovations, such as trying ancient costume styles and different scene settings in the live broadcast room of the store, and integrating classical music into promote products, using brand new promotion channels to cover the whole scene, and enhancing the exposure in Guess What You Like (猜你喜歡) (homepage, shopping cart, payment success), Weitao (微淘), Live Broadcast (直播廣場), and Good Find (有好貨). We exploited new channels of brand for attracting new customers, displayed event information to new customers, and increased the conversion rate of new customers. We opened up the Tmall customer operation platform, upgraded enrollment for free, and gathered crowd assets. We cooperated with the masters of super head live studios, for example, when we cooperated with “Xiao Zhu Pei Qi” (“小朱配琦”), the visits to the store that night reached 340,000, and the number of orders for the live broadcast increased significantly.

III. Overseas Businesses

Influenced by the global epidemic, some of the overseas stores and Hong Kong directly-managed stores are partially suspended. During the Year Under Review, we especially increased support and communication for overseas franchisees, making concessions on the requirement of purchase amount in 2020, so as to reduce the psychological burden of our franchisees. We provided free promotional products for overseas stores to help the stores achieve nodal marketing and reduce losses.

After the epidemic became stabilized, Carpenter Tan increased its expansion into overseas markets and opened new stores when appropriate. We increased investments in self-operated platforms of cross-border e-commerce, and strove to increase the traffic and sales volume of the platforms. We did a good job of brand exposure and attracting traffic in overseas social media channels. Overseas and online special FSC products were launched to strive to enter overseas retail chain channels. And we participated in large overseas professional exhibitions or consumer product exhibitions to expand the brand exposure.

Looking forward the Overseas Business Department will focus on the Asian market, improve the profitability of the existing stores, accomplish node marketing, expand channels in overseas markets, and increase the export value of the Company. At the same time, we will conduct operation and promotion of our own cross-border platforms and the official website in the U.S., and social media promotion, etc.

IV. Innovative Research and Development

2020 is a year of “sinking” in research and development. With the brand positioning of “combing oriental beauty”, the Innovative Research and Development Department dug deep into the traditional Chinese culture to create a fashionable and young brand image. Due to the epidemic in the first half of 2020, the market demand for regular products decreased, and the department shifted some of its efforts to the research and development and design of product use and combing functions. During the Year Under Review, we designed and developed the “Beauty of Chinese Characters” series of products for the lacquer development project, completed the development for the launch of the second generation of mixing wooden combs with light-colored materials, and developed the product strategy system and material library. The new packaging design was approved by the launching appraisal, the scenic display of the franchised stores was upgraded, and the prototype and maintenance workshop at the headquarters in Jurong and the design center in Nanjing were put into operation successively to provide a practical guarantee for better design, research and development and good services.

For the year ended 31 December 2020, we launched 32 new products during the year and 3 kinds of packaging with the traditional Chinese style. We cooperated with the technical center to complete a total of 6 patent applications.

During the Year Under Review, the balance between design and production has improved, but there were still some problems, such as the lack of cooperation of craftsmanship, as well as the team's lack of knowledge in the area of traditional culture, as some mistakes were made, which exposed our shortcomings. However, every coin has two sides, as in the year of 2021, the Innovative Design Center will focus on synergy, innovation, professionalism and self-confidence to keep improving and enhancing the efforts in the basic aspects including showing brand tonality, studying the traditional Chinese culture, shaping a fashionable young brand image, and developing and defining the product features, so as to achieve better innovative design and development.

V. Production Technology

The employee organization capability and response capability of the Wanzhou factory have always been excellent, but the production situation in the context of the epidemic can be described as “scattered and urgent”. At the beginning of resumption of production in March, there were fewer and uneven production tasks, so the factory organized a team of multi-skilled personnel to deploy manpower among production lines or adjust the task allocation. At the same time, the factory tried to assign tasks for every employee within the standard attendance hours, so as to guarantee the equal right of work of every employee. With the epidemic receding and orders increasing, the factory was running at full capacity and was sometimes in the situation of “fire-fighting”. Therefore, the factory has been carrying out innovative work with the main line of restoration and improvement of production capacity throughout the year.

The Wanzhou factory first vigorously promoted the profiling processing, and currently, 32 hair-care combs and 46 combs for three generations have implemented profiling processing. The promotion of profiling processing not only improves the consistency and aesthetics of the combs, but also significantly improves the production efficiency, reduces the difficulty and workload of polishing in the subsequent processes. After the promotion of profiling process, the factory carried out a project of blurred polishing technology by combining the processing characteristics of the subsequent processes. At present, the initial technology at the first stage has been taking shape, and the efficiency of one of the work steps is twice as high as the original working performance, which reduces the dependence on skills to a greater extent. There are also technical innovations such as the spark detection alarm and extinguishing system, the new technology for the formation of lacquer painting surface, the improvement of the drying control system, and the innovation of the product structure and the patent application.

VI. Logistics and Distribution

Logistics and distribution is the “last mile” in the sales process. During the Year Under Review, in order to accomplish various tasks of marketing and brand promotion, we put more demands on logistics. The epidemic was serious at the beginning of 2020, the logistics center had to dovetail with the market while resisting the risks, organized products in a timely manner according to the demands of franchisees and e-commerce companies, so as to complete the distribution tasks on time. With the cooperation of “Xiao Zhu Pei Qi” live broadcast, the cooperation activity with YiZen (一幀) and the promotion of products with the traditional Chinese style, the frequency of procurement and distribution of promotional products this year is especially higher than that in previous years. We opened source and cut costs and adjusted transportation methods and carriers to reduce work costs and improve efficiency.

Quality is the core of products. During the Year Under Review, the logistics center implemented the final inspection for products in the Wanzhou factory to further strengthen the quality control. In order to provide the ultimate service for the after-sales repair stations, the Company closed the general repair stores in the year under review and newly set 40 professional repair stations nationwide, with the logistics center being responsible for serving the authorized repair stores to ensure the service capability and efficiency of the repair stations.

As a service department, the logistics center is faced with franchisees, store employees, group purchase clients, customers, suppliers and various departments every day. Only each employee of the logistics center carries forward the sense of ownership, implements limitless management, can the tasks of logistics be actually accomplished to take the important final step of marketing.

VII. Corporate Culture

In the past year, we suspended some offline activities in relation to the corporate culture. With deep consideration, we focused on cultivating our “internal strength” by digging deeper into the traditional cultural stories about combs, deepening the emotional link of combs, recording the employees and franchisees of Carpenter Tan, and exploring creative ideas within the design schools who are our old friends.

During the Year Under Review, a poster themed “Beauty of Labour” was launched during the Labour Day holiday, recording the scene of employees in Carpenter Tan’s factory overcoming the epidemic and resuming production. The brand symbol “Chongqing Craftsmanship” representing our brand was shown during prime time on CCTV. To form a brand image of conveying love through the comb, we launched an online campaign themed “Give Him/Her a Lyric Poetry”. Collaborated with teachers from Nanjing Academy of Arts, we launched a series of audio program themed “Journey of the Comb” (“梳篦之旅”) to show the history and traditional culture related to combs with vivid and interesting stories. Continuing the intention of the design competition of Carpenter Tan, the “Beauty of Zhipei” was taken as the subject of the graduation design for four colleges and universities, namely, Nanjing University of the Arts, Nanjing Institute of Technology, Nanjing Tech University Pujiang Institute and Fujian Jiangxia University, which launched a theme design competition in colleges. We filmed and produced a series of videos themed “Carpenter Tan’s Family”, telling the stories of our franchisees and showing the ordinary but touching style of the franchisees over the past year.

During the Year Under Review, we actively strove to build corporate culture by exploring corporate values, collecting and telling brand stories. And the following are some interesting stories.

Story 1: “It’s a really cold winter. I was on a business trip with my collage Zhang Rong. Just after passed across the road, trembling and walking with my head down, suddenly I found my way was cluttered with several shared bicycles. Fortunately, I was not stumbled down by them and I bypassed them quickly. To my astonishment, Zhang stopped. He quickly held up and lined the bicycles one by one, and the road became tidy again. Feeling ashamed, I thumbed up to Zhang, ‘You are so nice!’ He just clapped the ash on his coat and explained, ‘It’s nothing. I’m afraid that blind person may be trampled down by those bicycles on their way.’ True! Why didn’t I realized this and just thought of myself instead of thinking more about others just now? This thing was small, but it touched me deeply. And from then on, I have learned to think for others when encountered things like this. And I only want to warm other strangers with this kind of warm heart.” (By He Bin from the Marketing Department)

Story 2: “Manager Huang told us on the morning meeting that, according to a notice from the power bureau, the power will be cut off on Wednesday this week. So our logistic department will rest on Wednesday and work on Saturday. This was bad news for our package group members, as the manager emphasized at the same meeting that, the traditional Chinese style products and promotional chopsticks specially prepared for the ‘Double Eleven’ event (on November 11) should be ready and shipped out without delay so that the promotion activities of the franchised store would not be impacted. So on Tuesday afternoon, the package group applied to work overtime, but was told that the self-generated power could only be supplied to the office for urgent delivery, power for a larger area was not available,, and the power might be cut off on 10a.m. This left manager Li at a loss. After careful consideration, Li required us to load common products on Tuesday and only deal with the chopsticks on Wednesday on an overtime basis after the cutoff of power.

So on Wednesday morning, all members arrived on time, from assembling labeling, to sticking QR code, all processes were performed in order by dealing with complicated parts first. Suddenly the whole workshop fell into a dark, but nobody was shocked by the planned power failure. Just then, manager Li took out a headlight from his pocket and clicked the button. At that moment, everyone was showered in the weak light. ‘I have prepared for this already! You who need to check the labels and product names, just call me to hold the light for you. Do be careful and make sure that the material label information is correct!’ This made everybody laugh, and someone shot a video and sent it to the communication group of the logistic department, and received many likes. A colleague also extemporized a poem for it, which was as follows, ‘Carpenter Tan has good employees who can assemble combs when power is off. With headlight on the head, manager Li set us a good example.’ (By Hu Xiaoling from the Logistics Department)

Story 3: “From trifles such as needles and threads to spare parts of various equipment, Xie Yunyong, a warehouse keeper, checks every item goes in and out of the warehouse carefully. Every morning on a workday, the first thing she does is to check and count items of the previous day. Only after this is done, will she distribute the materials applied for on the same day. Each time when unnecessary labor protection equipment is applied, the applicant will be refused by Xie resolutely. And she always explains that ‘I must follow the policy. If your case is different, please provide me a written approval from your manager.’ For each supplementary material that needs to be purchased, the first document required by Xie will be the purchase application. Even unnecessary application of small consumables such as garbage bags and toilet papers will be doubted by her. She always says ‘Why do you apply so frequently? You may waste too much. Please be thrifty!’ So in many colleagues’ eyes, Xie is a ‘troublesome’ warehouse keeper. And to avoid being refused by her, everyone will check his/her application to ensure that the items applied are necessary and reasonable to avoid a journey for nothing and arguing with the warehouse keeper. Someone even says ‘She is good at everything, but too nagging.’ (By Zhang Debo from the factory)

VIII. Human Resources and Comprehensive Governance

From January to November 2020, Carpenter Tan's factory has 720 regular employees on monthly average basis, including 355 handicapped employees. Before the National Day, Tan Lizi (the Chief Executive Officer), Huang Zuoan (the Director) and Luo Hongping (the Administration Controller) visited and deeply talked with the representatives of the association of the handicapped, trade union and employees at the Wanzhou factory, just to understand opinions and resolve difficulties of the employees. For this purpose, we implemented five policies, including the provision of commuter vehicles, staff meals, the increase of wages for seniority, awards to masters and cabinets in dormitories for employees, and we also launched one celebration event for employees serviced for Carpenter Tan for 20 years or more.

For technology development, we developed three types of new processes and new structures and restarted the research on the structures and functions of the ionic comb. During the Year Under Review, we have applied for a total of 21 patents, among which, 14 were developed by the technical center, 6 by the innovative design center, and 1 by the factory. The operation of smart molding machine (being used to cut round corner instead of sawing manually) and milling machine of the embedded comb (being used to replace large security equipment) became skillful enough to be expanded. The technology of smart color selection and assembly of embedded comb and the inserted comb was upgraded significantly. The profiling process of hair-care comb made a breakthrough that can effectively reduce machining allowance and improve production efficiency.

For the construction of the south district project of the newly established Wanzhou factory, the project team obtained the governmental grant of an alternative construction site for civil air defense structure and exemption of the construction fees of auxiliary works, which approximately saved RMB20 million for the Company. The construction party have already entered into the site to prepare for the formal construction by way of conducting slope control and construction while applying for construction permits. For membership and after-sales maintenance system building, we have been keeping our promise of lifetime free repair by establishing 40 repair stations in franchised stores nationwide to improve our after-sales service quality, retain customers and increase brand value.

FINANCIAL REVIEW

1. Revenue

The Group recorded a revenue of approximately RMB277,261,000 for the year ended 31 December 2020, representing a decrease of approximately RMB59,277,000 or 17.6% as compared to that of approximately RMB336,538,000 for the year ended 31 December 2019. The decrease was mainly due to the negative impacts from the Epidemic, which drove down the demand for the products of the Group as the movement of people and goods was affected by the Epidemic, and the Group's production was temporarily suspended after the Chinese New Year holiday. The revenue of offline business amounted to approximately RMB150,727,000, representing a decrease of approximately RMB63,815,000 or 29.7% against last year of approximately RMB214,542,000. The revenue of online business amounted to approximately RMB121,929,000, representing an increase of approximately RMB6,639,000 or 5.8% against last year of approximately RMB115,290,000. The revenue of directly-operated outlets amounted to approximately RMB4,144,000, representing a decrease of approximately RMB1,987,000 or 32.4% against last year of approximately RMB6,131,000. As at 31 December 2020, the Group had 1,155 franchised stores and 4 directly-operated outlets, respectively, while as at 31 December 2019, the Group had 1,249 franchised stores and 6 directly-operated outlets, respectively. The franchise fee income was approximately RMB461,000, which represents a decrease of approximately RMB114,000 or 19.8% when compared to that of approximately RMB575,000 of last year.

	For the year ended 31 December			
	2020		2019	
	RMB' 000	%	RMB' 000	%
Revenue				
– Combs	48,660	17.6	66,298	19.7
– Mirrors	520	0.2	673	0.2
– Box sets	221,891	80.0	265,290	78.8
– Other accessories*	5,729	2.1	3,702	1.1
Franchise fee income	461	0.1	575	0.2
Total	<u>277,261</u>	<u>100.0</u>	<u>336,538</u>	<u>100.0</u>

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

2. Cost of sales

The cost of sales of the Group was approximately RMB119,634,000 for the year ended 31 December 2020, representing a decrease of approximately RMB16,051,000 or 11.8% as compared to that of approximately RMB135,685,000 for the year ended 31 December 2019. The decrease in cost of sales was in line with the decrease in revenue and the change in sales mix for the Year Under Review.

3. Gross profit and gross profit margin

For the year ended 31 December 2020, the gross profit of the Group was approximately RMB157,627,000, representing a decrease of approximately RMB43,226,000 or 21.5% as compared to that of approximately RMB200,853,000 for the year ended 31 December 2019. The gross profit margin decreased from 59.7% in 2019 to 56.9% in 2020. The decrease in gross profit margin was mainly due to the change in sales mix of our Group for the Year Under Review.

4. Other income

Other income was approximately RMB48,354,000 for the year ended 31 December 2020, representing a decrease of approximately RMB10,090,000 or 17.3% as compared to that of approximately RMB58,444,000 for the year ended 31 December 2019. Other income was mainly comprised of PRC VAT refunds of approximately RMB15,677,000, rental income of approximately RMB5,767,000, interest income of approximately RMB212,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB16,666,000 and fair value change of investment properties of RMBnil, respectively (2019: PRC VAT refunds of approximately RMB25,735,000, rental income of approximately RMB6,647,000, interest income of approximately RMB228,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB20,902,000 and fair value change of investment properties of RMB1,120,000 respectively).

5. Selling and distribution expenses

The selling and distribution expenses of the Group amounted to approximately RMB61,197,000 for the year ended 31 December 2020, representing a decrease of approximately RMB1,559,000 or 2.5% as compared to that of approximately RMB62,756,000 for the year ended 31 December 2019. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB18,495,000, delivery charges of approximately RMB7,898,000, depreciation of right-of-use assets of approximately RMB5,506,000, salaries and allowances of approximately RMB11,412,000 and travelling expenses of approximately RMB1,817,000, respectively (2019: advertising and promotion expenses of approximately RMB17,150,000, delivery charges of approximately RMB7,959,000, depreciation of right-of-use assets of approximately RMB5,768,000, salaries and allowances of approximately RMB11,928,000 and travelling expenses of approximately RMB2,587,000, respectively).

6. Administrative expenses

The administrative expenses of the Group was approximately RMB37,475,000 for the year ended 31 December 2020, representing an increase of approximately RMB3,094,000 or 9.0% as compared to that of approximately RMB34,381,000 for the year ended 31 December 2019. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB14,842,000, legal and professional fee of approximately RMB1,906,000, design and sample expenses of approximately RMB1,861,000, consultancy fee of approximately RMB589,000 and audit and review fee of approximately RMB969,000, respectively (2019: salaries and allowances of approximately RMB13,432,000, legal and professional fee of approximately RMB1,787,000, design and sample expenses of approximately RMB1,479,000, consultancy fee of approximately RMB329,000 and audit and review fee of approximately RMB1,055,000, respectively).

7. Other operating expenses

Other operating expenses of the Group was approximately RMB6,067,000 for the year ended 31 December 2020, representing a decrease of approximately RMB1,115,000 or 15.5% as compared to that of approximately RMB7,182,000 for the year ended 31 December 2019. The decrease was mainly due to the decrease in impairment on right-of-use assets of approximately RMB2,081,000 during the Year Under Review.

8. Finance costs

The finance costs of the Group was approximately RMB457,000 for the year ended 31 December 2020, representing a decrease of approximately RMB177,000 or 27.9% as compared to that of approximately RMB634,000 for the year ended 31 December 2019.

9. Income tax

For the year ended 31 December 2020, the income tax expenses of the Group amounted to approximately RMB19,777,000, representing a decrease of approximately RMB12,017,000 or 37.8% when compared to approximately RMB31,794,000 for the year ended 31 December 2019. The decrease was mainly due to the decrease in PRC Enterprise Income Tax during the Year Under Review. The details is set out in Note 7 to the Financial Statements in this announcement.

The effective tax rate for the Year Under Review was 19.6% when compared to 20.6% for the year ended 31 December 2019.

10. Profit for the year

As a result of the foregoing, the profit for the year ended 31 December 2020 was approximately RMB81,008,000, representing a decrease of approximately RMB41,542,000 or 33.9% as compared to that of approximately RMB122,550,000 for the year ended 31 December 2019. The decrease was mainly due to the decrease in gross profit of approximately RMB43,226,000, for the Year Under Review.

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

The profit for the year attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB79,060,000, representing a decrease of approximately RMB43,424,000 or 35.5% as compared to that of approximately RMB122,484,000 for the year ended 31 December 2019.

ANALYSIS OF MAJOR CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

1. Property, plant and equipment

The Group's property, plant and equipment consists of building, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2020, the book value of property, plant and equipment amounted to approximately RMB60,920,000, representing an increase of approximately RMB381,000 or 0.6% as compared with the previous year of approximately RMB60,539,000. The increase was mainly attributable to the increase in addition of construction in progress for the year ended 31 December 2020.

2. Inventories

The Group's inventories as at 31 December 2020 increased by approximately RMB6,332,000 or 4.1% from approximately RMB153,072,000 as at 31 December 2019 to approximately RMB159,404,000 as at 31 December 2020, primarily due to the increase in raw materials level. Raw materials increased by approximately RMB12,182,000 or 11.3% from RMB108,145,000 in last year to approximately RMB120,327,000 in this year.

3. Trade receivables

Generally, franchisees are required to settle the payments for the products prior to delivery. The Group's trade receivables consist of credit sales of products to be paid by some of the Group's franchisees who had better sales performance. As at 31 December 2020, the Group's trade receivables amounted to approximately RMB3,714,000 which decreased by approximately RMB1,085,000 or 22.6% as compared to that of approximately RMB4,799,000 as at 31 December 2019.

4. Other receivables, deposits and prepayments

The Group's other receivables, deposits and prepayments decreased by approximately RMB6,319,000 or 33.4% from approximately RMB18,892,000 as at 31 December 2019 to approximately RMB12,573,000 as at 31 December 2020. The decrease in other receivables, deposits and prepayments was mainly due to a decrease in trade and other deposits of approximately RMB4,544,000 when compared to that of last year.

5. Trade payables

As at 31 December 2020, the Group's trade payables amounted to approximately RMB4,114,000 which increased by approximately RMB1,016,000 or 32.8% as compared to that of approximately RMB3,098,000 as at 31 December 2019.

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 decreased by approximately RMB145,809,000 or 74.3% from approximately RMB196,288,000 as at 31 December 2019 to approximately RMB50,479,000 as at 31 December 2020. The decrease was primarily due to a decrease in dividend payables of approximately RMB148,133,000 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 RMB56,397,000, which mainly comprised the net cash inflow generated from operating activities with the amount of approximately RMB80,608,000, net cash inflow generated from investing activities with the amount of approximately RMB195,739,000, net cash outflow used in financing activities with the amount of approximately RMB213,142,000 and the foreign exchange loss of approximately RMB6,808,000.

CAPITAL STRUCTURE

1. Indebtedness

As at 31 December 2020, the Group did not have any bank borrowings (2019: RMB nil).

2. Gearing ratio

As at 31 December 2020 and 2019, the Group did not have any bank borrowings. The calculation of gearing ratio is not meaningful.

3. Pledge of assets

As at 31 December 2020, the Group did not have any pledged assets to the bank (2019: 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 RMB4,561,000 and approximately RMB4,129,000 for the year ended 31 December 2020 and the year ended 31 December 2019, 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 2020, 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 2020, the Group had cash and bank balances of approximately RMB95,777,000 (2019: approximately RMB39,380,000), which was mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2020, the Group had capital commitment amounted to approximately RMB28,551,000 (2019: approximately RMB942,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2020, the Group had not made any material acquisition and disposal.

FUTURE OUTLOOK

In 2020, while actively expanded the domestic market and entered into the international market, Carpenter Tan felt the market pressure caused by the epidemic which has brought great challenges to the world economy. On one hand, this epidemic limited consumption to some extent, and on the other hand, it brought opportunities for our commercial channel payout adjustment, in particular, further shift in consumption patterns and increase in online shopping.

In 2021, the Group will increase efforts in the following three aspects: (i) for offline store number and single store revenue, we will keep optimizing the profit forecast analysis before establishing a new franchised store and keep improving the subsequent operation; (ii) to lay a solid data foundation for the future integration of our online and offline businesses, we will pursuit diversified online businesses by supplying different products series to online and offline stores, to actively enlarge our market share and customer base; (iii) for brand building, we will increase brand awareness in different channels by creating brand topics and exposure to cover consumer groups of different ages. And we will increase customer adhesiveness and increase market share based on the brand concept of “comb oriental beauty” and lifetime free repair. And our overseas market expansion plan will be restarted once the epidemic is under control.

As the Chinese old saying goes, “a state services on practical work and but wanes on empty talk”. For Carpenter Tan, only by committing to our initial aim – making good combs, and practicing our concept of philosophy “Honesty, Work, Happiness”, can we go further.

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 HK19.58 cents per share for the year ended 31 December 2020 to the shareholders whose names appear on the register of members of the Company on Monday, 31 May 2021, amounting to approximately HK\$48,698,000 in total subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Thursday, 20 May 2021. The dividend payout ratio is 51.3% of the profit for the year attributable to owners of the Company or 40.2% of the profit before taxation of the Company.

The above-mentioned final dividend is expected to be paid on or before Wednesday, 30 June 2021.

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 Monday, 17 May 2021 to Thursday, 20 May 2021 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 14 May 2021.

To qualify for the proposed final dividend

The register of members of the Company will be closed from Thursday, 27 May 2021 to Monday, 31 May 2021 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified for receiving the proposed final dividend, all share transfer documents must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 26 May 2021.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2020, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited on 29 December 2009, after deducting the related issuance expenses, amounted to approximately HK\$132,900,000 (equivalent to approximately RMB116,800,000). As at 31 December 2020, the Group had used net proceeds of approximately RMB69,200,000, of which approximately RMB25,500,000 had been applied for enhancement of the Group's design and product development and enhancement for operational efficiency, approximately RMB16,500,000 for enhancement for sales network and sales support services, approximately RMB15,000,000 for construction of logistic center and production equipments, and approximately RMB12,200,000 as working capital. The remaining net proceeds have been deposited with banks.

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

SHARE OPTION SCHEME

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

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

1. The purpose of the Share Option Scheme is to recognise and motivate Eligible Persons (as defined herein below) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.
2. "Eligible Persons" include (i) employees or persons being seconded to work for any member of the Group (the "Executive"); (ii) directors (including independent non-executive directors) of any member of the Group; (iii) shareholders of any member of the Group; (iv) suppliers, customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group; (v) persons or entities that provide research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and (vi) an associate of any of the foregoing persons.

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

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time. As at 30 March 2020 and 31 August 2020, being the dates of the 2019 annual report of the Company and 2020 interim report respectively, the total number of Shares available for issue in respect thereof were 24,871,400 Shares and 24,871,400 Shares, representing approximately 10% and 10% of the then issued shares of the Company respectively.

4. The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.
5. The exercise period of any option granted under the Share Option Scheme shall be determined by the Board, but such period shall not exceed ten years from the date of grant of the relevant option.
6. The Share Option Scheme does not specify any minimum holding period but the Board may fix any minimum period for which an option must be held before it can be exercised.
7. The acceptance of an offer of the grant of an option must be made within the period as stated in the offer document provided that no such offer shall be open for acceptance after the Share Option Scheme has been terminated with a non-refundable payment of HK\$1.00 from the grantee.
8. The subscription price shall be determined by the Board but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day ("Offer Date"); (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

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

As at 31 December 2020, the Company had granted to certain eligible participants (the “Grantees”), a total of 700,000 share options to subscribe for a total of 700,000 ordinary shares of HK\$0.01 each in the capital of the Company under the Share Option Scheme which were accepted by such Grantees. A summary of share options granted under the Share Option Scheme of the Company during the year ended 31 December 2020 is as follows:

Grantees	Position held with the Group	Date of grant	Option period (Note 1)	Exercise price per share (Note 2)	Number of Share Options				Outstanding as at 31 December 2020	Approximate percentage of the Company's total issued share capital
					Outstanding as at 1 January 2020	Granted during the year	Cancelled during the year	Lapsed during the year		
Mr. Tan Lizi	Executive Director	31 August 2018	31 August 2018 to 30 August 2023	4.896	300,000	-	-	-	300,000	0.12%
Ms. Liu Kejia	Sales Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	-	-	-	200,000	0.08%
Mr. Luo Hongping	Administration Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	-	-	-	200,000	0.08%
Mr. Zhang Chuanjin (Note 3)	Sales Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	-	200,000	-	-	-
					<u>900,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>700,000</u>	<u>0.28%</u>

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

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

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

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 2020 and up to the date of this announcement, at least 25% issued shares of the Company was held by public shareholders.

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

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE FUNCTIONS

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

During the Year Under Review, the Company complied with the code provisions as set out in the CG Code.

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.

AUDIT COMMITTEE

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

The duties and responsibilities of the Audit Committee include:

- provide an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems;
- review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process;
- monitor the integrity of the Company's financial statements, annual report and accounts;
- review the Group's financial and accounting policies and practices; and
- discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems.

During the Year Under Review, the Audit Committee had held two meetings. 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 2019, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2020 and the effectiveness of the internal control practices of the Group. The Audit Committee has also reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly.

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

Pursuant to the meeting of the Audit Committee held on 30 March 2021 attended by all the members of the Audit Committee, the Audit Committee, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2020, this results announcement, the 2020 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 2020 annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus (COVID-19) epidemic continued to bring about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the epidemic on the Group's businesses and will take all necessary and appropriate measures to reduce the impact of the pandemic to the Group. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report.

As disclosed in the announcements of the Company dated 14 January 2021 and 20 January 2021, on 14 January 2021, Chongqing Carpenter Tan and Jurong Yuechang Travel entered into the Transfer Agreement, pursuant to which Chongqing Carpenter Tan agreed to purchase, and Jurong Yuechang Travel agreed to sell, 9.09% equity interest in Jiangsu Carpenter Tan for a consideration of RMB15,873,000. On 8 March 2021, Jiangsu Carpenter Tan became an indirect wholly-owned subsidiary of the Company. Please refer to the announcements of the Company dated 14 January 2021 and 20 January 2021 for further details.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2020 is published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.ctans.com>) under “Investor Relations”. The annual report for 2020 containing all necessary information as required by the Listing Rules will be sent to shareholders of the Company in due course, and will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.ctans.com>) under “Investor Relations”.

By order of the Board
Carpenter Tan Holdings Limited
Tan Chuan Hua
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tan Chuan Hua, Mr. Tan Di Fu and Mr. Tan Lizhi; two non-executive Directors, namely Ms. Tan Yinan and Ms. Huang Zuoan; and three independent non-executive Directors, namely Mr. Yang Yang, Ms. Liu Liting and Mr. Chau Kam Wing, Donald.

** For identification purpose only*