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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 2021

RESULTS HIGHLIGHTS

- Revenue increased by 19.3% to approximately RMB330,910,000 (2020: RMB277,261,000).
- Gross profit increased by 26.7% to approximately RMB199,790,000 (2020: RMB157,627,000).
- Gross profit margin increased by 3.5% points to 60.4% (2020: 56.9%).
- Profit for the year ended 31 December 2021 increased by 33.7% to approximately RMB108,348,000 (2020: RMB81,008,000).
- Profit attributable to owners of the Company increased by 36.2% to approximately RMB107,663,000 (2020: RMB79,060,000).
- Earnings per share increased by 36.2% to approximately RMB43.29 cents (2020: RMB31.79 cents).
- In view of the Group's results, the Directors recommend a final dividend in respect of the year ended 31 December 2021 of HK27.15 cents per share (2020: HK19.58 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on Friday, 20 May 2022.

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 2021 (the “**Year Under Review**”) together with the comparative figures for the year ended 31 December 2020 with the selected notes as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	330,910	277,261
Cost of sales		<u>(131,120)</u>	<u>(119,634)</u>
Gross profit		199,790	157,627
Other income and other net gain/loss	5	38,215	48,354
Administrative expenses		(30,821)	(37,475)
Selling and distribution expenses		(71,615)	(61,197)
Other operating expenses		<u>(4,440)</u>	<u>(6,067)</u>
Profit from operations		131,129	101,242
Finance costs		<u>(334)</u>	<u>(457)</u>
Profit before taxation	6	130,795	100,785
Income tax	7	<u>(22,447)</u>	<u>(19,777)</u>
Profit for the year		<u>108,348</u>	<u>81,008</u>
Attributable to			
Owners of the Company		107,663	79,060
Non-controlling interests		<u>685</u>	<u>1,948</u>
Profit for the year		<u>108,348</u>	<u>81,008</u>
Earnings per share			
Basic and diluted	9	<u>RMB43.29 cents</u>	<u>RMB31.79 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	RMB'000	RMB'000
Profit for the year	108,348	81,008
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	(859)	(5,658)
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>1,086</u>	<u>6,134</u>
Other comprehensive income for the year, net of nil income tax	<u>227</u>	<u>476</u>
Total comprehensive income for the year	<u>108,575</u>	<u>81,484</u>
Attributable to		
Owners of the Company	107,890	79,536
Non-controlling interest	<u>685</u>	<u>1,948</u>
Total comprehensive income for the year	<u>108,575</u>	<u>81,484</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		77,852	60,920
Right-of-use assets		41,814	36,787
Investment properties		99,140	101,240
Intangible assets	11	–	–
Other receivables, deposits and prepayments		705	–
		<u>219,511</u>	<u>198,947</u>
Current assets			
Inventories	12	198,103	159,404
Income tax recoverable		60	–
Trade receivables	13	4,902	3,714
Other receivables, deposits and prepayments		8,355	12,573
Financial assets at fair value through profit or loss		317,580	264,000
Cash and bank balances		35,795	95,777
		<u>564,795</u>	<u>535,468</u>
Current liabilities			
Trade payables	14	2,441	4,114
Other payables and accruals		48,738	50,479
Income tax payable		22,540	29,013
Lease liabilities		2,388	3,308
		<u>(76,107)</u>	<u>(86,914)</u>
Net current assets		<u>488,688</u>	<u>448,554</u>
Total assets less current liabilities		<u>708,199</u>	<u>647,501</u>

	2021	2020
	RMB'000	RMB'000
Non-current liabilities		
Deferred tax liabilities	23,850	23,195
Deferred income	565	600
Lease liabilities	11,337	4,567
	<u>(35,752)</u>	<u>(28,362)</u>
NET ASSETS	<u>672,447</u>	<u>619,139</u>
CAPITAL AND RESERVES		
Share capital	2,189	2,189
Reserves	666,207	604,035
Equity attributable to owners of the Company	668,396	606,224
Non-controlling interests	4,051	12,915
TOTAL EQUITY	<u>672,447</u>	<u>619,139</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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 2021 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

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

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

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.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) to the consolidated financial statements for the current accounting period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform — phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions Beyond 30 June 2021 (2021 Amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

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:

	2021	2020
	RMB'000	RMB'000
Online business		
– Sales of goods	<u>145,950</u>	<u>121,929</u>
Offline business		
– Sales of goods	181,082	150,727
– Franchise joining fee income	<u>226</u>	<u>461</u>
	<u>181,308</u>	<u>151,188</u>
Directly-operated outlets		
– Sales of goods	<u>3,652</u>	<u>4,144</u>
	<u>330,910</u>	<u>277,261</u>

The Group’s customer base is diversified. No individual customer (2020: nil) had transactions which exceeded 10% of the Group’s aggregate revenue for the year ended 31 December 2021.

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

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

	2021 RMB'000	2020 RMB'000
Government grants (notes (I) and (II))	3,675	8,544
Government grants released from deferred income	35	32
Interest income from financial assets measured at amortised cost		
– bank interest income	609	212
PRC VAT refunds (note 7(vi))	18,777	15,677
Rental income from investment properties	6,841	5,767
COVID-19-related rent concessions received	–	296
Net foreign exchange gain	669	–
Change in fair value of investment properties	(2,100)	–
Change in fair value of financial assets		
at fair value through profit or loss	8,575	16,666
Reversal of loss allowances on trade receivables	12	–
Others	1,122	1,160
	<u>38,215</u>	<u>48,354</u>

Notes:

- (I) In 2021, among the government grants, approximately RMB3,675,000 (2020: approximately RMB8,337,000) was for the PRC subsidiaries of the Group of which approximately RMBnil (2020: RMB1,873,000) 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 approximately RMB3,675,000 (2020: approximately RMB6,464,000) 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 2021, among the government grants, approximately RMBnil (2020: RMB207,000) 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):

	2021 RMB'000	2020 RMB'000
A) Staff costs (including directors' emoluments)		
Salaries and other benefits	74,115	66,092
Contributions to defined contribution retirement scheme	8,864	630
Equity-settled share-based payment expenses	138	116
	<u>83,117</u>	<u>66,838</u>
Total staff costs	<u>83,117</u>	<u>66,838</u>
B) Other items		
Auditor's remuneration		
– audit services	668	692
– non-audit services	351	277
Cost of inventories	129,402	115,335
Depreciation of right-of-use assets	5,147	6,380
Depreciation of property, plant and equipment	4,505	4,079
(Reversal of loss allowances)/loss allowance on trade receivables, net	(12)	63
(Reversal of loss allowances)/loss allowance on other receivables, net	(30)	5
Net loss on disposal of property, plant and equipment	329	32
Net foreign exchange (gain)/loss	(669)	5,674
Provision for sales returns	1,788	562
Write down of inventories	1,987	4,349
Reversal of write-down of inventories	(269)	(50)
Gross rental income from investment properties	(6,841)	(5,767)
Less: Direct outgoings incurred for investment properties that generated rental income during the year	846	786
Net rental income	<u>(5,995)</u>	<u>(4,981)</u>
C) Finance cost		
Interest on lease liabilities	<u>334</u>	<u>457</u>

Note:

- (I) Cost of inventories includes approximately RMB54,139,000 (2020: RMB40,247,000) 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:

	2021 RMB'000	2020 RMB'000
Current tax		
PRC Enterprise Income Tax (note 7(i) and (ii))	19,765	17,537
Hong Kong profits tax (note 7 (iv))	–	–
Withholding tax on dividends (note 7(v))	–	–
- Provision for the year	<u>2,027</u>	<u>3,125</u>
	21,792	20,662
Over provision in prior years, net		
PRC Enterprise Income Tax	–	(233)
Deferred tax		
Transfer to current tax upon distribution of dividends	(2,027)	(3,125)
Provision for the year (note 7(v))	<u>2,682</u>	<u>2,473</u>
Total	<u>22,447</u>	<u>19,777</u>

Notes:

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

On 29 May 2012, Chongqing Carpenter Tan Handicrafts Co., Ltd (“**Carpenter Tan**”), wholly-owned subsidiary, obtained the approval from Wanzhou Bureau of the State Administration of Taxation under notice No. 12 to enjoy concessionary Enterprise Income Tax rate of 15% from 1 January 2011 to 31 December 2020. On 23 April 2020, the SAT extended the policy from 1 January 2021 to 31 December 2030.

- (ii) The provision for PRC income tax is calculated on the assessable profits of the Group’s subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2020: 25%) except for Carpenter Tan (2020: Carpenter Tan) which is eligible for the income tax concessions according to the preferential tax policies as stated in note 7(i) above.
- (iii) The Company is incorporated in the Cayman Islands and is exempted from income tax in the Cayman Islands. The Company’s subsidiary established in the British Virgin Islands is exempted from income tax in the British Virgin Islands.
- (iv) No provision for Hong Kong profits tax has been made for the years ended 31 December 2021 and 2020 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these years.
- (v) Under the Enterprise Income Tax Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the SAT approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

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

As at the date of the financial statements, the relevant formalities for the reduced tax rate have been completed. The management consulted with PRC lawyers and assessed that the Group is entitled to 5% withholding income tax rate since 2019. In 2021, a provision of approximately RMB2,027,000 (2020: RMB3,125,000) for current tax and approximately RMB2,761,000 (2020: RMB2,027,000) for deferred tax has been made.

As at 31 December 2021, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group’s PRC subsidiaries amounted to approximately RMB2,761,000 (2020: RMB2,027,000) which are expected to be distributed in the foreseeable future.

- (vi) Pursuant to the notice on preferential tax policies to entities with disabilities issued by the SAT, Ministry of Finance of the PRC that, Carpenter Tan, a wholly-owned subsidiary of the Group, is entitled to income tax concessions on a double deduction of salaries paid to its employees with disabilities, and VAT refund which is equivalent to the number of employees with disabilities multiplied by a specified annual cap amount as determined by the SAT since 24 November 2016.

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

8. DIVIDENDS

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

	2021 RMB'000	2020 RMB'000
Final dividend of HK27.15 cents, equivalent to RMB22.20 cents per ordinary share (2020: HK19.58 cents, equivalent to RMB16.30 cents) proposed after the end of the reporting period (Note I)	<u>55,215</u>	<u>40,540</u>

Note I:

The Directors recommend the payment of a final dividend of HK27.15 cents, equivalent to RMB22.20 cents per ordinary share, totaling RMB55,215,000. This dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 20 May 2022. 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

	2021 RMB'000	2020 RMB'000
Final dividend of HK19.58 cents, equivalent to RMB16.30 cents per ordinary share (2020: HK28.04 cents, equivalent to RMB25.13 cents) in respect of the previous financial year, approved and paid during the year	<u>40,540</u>	<u>62,502</u>
No special dividend during the year (2020: HK67.15 cents, equivalent to RMB59.51 cents per ordinary share) in respect of and approved in the previous financial year, paid during the year	<u>–</u>	<u>148,006</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

	2021 RMB'000	2020 RMB'000
Earnings used in calculating basic earnings per share	<u>107,663</u>	<u>79,060</u>

(ii) Weighted average number of ordinary shares

	Number of shares	
	2021 '000	2020 '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 2021 and 2020 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 2021 and 2020.

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 chief operating decision maker of the Group, for the purpose of resources allocation and performance assessment.

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

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

Major customers

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

11. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>1,037</u>
Accumulated amortisation and accumulated impairment	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>1,037</u>
Carrying amount	
At 31 December 2021	<u><u>–</u></u>
At 31 December 2020	<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

	2021 RMB'000	2020 RMB'000
Raw materials	141,418	120,327
Work-in-progress	20,843	16,298
Finished goods	35,842	22,779
	<u>198,103</u>	<u>159,404</u>

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

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	129,402	115,335
Write down of inventories	1,987	4,349
Reversal of write-down of inventories	(269)	(50)
	<u>131,120</u>	<u>119,634</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:

	2021 RMB'000	2020 RMB'000
Trade receivables	4,989	3,813
Less: Loss allowance (note 13(b))	(87)	(99)
	<u>4,902</u>	<u>3,714</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:

	2021	2020
	RMB'000	RMB'000
0 to 30 days	3,507	3,205
31 to 60 days	791	91
61 to 90 days	264	133
91 to 180 days	138	56
181 to 365 days	75	15
Over 1 year	127	214
	<u>4,902</u>	<u>3,714</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:

	2021	2020
	RMB'000	RMB'000
Opening loss allowance at 1 January	99	36
Loss allowance on trade receivables	–	63
Reversal of loss allowance on trade receivables	(12)	–
	<u>87</u>	<u>99</u>
Closing loss allowance at 31 December	<u>87</u>	<u>99</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.

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:

	2021	2020
	RMB'000	RMB'000
0 to 30 days	2,081	3,339
31 to 60 days	111	207
61 to 90 days	7	1
91 to 180 days	74	103
181 to 365 days	44	71
Over 1 year	124	393
	<u>2,441</u>	<u>4,114</u>

MANAGEMENT REVIEW

In 2021, the prevention and control of the Pandemic began to normalise. Although there were occasional outbreaks of the Pandemic in China, thanks to the strong leadership of the country, there was no cross-regional and large-scale outspread of the Pandemic as occurred in early 2020. All walks of life have been gradually returning to their basic normal state, with various industries benefiting from economic recovery and enjoying prosperity. While strictly implementing the national Pandemic prevention and control policy, the Group has also worked hard to organise production and market expansion, while the order of production, living, and marketing has basically returned to the state before the Pandemic. Market conditions apparently improved as compared to last year, as evidenced by the getting back on the positive track of orders in franchised stores and favorable development in terminal retail industry. This year, we have done significant works, but there are many things that needed to be done or should be done well, which requires greater efforts from us in 2022.

I. Offline Business

The momentum of newly opened offline franchised stores remained intact in 2021, with 115 new stores opened throughout the year, and the store's average monthly sales were higher than that in the same period in 2019 before the Pandemic. However, we were clearly aware of the increasing operating pressure exerted on our franchisees. Not only did rent return to pre-Pandemic level, but labor costs also increased year by year. At the same time, multiple outbreaks of the Pandemic has caused a significant decline in consumer traffic of shopping malls, transportation hubs and scenic spots, resulting in our stores located at the scenic spots and transportation hubs being the most affected.

For the year ended 31 December 2021, the POS sales for our offline business reached 93.2% of the planned target, an increase of 19.3% as compared to the same period of last year and a decrease of 16.7% as compared to 2019 before the Pandemic. During the Year Under Review, shopping mall stores and image stores of the third generation accounted for 59.0% and 87.8%, respectively. The expansion plan of newly opened stores reached 71.9% of the annual target, with average monthly sales of over RMB70,000, and shopping mall stores accounted for 87.0% of the total offline revenue.

Number of franchised stores, overseas stores and counters as at 31 December 2021

	As at 31 December			
	2021		2020	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,089	1	1,149	2
Hong Kong	–	2	–	2
Other countries and regions	5	–	6	–
Total	<u>1,094</u>	<u>3</u>	<u>1,155</u>	<u>4</u>

Number of franchised stores distribution in China as at 31 December 2021

Type of stores	As at 31 December			
	2021		2020	
	Number of franchised store	Percentage	Number of franchised store	Percentage
Shopping mall	642	59.0%	632	55.0%
Street shop	290	26.6%	331	28.8%
Department store	68	6.2%	79	6.9%
Supermarket	27	2.5%	37	3.2%
Scenic spot	43	4.0%	35	3.0%
Transportation hub	9	0.8%	22	1.9%
Hotel	2	0.2%	2	0.2%
Others	8	0.7%	11	1.0%
Total	<u>1,089</u>	<u>100.0 %</u>	<u>1,149</u>	<u>100.0%</u>

For the year ended 31 December 2021, the main tasks of the sales and marketing departments include:

Efficient operation and normalised Pandemic prevention

During the Year Under Review, the Group's marketing team strengthened store operation management, took the initiative to close down old stores with poor performance, and required all stores to comply with local Pandemic prevention requirements by carrying out fundamental Pandemic prevention measures. After the publication of the written proposal of the Pandemic vaccines, owners and employees of the franchised stores were encouraged to receive vaccines. Speedy and efficient responses were made to regional Pandemic emergencies through confirming specific situation of the stores and related personnel in the regions of sudden Pandemic outbreak and reporting to the management in time. At the same time, a series of measures were formulated and implemented in the corresponding regions to safeguard sales. A "Every Tuesday Cleanup Day" event was carried out in order to ensure a clean and tidy store image, strengthen store inspections and impose severe penalties for stores with irregular business operation.

The marketing team aimed to open good quality and premium stores. A tracking mechanism was introduced in newly opened stores in which marketing personnel were required to fully participate in the entire process of new store operation. Sales targets were set up and marketing personnel were evaluated to ensure high efficiency and profits in the new stores.

During the Year Under Review, newly opened stores with an average monthly sales of more than RMB100 thousand included Shenzhen Uniworld, Changsha Yunda Mode, Beijing Century Golden Resource, Shenzhen Tianhong, Ningbo MIXC, Wuxi IKEA Livat, Haikou Friendship Sunshine City, Wuhan Capital Outlets and Chongqing Guotai Plaza.

Taking advantage of the business adjustment system phase in the post-Pandemic period, we actively upgraded store locations and store image. Throughout the year, various stores have enhanced their locations, with remarkable improvement in store image and store performance. For example, the store located at Hunan Yiyang Wanda Plaza D1763 moved from the second floor to the first floor of the shopping mall; the store located at Hengshui Wanda D1870 relocated to elevator entrance with a better location and lower rent, significantly increasing exposure and customers flow; the store located at Beijing Fangshan Longfor Paradise Walk seized the opportunity and moved from the B1 floor to the second floor of the shopping mall; the store located at Shenzhen MH Mall D1756 has upgraded its image from a multi-purpose store to a stand-alone store. The average monthly sales of each of the above stores increased significantly. The average monthly sales of newly opened stores in 2021 reached approximately RMB70,200 nationwide, which increased by 0.2% as compared to that of 2020.

Stepping up marketing efforts and exploring new marketing approaches

In conjunction with the membership system, together with a variety of store promotion activities launched by WeChat Mall (微信商城), our stores were able to facilitate traffic inter-conversion between the online and offline business. A large-scale membership reward activity was initiated to shorten the distance between our members and brands. We have also conducted a nationwide training with the theme of hair beauty, in an attempt to promote the culture of head meridians combing. Revolving around the brand's core philosophy, "Combing Oriental Beauty" (梳造東方美), we continued to promote healthy beauty, so as to expand our market share. Customers were attracted through various interactive activities held in stores and business districts where the stores are located, as well as innovative pop-up events organised nationwide, which contributed to our sales.

The live broadcast of "Dilraba" (迪麗熱巴) along with the companionship of "Carmen Lee" (李若彤) online and offline promotions were the longest love confession publicity. At the same time, a total of four large-scale pop-up store promotion activities "Antique combing beauty" (梳房顏究院) with the theme of "Chinese style" (國風) were held throughout the year, including Macau, in which a brand new format was adopted, so as to reduce the overall cost of the event, resulting in a record high in on-site sales performance and visitor numbers.

In providing guidance to franchise stores in navigating through the ever-changing Pandemic, we expanded our collective buying channels and made a breakthrough in retail sales through an online sales model. We have aligned online and offline resources and information of activities for key dates year-round and continued to promote our shop's mini program, realising an annual sales of approximately RMB10.6 million, 5.5 million views and 45 thousand visitors.

Expediting the upgrade of our product system

In 2021, the Group continued our collaboration with Disney, adding two inserted comb product models specially designed for trendy friends. In view of the lack of haircare combs made of high-end materials, the Group launched three high-end hair-care comb models. Four models of hairbrushes employing patented craftsmanship were launched. To enrich the product line for infants and children, the Group also launched seven comb models for infants and children of different ages. We did an IP collaboration with "The Twenty Four Gigakus", designing a series of Gigaku panda-themed products inspired by the artifacts in Yongling Museum. To expand the zodiac-themed product line, two new products were designed in celebration of the year of the Tiger and were well-received by consumers. Products of local specialty were being developed, such as peacock and elephant-themed products in representation of the Yunnan region. We continued to encourage franchise stores to develop their own products, and in 2021 there were 22 new customised products. In 2022, we will expand the scale of development for inserted comb products and bring more new products to customers, enriching the product line and product system of Carpenter Tan.

The upgrade of our product packaging has been nearly finished. Apart from decorative mirrors and combination sets, all other products have completed the upgrade of garment bag, packaging box and cover, and combination sets will also be upgraded in February 2022. In 2022, the packaging upgrade of decorative mirrors will also be completed.

Upgrade of store image

In 2021, a total of 174 stores have been renovated, including 120 new stores, 37 relocated stores, 17 refurbished stores (in which 5 stores have been upgraded from first generation stores to third generation stores). Categorised by store style, 148 high speed railway third generation-styled stores and 26 Morandi-styled stores were renovated. In 2021, the designs for a total of 231 franchised stores have been completed. To improve the store image so as to boost sales performance, Morandi-styled design has added a variety of center island display cases, such as the center island display cases in Z001 store and Chengdu Raffles. The advantage of center island display cases was its versatility in creating different display styles, which in turn increased walk-in rate. From the feedback of shopping malls and customers, center island display cases were well-received by many shopping malls and customers. In terms of color, center display cases were more well-suited for the tastes of young consumers and high-end fashionable shopping malls. Compared to the style of third generation stores, the acceptability of Morandi-styled stores was higher.

In collaboration with Japanese designer Matsumoto, we planned to upgrade third generation stores. In July 2021, we have come into a contract with Shanghai das Studio for the design of a 35 square meters virtual store. At present, all the sample materials and crafts have been completed, and implementation will be carried out once suitable area and shop locations are available.

Enrichment of training content

Aiming to recover from the Pandemic in 2021, we have increased the training intensity of YY and downsized the scale of training. We have carried out systemic tracing of training results, which provided effective support for the confirmation and improvement of the effect of training. We have established 8 stores for benchmarking display, compiled and consolidated the list of display props and incorporated store display into training content as part of the normalised work. Having the knowledge on product selection consolidated and summarised, we revamped the electronic shopping guide XiaoTan's Recommendations (小譚推薦) by adding information such as materials, how to do haircare, how to identify hair type and which comb to use, and included such information in the training material.

In 2022, we will set-up a team for staff training, bringing different specialised and quality training for our staff and at the same time maintaining our electronic shopping guide, XiaoTan's Recommendations, so as to provide more professional content for our staff and customers.

Continuous positive reviews from customers on life-long free maintenance services

Online maintenance stations were functioning normally, with 28 nationwide maintenance stations receiving a total of 96,821 maintenance cases over the year. Together with the IT department, the maintenance system was constantly being upgraded, and the Group's maintenance stations took the lead in improving the standards for product maintenance and strengthening the requirements for maintenance quality. In 2021, a total of 5,459 valid questionnaires were collected from the customer satisfaction surveys, with a customer satisfaction rate of 99.1%, reaching the target of the Group's ISO quality standards of being not less than 90.0%. From the report, it could be seen that Carpenter Tan's philosophy of "making handicrafts as household accessories and household accessories as handicrafts" and "treat customers like family members" were carried out in the market and recognised by customers. Meanwhile, consumers also revert feedback and suggestion regarding product development, market expansion and service of franchise stores. In 2022, corresponding adjustments will be made by the Group in accordance with the contents of the report.

In retrospect of the previous year, we realised that there were still a lot of shortcomings regarding our marketing efforts, like although our store image was improved by the application of the Morandi image store, the upgrade of our third generation store image was still pending; the colour tone, material and display of our stores have not been substantially improved and the promotional materials in our store were outdated; some of our newly released products have not been effectively promoted; the increasing number of members were not fully leveraged to become voluntary brand promoters; there were sparse new franchise resources as our store expansion still relied on our original staff; there was a weak awareness of collective buying and no explicit directions were given to every region and franchise store, marking insufficient determination for breakthrough from the original business mode.

In 2022, the Group has proposed three basic demands for our 本 marketing efforts: "Transformation, Going Global, Broaden Channels". We are resolved to implement this policy and make improvement and innovative breakthrough in light of the aforementioned shortcomings. Although the market landscape and consumption environment are still changing invariably, the Group is still carrying out all basic works unwaveringly, reviewing the present condition while looking to the future and steadily moving towards the Group's centennial goal.

II. Online Business

For the year ended 31 December 2021, the net sales (including sales tax) delivered by the e-commerce platform were RMB169.3 million, representing 99.0% of the total annual target of RMB165 million and a year-on-year increase of 17.3% compared with the sales for 2020. Among them, sales on the Tmall customer operation platform reached RMB107.1 million, representing 63.3% of the total e-commerce sales and a year-on-year increase of 14.9% compared with the sales for 2020. Sales on JD.com customer operation platform reached RMB53.5 million, representing 31.6% of the total e-commerce sales and a year-on-year increase of 16.4% compared with the sales for 2020. 734,998 pieces of goods were delivered by e-commerce and logistics platforms and 175,093 pieces of goods were delivered by JD.com, bringing the total number to 910,091 and representing a year-on-year increase of 15.2% as compared to the number for 2020.

At the same time, during the Year Under Review, we have actively made communications and adjustments to our e-commerce team, so as to carry out marketing campaigns. We have joined the “Normal Operation During Lunar New Year” campaign, and launched the Valentine’s Day sales event throughout the February. The average daily sales of the Valentine’s Day event increased by 110.0%. The sales of Qixi Festival and Teacher’s day declined by 3.9% and 6.8%, respectively. The number of visitors in Qixi Festival increased by 11.0%. We have strengthened and refined our efforts of launching marketing campaigns and retaining customers, which was mainly due to a decrease of 13.0% in the conversion rate of new customers

Marketing campaigns in 2021

Month	Event date	Event theme	Corresponding festival	Average daily sales of the event this year (RMB'000)	Average daily sales of the event last year (RMB'000)	The year on year growth/(decline) of average daily sales during the event
January	1.17 – 1.25	Healthcare gifts for exquisite life (精緻生活健康好禮)	New Year's shopping festival	536	453	18.3%
February	2.1 – 2.16	Love my loved ones (愛，我愛的人)	2.14 Valentine’s Day + Lunar New Year	496	284	74.6%
March	3.1 – 3.8	Beautiful Goddess’s Day (美麗女神節)	Women’s Day on 8 March	1,048	626	67.4%
April	4.1 – 4.10	cherry blossom season (櫻花季)	cherry blossom season in April	354	289	22.5%
May	5.1 – 5.9	Protect the Beauty of Mother (守護媽媽的美)	Mother’s Day	1,139	818	39.2%
May	5.14 – 5.20	Love Letter (愛的告白書)	520 Valentin’s Day	648	591	9.6%

Month	Event date	Event theme	Corresponding festival	Average daily sales of the event this year (RMB'000)	Average daily sales of the event last year (RMB'000)	The year on year growth/(decline) of average daily sales during the event
June	6.12 – 6.20	Give Him/Her A Lyric Poetry for health (為愛梳妝給TA健康)	618 Gift Festival	450	406	10.8%
July	6.25 – 7.5	Graduation season (畢業季)	Graduation season of July	304	291	4.5%
August	8.1 – 8.14	Qixi Festival (七夕節)	Qixi Festival	740	770	(3.9)%
September	8.25 – 9.11	Fruits of education (桃李滿天下)	School Season + Teacher's Day	619	664	(6.8)%
November	11.1 -11.11	Carnival of Double Eleven (雙十一狂歡季)	Double Eleven	1,129	1,113	1.4%
December	12.1 – 12.14	Beauty in primping (美在梳妝)	Double Twelve	472	395	19.5%

Our e-commerce team has been carrying out innovative work throughout the Year Under Review. We rolled out comprehensive promotional activities to enrich the sources of traffic of the platforms. We invited celebrities for cooperation, including Dilraba Dilmurat + Kuaishou streamline on People's Daily, cooperation with Ms. Carman Lee (李若彤), and launched joint marketing campaigns across online and offline stores to reach fans of celebrities, so as to expand the brand exposure of Carpenter Tan. In particular, the true story that Ms. Carman Lee has been using Carpenter Tan's combs for over 15 years has become a "long-lasting love letter" and has been touching to many people. We have made upgrading to the decoration of our stores, enriched the contents of our webpages, improved brand tonality and kept our customers stay longer. We initiated the online and offline product categorization system, by which we target different customers with different products. In respect of our platform segments, we launched a number of functional modules including automated order-retaining module, Dark box supporting system and post-purchase network. These modules provided support in maintaining traffic for new products, reducing refund and turning visitors into purchasers.

In the coming year, the Group will develop new platforms, while expanding our platforms on Pinduoduo, TikTok and YIT. We will expand user profiles on Pinduoduo. While actively expanding the markets in lower-tier cities, we will target customers in all first- and second-tier cities to expand the gains from increasing users. We will launch suitable products to attract traffic without compromising brand tonality. In order to make breakthrough for online special products, we need to conduct continuous testing, adjustments and optimisation to our product strategies. We will make in-depth planning for our platform on TikTok. Based on our experience in developing videos for brands and innovative products, and leveraging promotion by celebrities and celebrities livestreams, we will launch integrated marketing campaigns with different dimensions. YIT is an app platform that is in line with our brand tonality. It is an app that promotes lifestyle of Chinese people, selects handicrafts and daily supplies. We are in negotiation of cooperation with this app.

Focusing on the emotional link in our marketing campaigns has been our competitive edge. Therefore, we will continue to promote our products at various channels with a focus on emotion, company, Chinese products and craftsmanship, while grasping every marketing node. To improve the skills of our employees, we will organise staff on relevant posts to attend courses of platform operation provided by Taobao University (淘寶大學), JD Classroom (京東課堂) and Pindaodao Classroom (拼多多課堂).

III. Overseas Businesses

In 2021, the world remained influenced by the spread of the Pandemic, when recovery for cross-boundary exchanges and business activities did not take place. Our overseas offline business was unable to expand, our remaining offline stores are struggling and certain franchisees went online. Our cross-boundary e-commerce business has recorded a steady growth compared to the last year. In light of the global Pandemic, the Group has adopted a number of measures. For example, we provided free promotional products for overseas stores. We made concessions on the requirement of purchase amount during the pandemic, and provided guidelines for franchisees to develop online platforms in expanding sales, so as to reduce the loss from closure of stores. We also paid attention to the health conditions of the overseas franchisee and assisted them in purchasing Pandemic prevention supplies when necessary.

As at 31 December 2021, we have two self-operated stores in Hong Kong. They are at the MTR Hong Kong Station and Lee Tung Avenue, Wanchai, respectively, representing a year-on-year decrease of one store. Meanwhile, our new store at Wanchai is in Morandi' style which was opened in 26 December 2021. During the Year Under Review, our two stores in Hong Kong recorded a total sales of approximate RMB3.5 million, representing a decrease of 2.8% for the corresponding period of last year.

During the Year Under Review, our oversea offline business has recorded a total shipment of approximately RMB1.3 million, representing a decrease of 14.0% for the same period last year. During the same period, the total sales of cross-boundary e-commerce platform was approximately RMB0.37 million, representing an increase of 27.6% as compared to the total annual sales for 2020. As at 31 December 2021, the Group has 2 overseas exclusive agents, 1 overseas distributor, 5 overseas franchisees and 5 self-operated online platforms, which cover Asia, including Taiwan of China, Korea, Japan, Singapore, Malaysia. In Europe, including Switzerland and German; and North America, including U.S. and Canada. Under the influence of the global Pandemic, the only place that allows shipment is Macau, China. In December 2021, Carpenter Tan was invited to the Sixth Macau International Culture & Art Expo, and presented its pop-store, “Antique combing beauty” (梳房顏究院), to the audience from the Greater Bay Area.

With regard to the prospects for overseas business, the Group will support our existing overseas offline stores, while closely monitoring changes in international environment in developing new overseas stores in Taiwan of China and Malaysia. We will improve fundamentals for the development of overseas markets and increase our investment in self-operated platform and official websites for cross-boundary e-commerce operation to expand our sales. We will strengthen efforts in maintaining relationships and marketing campaigns with overseas institutions and media. We will provide guidelines for franchisees in developing their overseas group purchase businesses, while developing our own overseas group purchase business.

IV. Innovative Research and Development

In 2021, with the principle of delivering brand tonality, our R&D team dug deep into the traditional Chinese culture to create a fashionable and young brand image, while concentrating our efforts to continuous improvement and upgrading of craftsmanship, functions and design of products, so as to pursue ongoing innovation and development.

During the Year Under Review, we launched 16 new series with 69 different kinds of new products. We have made packaging upgrade to our products, and launched 29 boxes, 12 bags, 6 handbags, 6 wrappers and 1 festival card. We have replaced 497 products with new images. Our key products are as follows:

High-end massage comb (高端氣囊護髮梳系列)

With its Chinese design ideas, the product filled in gaps of high-end massage combs.

Fade Brush (漸層式髮刷系列)

Through in-depth studying of different parts of wild boar fur, the product expanded the categories of brushes. As an innovative fade brush, it can create various hairstyles and meet different requirements for hairdressing.

Combs for babies and children (嬰童梳刷系列)

These products are for babies and children between 0 and 24 months of age. They are made of natural wool, horse mane and wood. These products are free of plastics and lacquer, and are green, healthy and safe to use. This series expanded the categories of our products and reached new customers.

Second generation of mixing wooden combs (二代合木梳系列)

With thickened handle and a heavier body, users may find it easier to hold the comb with less slips. Different from horn combs, this product is not a thick one and demonstrates higher endurance against dry and cracking.

The Twenty Four Gigakus x IP (二十四伎樂 IP 合作系列)

As an effort to explore gaochaoism, the product creates a fashionable and young brand image.

China red lacquer comb series (中國紅大漆梳系列)

Recreating the ware through observing the nature and using Chinese traditional lacquer craftsmanship, combined with eggshell craftsmanship, mother-of-pearl inlay and gold foil craftsmanship, etc., the beauty of nature, crafts, art and emotions is created.

Replica comb series in “Chinese style with ancient charm” (「古韻華風」複刻梳系列)

The replica designs are made based on the prototypes of ancient real combs, and each one has its own unique historical heritage; inheriting Chinese culture, discovering the beauty of the East while showing profound cultural connotation through combs. Each replica comb has both historical charm and fashionable style.

In respect of the review on research and development work, its degree of marketisation still needs to be continuously improved. We should make full use of market information and franchised store resources to develop products that are more popular with the market and consumers. At the same time, as research and development is a bridge connecting the market and production, on the premise of meeting the needs of the market, the production process and production capacity of factories also need to be matched. In the future, we will continue to strengthen innovation in product craftsmanship, structure, design, material and other aspects, and strive to gradually realise product iteration within three years.

V. Production technology

In 2021, normalised Pandemic prevention and control was still one of the priorities of Wanzhou factory. Based on the principle of paying close attention to the Pandemic status in China and abroad, real-time adjustment and accurate prevention and control measures were carried out. At the same time, close and efficient communication was kept with local government departments, so as to pass on the latest Pandemic prevention and control policies, advocate and organise employees to have vaccination. In terms of technological innovation, there are mainly the following key projects:

Construction of dust removal system and supporting system

The original 28 sets of dust removal systems in the factory are subject to certain restrictions on their dust removal effect and safety due to their long service life. After careful investigation and organisation, the factory constructed 18 sets according to the new standard requirements (including 16 sets outsourced and 2 sets reconstructed by ourself with the help of the original conditions). At present, they have been put into use with good results.

Profiling processing and blurred polishing

Profiling processing has been gradually promoted from hair-care combs to combs for three generations, mixing wooden combs and embedded combs, and the utilization rate has been increasing in the production process. At present, two new blurred polishing methods have been popularized and used, and gradually promoted from hair-care combs to combs for three generations, mixing wooden combs and embedded combs, which effectively improves the processing efficiency.

Craftsmanship breakthrough of lacquer products

Wanzhou factory organised personnel to tackle specialised craftsmanship breakthrough in cooperation with the research and development of the China red lacquer comb series. At present, phased progress has been made, and further breakthrough is still needed in terms of craftsmanship for mass production and effective cost control.

Gold foil anti-oxidation technology research

From the continuous exploration of materials and suppliers, a variety of solutions regarding craftsmanship have been tried, and problems are basically solved so far.

Improvement of craftsmanship structure of ring hair-care combs

In order to solve the problem of shrinkage joint of ring hair-care combs, the factory designed a new structure through continuous summaries and tests, and completed the production of more than 100 samples to be sent to the market for verification.

Glue-free fixed airbag comb technology

The technical achievement mainly changed the rubber fixing of the original airbag comb from glue pasting to spring clamping, so as to improve the degree of environmental protection of the product.

Processing technology of the shape of hair-care combs

This technology is mainly used to process the hair-care comb blank with arc surface on the outer surface and cavity inside. It adopts the processing mode of one-time molding with the same fixture and automatic tool change, which transforms the original multi-channel manual operation into one-time molding, which not only improves the processing efficiency and stand rate, but also greatly shortens the product production cycle.

Maple wood weight gaining enhancement technology

This technology mainly improves the basic density of maple wood from 0.65 to 0.85, which not only increases the density and wood strength of maple, but also improves the weather resistance and stability of maple wood and reduces the issue of deformation and cracking of maple combs.

Ancient sapwood material stability improvement technology

Through physical treatment, the proportional coefficient of shrinkage due to low moisture and expansion due to water absorption of ancient sapwood is reduced by 1% from about 2.5%, which can effectively alleviate the problems of easy deformation and tooth root cracking of ancient sapwood mixing wooden comb products in northern winter, and improve the stability of the wood.

During the year ended 31 December 2021, the Group's effective patents included 16 invention patents, 48 utility model patents and 4 design patents.

VI. Logistics and Distribution

During the Year Under Review, the logistics center timely organised the processing of products according to the order requirements of each franchisee and e-commerce business department and the distribution plan of new products and promotional products of the marketing department, and completed the distribution task on time without delay. The logistics center further improved the requirements for product quality, specified the quality standards and enhanced the inspection during the inspection process, as well as carried out the inspection work based on the relevant requirements of the Measures for the Control of Terminal and Process Quality Inspection (《終端和過程質量檢驗管控辦法》), so as to avoid products with obvious quality problems and quality problems regarding low-level errors from entering the market, as such, no products with obvious problems and low-level errors entered the market during the Year Under Review.

After-sales maintenance of products were carried out properly, fully implemented and achieved in accordance with the established principles of the Group, thereby honoring the commitment of “lifelong maintenance service”, completing the maintenance work of the logistics center while providing services to each maintenance station properly.

VII. Corporate Culture

During the Year Under Review, we cooperated with Mr. Chen Jiajia, a teacher of Nanjing University of the Arts, to write a mysterious, moving, vivid and interesting story about combing civilization, which was supported by a publishing house and printed and distributed. The book’s title is “Talk on combs: time in hair” (也談梳篦：青絲裏的時光), through which we hoped to spread the comb culture in Chinese traditional culture.

We jointly planned with Nanjing Sheng Sheng Tang Chinese Medical Center and Dr. Tao Kun, the representative successor of “Jinling Taokun Moxibustion” (金陵陶昆灸療術), to explain the meridian health knowledge of traditional Chinese medicine in a simple and understandable way in the form of hand-painted comics, and share the correct hair combing and massage methods. This booklet, entitled “Head Meridian Combing Comic Book” (頭部經絡梳理連環畫), has been highly praised by franchisees because it is suitable for promoting offline store marketing.

With the help of the “Yu Jian Mei Pin” (渝見美品) brand promotion platform organised by Chongqing Municipal Government, we invited the program “Everyone Loves Made in China” (人人都愛中國造) of CCTV to enter into Carpenter Tan’s factory and decrypt the story behind a comb. “Everyone Loves Made in China” is a large-scale brand supporting campaign created by CCTV under the guidance of relevant national departments and commissions, linking Chinese national brands and products made in China, with “supporting domestic products and enabling brands” as the core essence.

The live broadcast of the factory visit was broadcast simultaneously on the four new media platforms, namely cctv.com (央視網), app.cctv.com (央視影音), cctv.com on Douyin (央視網抖音) and cctv.com on Kuaishou (央視網快手), attracting a total of 2.58 million fans and viewers, with the views on the entire network reaching 5.92 million. Through the live broadcast of CCTV, audience went deep into the interior of Carpenter Tan's factory and had direct conversations with corporate executives and factory managers, and had a more intuitive understanding of Carpenter Tan's simple and warm corporate culture and ingenious comb-making craftsmanship.

We participated in the lecture on the theme of "Value investments go to colleges and universities" (價值投資走進高校) initiated by investor Mr. Yang Tiannan. Mr. Yang Tiannan shared the concept, knowledge and practical experience of value investments with college and university teachers and students, and invited Carpenter Tan to send representatives to tell the story of the brand's growth and corporate culture. During the Year Under Review, lectures were held at Jilin International Studies University (吉林外國語大學), Northeast Normal University (東北師範大學), Zhongnan University of Economics and Law (中南財經政法大學) and Wuhan University (武漢大學).

The impressive part was that the teachers and students there enthusiastically shared their stories with Carpenter Tan. Deputy Dean Qu of the School of Economics and Management of Northeast Normal University, specially brought his own comb, which was a hair-care comb with Carpenter Tan's old logo and repaired, and had accompanied him for many years. Dean Qu said that every time he gave gifts to foreign friends, he would choose Carpenter Tan if he wanted to choose a gift with Chinese flavor and exquisiteness that could not be found abroad. Carpenter Tan was really good and suitable.

We continued to shoot the series, "Carpenter Tan's Family" (譚木匠的家人們), telling the story of Carpenter Tan's franchisees. They were Mr. Lu Jianfu (盧建富) "A Rich Guy Who Repairs Combs" (修梳子的富哥), the owner of Zhenjiang shop who repaired combs in a unhurried and dedicated manner in the bustling city; Ms. Qin Meiping (秦美平) "Sister Qin Who Loves Combing Hair" (愛梳頭的秦姐), the owner of Taiyuan shop who used a pair of gentle and powerful hands to take care of every customer who passed by, sat down and stopped for a short time; Ms. Gong Li (宮麗) "Gong Li Who Loves Literature and Art" (文藝范的宮麗), the owner of Zhangqiu shop who was passionate about beauty and freedom, and insisted on self-expression through photography; the owner of Lanzhou shop "From the Mountains to the Yellow River, the 20 Years of Wu Yin" (從大山到黃河——吳印的二十年) started the road of pursuing dreams for 20 years with combs from the mountains to the rivers.

In 2021, we continued to build and precipitate corporate culture and encourage employees to actively tell stories about the brand. Here are some interesting stories:

Long-distance relationship was not easy, get married in the end

On Chinese New Year's Eve, I received a request from a customer. He could not go back to his hometown due to the Pandemic, but the third day of Chinese New Year was also Valentine's Day. He wanted to buy a set of combs for his girlfriend in his hometown and a photo of them hand-painted by himself. He wanted us to mail them together, but our printer didn't have the function of printing photos and couldn't meet his requirements.

The customer asked me to help find a shop that could print photos and he would pay the travel fee and for loss of working time. He said they met at a gathering of fellow university students. When he first pursued the girl, the girl didn't believe in love at first sight. It took him almost a year to move the girl's heart. After graduation, in order to better develop his career, he went to Shanghai, and the girl returned to her hometown, they had been having a long-distance relationship. They originally planned to get engaged during Chinese New Year, but because of the Pandemic, the boy could not go back to his hometown, so he bought Carpenter Tan's combs and a hand-painted photo of them as an engagement gift. Let me think of a way.

Their hard-earned love moved me. As soon as I received the photo from the customer, I went to look for a print shop. However, many shops closed early. After wandering several streets, I finally found one and successfully completed the task. I mailed the package before the last pick-up of the courier from SF Express that day.

On Valentine's Day, I received a message from the customer on WeChat saying that his girlfriend received the gift and was very happy and moved. He thanked us and Carpenter Tan again. I replied to him: long-distance relationship was not easy, and hope they would get married in the end. What we Carpenter Tan could do was to try to not let love be late. (E-commerce Department: Wu Yuanjun)

If I did something wrong, I should have the courage to take responsibility

In July, the few days when Typhoon “Fireworks” was approaching, I visited the store in Wenzhou and met a customer who was buying a comb. I recommended her a wide-tooth comb made of jade sandalwood with mixing wood craftsmanship suitable for massage, but I remembered the retail price incorrectly. The customer had left after checkout, and the clerk found that I had charged RMB30 less. In an instant, I blushed. As the person in charge of the area, I actually remembered the price wrong in front of the clerk and customer. I was so embarrassed! At that moment, I could only say to the clerk with a smile that since I remembered the price wrong, I could only make up the short-fall of RMB30. So I scanned the WeChat collection code in the store with my mobile phone and transferred the money. I then told and reminded the clerk to be careful in the future and not to make such a low-level mistake as me.

After the shop owner learned about this, she transferred a red envelope of RMB30 to me, saying that she would pay for the loss herself and could not let me pay for it. I told her that this incident was also a lesson for me. As an adult, if I did something wrong, I should have the courage to take responsibility. At the same time, I also realized that we should have a clear understanding of the origins, materials, selling points and prices of our products. In this way, we could better help our clerks in the process of shop inspection. (Marketing Department: Tang Ying)

Although it was hard, but it was simple and happy

At the end of last month, we went to Jurong on a business trip and contacted our former colleague in the factory, Li Lin. He invited us to Carpenter’s Valley (木匠谷) for dinner. When we first saw Li, he had just harvested the rice and his clothes were still stained with soil. He looked like a real farmer and I almost did not recognize him.

Li happily introduced to us that the barren slopes of Carpenter’s Valley back in the days were now green. The valley was planted with rice that had a great fragrance which the colleagues in Jurong liked, and the sheep they fed were also bought by the colleagues. In the harvest season, colleagues were willing to experience the joy of labor, and now there were chicken, ducks and geese in the farm. Every day, no matter it was something big or small, he would personally lead other workers to work together. Meals were usually cooked in the morning and served at noon. Although it was hard, it was simple and happy.

At that time, a beautiful picture appeared in my mind: blue sky with sunset glow, white sheep grazing on the hillside, accompanied by bleating and jingling bells. The yellow ears of rice nodded and swayed in the evening wind, and the birds flitted across the clear pond, causing a huge exclamation mark. Li Lin and his party were walking on the path in the field in the distance, with the joy of harvest in their hearty laughter. The geese and ducks in front of the house were singing, as if welcoming their master back. (Factory: Zhang Wanli)

VIII. Human Resources and Comprehensive Governance

The Group has strictly abided by the national laws and regulations on labor, safety, environmental protection and occupational health, formulated practical management systems and implementation measures, and implemented inspections to ensure strict performance. We have not violated any laws and regulations concerning protection of employees' labor rights and interests, nor occurred any employees' labor disputes or litigation rights protection, any accident regarding safety, environmental protection and occupational health. In terms of safety standardization construction, the Group has completed the transformation and construction of grade II safety standards. The environmental protection and energy-saving transformation of gas-fired boilers in Wanzhou factory was completed, which met the environmental protection and energy-saving standards, and were put into operation. A high standard dust removal system to prevent dust explosion has been built and put into use, and the effect was good. No occupational hazard cases were found in the annual employee health examination and special occupational health examination. During the production, sale and use of products, there were no cases of toxic and side effects and allergies.

The strength and weight of the evaluation of the Regulations on the Code of Conduct for Employees (員工行為規範條例) has been enhanced, but there were still some soft-hearted, considerate and exorable situations in the actual implementation of the investigation and punishment. We also need to make a profound review and implement the Group's "requirements for teaching employees to be diligent and capable" and create a clean and positive corporate environment.

According to the new situations and problems in business cooperation, the Group timely revised the Administrative Measures for Risk Control of Economic Business Contracts, Administrative Measures for the Protection of Intellectual Property Rights and Trade Secrets, Qualified Supplier Evaluation and other relevant codes, and reported, inspected, reviewed and improved such codes through quarterly specialized business risk meetings. For illegal acts such as illegal online sales in the market, the Group has made clearer agreements on the franchise contract, regulating sales behavior and group purchase reporting. In respect of product anti-counterfeiting identification, the Group has deepened its work in information traceability and image comparison. With the help of a professional team of lawyers, the Group has carried out a series of work such as market information collection and legal rights protection, which has achieved some results, but it was also limited by the conditions of evidence collection and case filing standards of public security authorities. The Group needs to think and find new methods, and such work needs to be achieved a breakthrough in 2022.

IV. Objectives and Main Directions for 2022

Innovation and trial & error tolerance

We encourage innovation and trial and error tolerance, but at the same time, in strict accordance with the spirit of the work meeting in October 2021, we will strengthen the administrative supervision and punishment of bad nature, work inaction, low-level mistakes and sympathy. In combination with the departments' core functions, key tasks and the Group's comprehensive performance requirements, we implement a more scientific department performance indicator setting, and closely combine the department and individual remuneration and performance.

Implementing an annual evaluation system

we conduct multi-dimensional evaluation on the person-in-charge at all levels regarding the achievement of the Group's and department's performance objectives, practice culture, duty performance attitude, professionalism, achievement results, ability improvement, innovation achievements, low-level mistakes, etc. We implement annual evaluation and salary and rank adjustment, and at the same time implement the work force incentive and crisis competition mechanism of constant recruitment and constant innovation.

Carrying out pilot projects for the research and development implementation of product and packaging

Being the decision-maker on the topic of launching and the specific plan in this regard, project managers are accountable for our products' gross profit, sales and slow-moving control targets. Building upon the external cooperative sales commission models, project managers implement market-based mechanisms for remuneration risk mitigation as well as merit-based systems in the field of product research and development. Project teams can conduct outsourcing and internal bidding for products, packaging and other aspects, with parties who embody comprehensive advantages being awarded with the order. We step up our efforts in researching and developing new craftsmanship structures and new technologies, strengthen the transformation to the application of production operations, and provide decision-making basis for the Group's new craftsmanship and new processing methods.

Strengthen budgetary control

We strengthen budgetary control by reporting our outgoings upon any expenditure after a due-consideration of our budget. In principle, any over-budget expenditures without the procedural approval will not be backed, nor will it be reimbursed or paid.

Strengthen the evaluation on marketing platforms, channels and activities

We strengthen the evaluation on a number of aspects, including marketing platforms, channels and activities. For matters that are related to our operations, reports on the financial results in relation to relevant platforms and channels will be provided on a regular basis by the financial management center for the reference and decision of the respective departments and the management.

Strengthen human resource management

We thoroughly implement the work of “promoting the employment of the disabled and striving for better tax incentives”, making the promotion for the recruitment of the disabled to be part of the Group’s brand, culture as well as an achievement to be known for. We do not only establish a new manpower and remuneration model, but also pilot the tenure system and the interaction and exchange among management positions. Solid steps will be taken to address the 16 major risks and questions come up by various departments and summarized by the management at the annual meeting on the work with our proposed measures, so that we can effectively solve these problems by the end of the next year when we are looking back to these issues.

FINANCIAL REVIEW

1. Revenue

The Group recorded a revenue of approximately RMB330,910,000 for the year ended 31 December 2021, representing an increase of approximately RMB53,649,000 or 19.3% as compared to that of approximately RMB277,261,000 for the year ended 31 December 2020. The increase in revenue was mainly due to the gradual recovery of market demand due to the control of the Pandemic during the Year Under Review as compared to the year ended 31 December 2020. The revenue of offline business amounted to approximately RMB181,082,000, representing an increase of approximately RMB30,355,000 or 20.1% against last year of approximately RMB150,727,000. The revenue of online business amounted to approximately RMB145,950,000, representing an increase of approximately RMB24,021,000 or 19.7% against last year of approximately RMB121,929,000. The revenue of directly-operated outlets amounted to approximately RMB3,652,000, representing a decrease of approximately RMB492,000 or 11.9% against last year of approximately RMB4,144,000. As at 31 December 2021, the Group had 1,094 franchised stores and 3 directly-operated outlets, respectively, while as at 31 December 2020, the Group had 1,155 franchised stores and 4 directly-operated outlets, respectively. The franchise fee income was approximately RMB226,000, which represents a decrease of approximately RMB235,000 or 51.0% when compared to that of approximately RMB461,000 of last year.

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Revenue				
– Combs	51,129	15.4	48,660	17.6
– Mirrors	297	0.1	520	0.2
– Box sets	274,741	83.0	221,891	80.0
– Other accessories*	4,517	1.4	5,729	2.1
Franchise fee income	226	0.1	461	0.1
Total	<u>330,910</u>	<u>100.0</u>	<u>277,261</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 RMB131,120,000 for the year ended 31 December 2021, representing an increase of approximately RMB11,486,000 or 9.6% as compared to that of approximately RMB119,634,000 for the year ended 31 December 2020. The increase in cost of sales was in line with the increase in sales volume and the change in sales mix for the Year Under Review.

3. Gross profit and gross profit margin

For the year ended 31 December 2021, the gross profit of the Group was approximately RMB199,790,000, representing an increase of approximately RMB42,163,000 or 26.7% as compared to that of approximately RMB157,627,000 for the year ended 31 December 2020. The gross profit margin increased from 56.9% in 2020 to 60.4% in 2021. The increase in gross profit margin was mainly due to the change in sales mix of our Group for the Year Under Review.

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

Other income and other net gain/(loss) was approximately RMB38,215,000 for the year ended 31 December 2021, representing a decrease of approximately RMB10,139,000 or 21.0% as compared to that of approximately RMB48,354,000 for the year ended 31 December 2020. Other income and other net gain/(loss) was mainly comprised of PRC VAT refunds of approximately RMB18,777,000, rental income of approximately RMB6,841,000, interest income of approximately RMB609,000, change in fair value of financial assets at fair value through profit or loss of approximately RMB8,575,000 and negative fair value change of investment properties of RMB2,100,000, respectively (2020: 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 RMB nil respectively).

5. Selling and distribution expenses

The selling and distribution expenses of the Group amounted to approximately RMB71,615,000 for the year ended 31 December 2021, representing an increase of approximately RMB10,418,000 or 17.0% as compared to that of approximately RMB61,197,000 for the year ended 31 December 2020. The selling and distribution expenses mainly included advertising and promotion expenses of approximately RMB27,260,000, delivery charges of approximately RMB8,130,000, depreciation of right-of-use assets of approximately RMB4,303,000, salaries and allowances of approximately RMB11,122,000 and travelling expenses of approximately RMB1,553,000, respectively (2020: 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).

6. Administrative expenses

The administrative expenses of the Group were approximately RMB30,821,000 for the year ended 31 December 2021, representing a decrease of approximately RMB6,654,000 or 17.8% as compared to that of approximately RMB37,475,000 for the year ended 31 December 2020. The administrative expenses were mainly comprised of salaries and allowances of approximately RMB16,083,000, legal and professional fee of approximately RMB709,000, design and sample expenses of approximately RMB1,893,000, consultancy fee of approximately RMB231,000 and audit and review fee of approximately RMB1,136,000, respectively (2020: 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 RMB1,131,000, respectively).

7. Other operating expenses

Other operating expenses of the Group were approximately RMB4,440,000 for the year ended 31 December 2021, representing a decrease of approximately RMB1,627,000 or 26.8% as compared to that of approximately RMB6,067,000 for the year ended 31 December 2020. The decrease was mainly due to the decrease in donations of approximately RMB1,854,000 during the Year Under Review.

8. Finance costs

The finance costs of the Group were approximately RMB334,000 for the year ended 31 December 2021, representing a decrease of approximately RMB123,000 or 26.9% as compared to that of approximately RMB457,000 for the year ended 31 December 2020.

9. Income tax

For the year ended 31 December 2021, the income tax expenses of the Group amounted to approximately RMB22,447,000, representing an increase of approximately RMB2,670,000 or 13.5% when compared to approximately RMB19,777,000 for the year ended 31 December 2020. The increase was mainly due to the increase in profit before taxation during the Year Under Review.

The effective tax rate for the Year Under Review was 17.2% when compared to 19.6% for the year ended 31 December 2020.

10. Profit for the year

As a result of the foregoing, the profit for the year ended 31 December 2021 was approximately RMB108,348,000, representing an increase of approximately RMB27,340,000 or 33.7% as compared to that of approximately RMB81,008,000 for the year ended 31 December 2020. The increase was mainly due to the increase in gross profit of approximately RMB42,163,000 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 2021 was approximately RMB107,663,000, representing an increase of approximately RMB28,603,000 or 36.2% as compared to that of approximately RMB79,060,000 for the year ended 31 December 2020.

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 2021, the book value of property, plant and equipment amounted to approximately RMB77,852,000, representing an increase of approximately RMB16,932,000 or 27.8% as compared with the previous year of approximately RMB60,920,000. The increase was mainly attributable to the increase in addition of construction in progress for the year ended 31 December 2021.

2. Inventories

The Group's inventories as at 31 December 2021 increased by approximately RMB38,699,000 or 24.3% from approximately RMB159,404,000 as at 31 December 2020 to approximately RMB198,103,000 as at 31 December 2021, primarily due to the increase in raw materials level. Raw materials increased by approximately RMB21,091,000 or 17.5% from RMB120,327,000 in last year to approximately RMB141,418,000 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 2021, the Group's trade receivables amounted to approximately RMB4,902,000 which increased by approximately RMB1,188,000 or 32.0% as compared to that of approximately RMB3,714,000 as at 31 December 2020.

4. Other receivables, deposits and prepayments

The Group's other receivables, deposits and prepayments (non-current plus current portion) decreased by approximately RMB3,513,000 or 27.9% from approximately RMB12,573,000 as at 31 December 2020 to approximately RMB9,060,000 as at 31 December 2021. The decrease in other receivables, deposits and prepayments was mainly due to an decrease in trade and other deposits when compared to that of last year.

5. Trade payables

As at 31 December 2021, the Group's trade payables amounted to approximately RMB2,441,000 which decreased by approximately RMB1,673,000 or 40.7% as compared to that of approximately RMB4,114,000 as at 31 December 2020.

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 RMB1,741,000 or 3.4% from approximately RMB50,479,000 as at 31 December 2020 to approximately RMB48,738,000 as at 31 December 2021. The decrease was primarily due to a decrease in dividend payables during the Year Under Review.

CAPITAL STRUCTURE

1. Indebtedness

As at 31 December 2021, the Group did not have any interest-bearing bank borrowings (2020: RMB nil).

2. Gearing ratio

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

3. Pledge of assets

As at 31 December 2021, the Group did not have any pledged assets to the bank (2020: RMB nil).

4. Capital expenditure

The capital expenditures of the Group primarily included purchases of plant and equipment, furniture and fixtures, construction in progress and motor vehicles. The Group's capital expenditures amounted to approximately RMB21,794,000 and approximately RMB4,561,000 for the year ended 31 December 2021 and the year ended 31 December 2020, 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 2021, 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 announcement.

As at 31 December 2021, the Group had cash and bank balances of approximately RMB35,795,000 (2020: approximately RMB95,777,000), which was mainly generated from operations of the Group and funds raised by the Company in 2009.

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital commitment amounted to approximately RMB21,982,000 (2020: approximately RMB28,551,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2021, the Group had not made any material acquisition and disposal.

FUTURE OUTLOOK

The year ahead will be a difficult one for Carpenter Tan, a company undergoing transformation. We need to change our traditional sales pattern that is based on retail sales to one that is led by the Group and with franchisees as the wings. We need to go global and actively expand resources for the Group's purchase business, so as to further explore our sales channels through collaboration among our online and offline businesses.

For our online business we have the platform where we promote our brands and retain consumer assets. For our offline business, we made changes to our sales pattern and ways of marketing. We put equal emphasis on our group purchase business and store sales, and required franchisees to sufficiently consider and formulate targets and directions. By doing so, the franchisees will go in line with our development. We will actively deploy our network and diversify our business models for our sales pattern, while expanding our own sales channels. During the last two years, we have cooperated with Xiaomi, the Twenty Four Gigakus and bancassurance channels to develop customised and special products. We have joined large exhibitions to seek new channels and resources, so as to follow our independent plans of expanding our sales.

We will also formulate a long-term plan of branding through promotion campaigns at universities and colleges. By mobilizing local franchisee, we can tap in potential customers and continue our efforts in brand communication. By doing so, we will be able to tell the world our culture, craftsmanship and emotion, retaining our consumer assets.

We will launch comprehensive promotion across our online and offline businesses and continue to train our promotion staff. At the same time, staff at all levels will engage in production activities, tap in materials and continue their efforts in brand communication, making us better serve the needs of the customers.

Through our stores and social media including Tiktok, Weibo and Xiaohongsh, as well as platforms including Tmall, JD.com and Pinduoduo, we will launch comprehensive marketing campaigns at different dimensions to accumulate brand recognition and reach more consumers. In a domestic and international market environment with many uncertainties, we will persist in our efforts and never relax to solidify the basic systems for our brands, and will continue our marketing efforts as we embark on a new journey toward the centenary goal.

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 HK27.15 cents per share for the year ended 31 December 2021 to the shareholders whose names appear on the register of members of the Company on Tuesday, 31 May 2022, amounting to approximately HK\$67,526,000 in total, subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Friday, 20 May 2022. The dividend payout ratio is 51.3% of the profit for the year attributable to owners of the Company or 42.2% of the profit before taxation of the Company.

The above-mentioned final dividend is expected to be paid on or before Thursday, 30 June 2022.

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 Tuesday, 17 May 2022 to Friday, 20 May 2022 (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 Monday, 16 May 2022.

To qualify for the proposed final dividend

The register of members of the Company will be closed from Friday, 27 May 2022 to Tuesday, 31 May 2022 (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 Thursday, 26 May 2022.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2021, 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 2021, 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 equipment, 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 its absolute discretion, at any time within a period of ten years commencing from the Effective Date offer to grant to any Eligible Persons (as defined herein below), including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for Shares.

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 2021 and 31 August 2021, being the dates of the 2020 annual report of the Company and 2021 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 2021, 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 2021 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 2021	Approximate percentage of the Company's total issued share capital
					Outstanding as at 1 January 2021	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%
					700,000	-	-	-	700,000	0.28%

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.

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 2021 and up to the date of this announcement, at least 25% issued shares of the Company were held by public shareholders.

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

For the year ended 31 December 2021, 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 an audit committee (the “**Audit Committee**”) on 17 November 2009 with written terms of reference in compliance with the CG Code. The Audit Committee has three members comprising all the independent non-executive Directors. Members of the Audit Committee include Ms. Liu Liting, Mr. Yang 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 2020, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2021 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 31 March 2022 attended by all the members of the Audit Committee, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements and this results announcement for the year ended 31 December 2021, and the 2021 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 2021 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

There is no material events after the reporting period as at the date of this announcement.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2021 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 2021 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, 31 March 2022

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 Lizi; and three independent non-executive Directors, namely Mr. Yang Yang, Ms. Liu Liting and Mr. Chau Kam Wing, Donald.

** For identification purpose only*