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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **RESULTS HIGHLIGHTS**

- Revenue decreased by 1.5% to approximately RMB167,086,000 (2021: RMB169,565,000).
- Gross profit decreased by 4.2% to approximately RMB100,196,000 (2021: RMB104,617,000).
- Gross profit margin was approximately 60.0%, representing a decrease of 1.7% point (2021: 61.7%).
- Profit for the six months ended 30 June 2022 decreased by 4.5% to approximately RMB55,047,000 (2021: RMB57,612,000).
- Profit attributable to owners of the Company decreased by 3.2% to approximately RMB55,028,000 (2021: RMB56,867,000).
- Earnings per share was approximately RMB22.1 cents (2021: RMB22.9 cents).
- The Board has resolved to declare an interim dividend of HK12.96 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Carpenter Tan Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2021 with the selected notes as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2022</b> <b>(unaudited)</b> <b>RMB'000</b>	<b>2021</b> <b>(unaudited)</b> <b>RMB'000</b>
<b>Revenue</b>	6	<b>167,086</b>	169,565
Cost of sales		<u>(66,890)</u>	<u>(64,948)</u>
<b>Gross profit</b>		<b>100,196</b>	104,617
Other income	6	<b>18,361</b>	18,489
Selling and distribution expenses		<b>(31,034)</b>	(34,064)
Administrative expenses		<b>(14,549)</b>	(15,332)
Other operating expenses		<u>(2,259)</u>	<u>(503)</u>
<b>Profit from operations</b>		<b>70,715</b>	73,207
Finance costs		<u>(328)</u>	<u>(164)</u>
<b>Profit before taxation</b>	7	<b>70,387</b>	73,043
Income tax	8	<u>(15,340)</u>	<u>(15,431)</u>
<b>Profit for the period</b>		<u><b>55,047</b></u>	<u>57,612</u>
<b>Attributable to</b>			
Owners of the Company		<b>55,028</b>	56,867
Non-controlling interests		<u>19</u>	<u>745</u>
<b>Profit for the period</b>		<u><b>55,047</b></u>	<u>57,612</u>
<b>Earnings per share</b>			
Basic and diluted	9	<u><b>RMB22.1 cents</b></u>	<u>RMB22.9 cents</u>

The accompanying notes form part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<b>55,047</b>	57,612
<b>Other comprehensive income for the period</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	<b>1,939</b>	47
<i>Item that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<b>(1,914)</b>	216
Other comprehensive income for the period, net of nil income tax	<b>25</b>	263
<b>Total comprehensive income for the period</b>	<b>55,072</b>	<b>57,875</b>
<b>Attributable to</b>		
Owners of the Company	<b>55,053</b>	57,130
Non-controlling interests	<b>19</b>	745
<b>Total comprehensive income for the period</b>	<b>55,072</b>	<b>57,875</b>

The accompanying notes form part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	<i>Notes</i>	<b>30 June 2022 (unaudited) RMB'000</b>	31 December 2021 (audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	<i>10(a)</i>	<b>84,520</b>	77,852
Investment properties	<i>10(b)</i>	<b>99,140</b>	99,140
Right-of-use assets		<b>40,019</b>	41,814
Intangible assets		–	–
Non-pledged fixed bank deposit		<b>18,000</b>	–
Other receivables, deposits and prepayments		<b>738</b>	705
		<b>242,417</b>	219,511
<b>Current assets</b>			
Inventories		<b>201,669</b>	198,103
Trade receivables	<i>11</i>	<b>4,226</b>	4,902
Financial assets at fair value through profit or loss	<i>12</i>	<b>220,330</b>	317,580
Other receivables, deposits and prepayments		<b>22,399</b>	8,355
Income tax recoverable		–	60
Non-pledged fixed bank deposit (maturity over 3 months, but within 1 year)		<b>50,000</b>	–
Cash and bank balances	<i>13(a)</i>	<b>41,322</b>	35,795
Pledged bank deposit	<i>13(b)</i>	<b>3,000</b>	–
		<b>542,946</b>	564,795
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>3,566</b>	2,441
Other payables and accruals		<b>44,468</b>	48,738
Lease liabilities		<b>2,039</b>	2,388
Income tax payable		<b>27,107</b>	22,540
		<b>(77,180)</b>	(76,107)
<b>Net current assets</b>		<b>465,766</b>	488,688
<b>Total assets less current liabilities</b>		<b>708,183</b>	708,199
<b>Non-current liabilities</b>			
Lease liabilities		<b>10,969</b>	11,337
Deferred tax liabilities		<b>24,355</b>	23,850
Deferred income		<b>555</b>	565
		<b>(35,879)</b>	(35,752)
<b>NET ASSETS</b>		<b>672,304</b>	672,447
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>2,189</b>	2,189
Reserves		<b>666,045</b>	666,207
<b>Equity attributable to owners of the Company</b>		<b>668,234</b>	668,396
<b>Non-controlling interests</b>		<b>4,070</b>	4,051
<b>TOTAL EQUITY</b>		<b>672,304</b>	672,447

The accompanying notes form part of these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 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.

### 2. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The preparation of an unaudited interim financial report in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which term collectively includes HKASs and Interpretations issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by the Company’s audit committee.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss are stated at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, except as described below.

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The application of the above amendments in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Save as disclosed in the annual report for the year ended 31 December 2021, the Directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

#### **4. SEGMENT REPORTING**

Operating segments are identified on the basis of internal reports which provide information about the components of the Group. The information is reported to and reviewed by the Board of Directors, which is the chief operating decision maker (“**CODM**”) of the Group, for the purpose of resources allocation and performance assessment.

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

The Group’s revenue and results from operations are 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.

#### **5. SEASONALITY OF OPERATIONS**

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

## 6. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold to customers, less value added tax and sales tax, returns and discounts, and franchise joining fee income. An analysis of the Group's revenue and other income for the period is as follows:

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
<b>Revenue</b>		
Sales of goods	167,006	169,518
Franchise joining fee income	80	47
	167,086	169,565
<b>Other income</b>		
Government grants ( <i>note (i)</i> )	969	98
Interest income from financial assets measured at amortised cost		
– bank interest income	202	393
Change in fair value of financial assets at fair value through profit or loss	2,698	1,646
PRC VAT concession refunds ( <i>note 8 (v)</i> )	10,696	12,230
Rental income from investment properties	3,297	3,147
COVID-19-related rent concessions received	–	4
Net foreign exchange gain	5	527
Reversal of loss allowance on trade receivables	52	41
Others	442	403
	18,361	18,489
	185,447	188,054

### Note

- (i) Since 2016, the Group successfully applied for funding support from the International Marketing Developing Funds of Small- and-Medium-Sized Enterprises and Industrial Development Funds (the “**Funds**”), set up by Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China and Chongqing Provincial Human Resources and Social Security Department respectively. The purposes of the Funds are to encourage the involvement in overseas marketing by granting financial assistance to commercial entities who have involved in certain marketing activities outside the PRC; and to promote a stable employment environment and prevent unemployment risks by granting financial assistance to commercial entities whose structure, lay off rate, contributions to unemployment insurance meet certain criteria.

## 7. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Carrying amount of inventories sold	65,779	63,709
Write-down of inventories	1,111	1,239
Cost of inventories ( <i>note (i)</i> )	66,890	64,948
Depreciation		
– property, plant and equipment	2,253	2,346
– right-of-use assets	1,895	2,246
Expense relating to short-term leases	251	189
Loss allowance on other receivables	–	44
Net loss on disposal of property, plant and equipment	64	3
Staff costs (including directors' emoluments)	34,622	38,300
Provision/(reversal of provision) for sales returns	1,091	(951)
Gross rental income from investment properties	(3,297)	(3,061)
Less: Direct outgoings incurred for investment properties that generated rental income during the period	392	397
Net rental income	(2,905)	(2,664)

*Note:*

- i) Cost of inventories includes approximately RMB20,119,000 (2021: RMB24,560,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

## 8. INCOME TAX

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
<b>Current tax</b>		
PRC Enterprise Income Tax ( <i>notes 8(i) and (ii)</i> )	12,074	12,012
Hong Kong profits tax ( <i>note 8(iii)</i> )	–	–
Withholding tax on dividends ( <i>note 8(iv)</i> )		
– Provision for the period	2,761	2,027
	14,835	14,039
<b>Deferred tax</b>		
Transfer to current tax upon distribution of dividends	(2,761)	(2,027)
Provision for the period ( <i>note 8(iv)</i> )	3,266	3,419
<b>Total</b>	15,340	15,431

*Notes:*

- i) 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% (2021: 25%), except for Chongqing Carpenter Tan Handicrafts Co., Ltd ("**Carpenter Tan**") which is eligible to enjoy concessionary Enterprise Income Tax rate of 15% according to the preferential tax policies.
- ii) 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.
- iii) No provision for Hong Kong profits tax has been made for the period ended 30 June 2022 and 2021 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these periods.
- iv) 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. During the six months ended 30 June 2022, a provision of approximately RMB2,761,000 (2021: RMB2,027,000) for current tax and approximately RMB3,266,000 (2021: RMB3,419,000) for deferred tax has been made.

As at 30 June 2022, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group's PRC subsidiaries amounted to approximately RMB3,266,000 (At 31 December 2021: RMB2,761,000) which are expected to be distributed in the foreseeable future.

- v) 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 condensed consolidated statement of profit or loss on an accrual basis. The amounts of the VAT refunded to the Group during the period are detailed in note 6.

## 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 the weighted average number of ordinary shares in issue during the period:

#### i) Profit attributable to owners of the Company

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings used in calculating basic earnings per share	<u>55,028</u>	<u>56,867</u>

#### ii) Weighted average number of ordinary shares

	Number of shares	
	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	'000	'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 earnings per share	<u>248,714</u>	<u>248,714</u>

### b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2022 and 2021 because that the exercise price of the share options granted was higher than the average market price of the Company's shares during the six months ended 30 June 2022 and 2021.

## 10. FIXED ASSETS

### a) Acquisitions and disposals

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB9,033,000 (six months ended 30 June 2021: RMB8,809,000). Items of property, plant and equipment with a total carrying amount of RMB122,000 (six months ended 30 June 2021: RMB78,000) were disposed of during the six months ended 30 June 2022.

### b) Valuation

The Group's investment properties were not revalued as at 30 June 2022 by independent valuers. The directors were aware of the possible change in the conditions of the property market. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2021 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the current period. During the Reporting Period, the Group neither acquired nor disposed any investment properties.

## 11. TRADE RECEIVABLES

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

	At 30 June 2022 (unaudited) RMB'000	At 31 December 2021 (audited) RMB'000
0 to 30 days	3,341	3,507
31 to 60 days	459	791
61 to 90 days	76	264
91 to 180 days	277	138
181 to 365 days	43	75
Over 1 year	30	127
	<u>4,226</u>	<u>4,902</u>

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.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2022 (unaudited) RMB'000	At 31 December 2021 (audited) RMB'000
Principal Guaranteed Wealth Management Products, at fair value ( <i>Note</i> )	<u>220,330</u>	<u>317,580</u>

*Note:* The amount represents investment in principal guaranteed wealth management products issued by licensed banks in the PRC with expected return ranging from 1.40% to 3.76% per annum (31 December 2021: 1.49% to 3.76% per annum). Financial assets of RMB220,330,000 (31 December 2021: RMB317,580,000) are with maturity of within one year.

### 13. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSIT

#### (a) Cash and bank balances

	At 30 June 2022 (unaudited) RMB'000	At 31 December 2021 (audited) RMB'000
Cash and bank balances in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<u>41,322</u>	<u>35,795</u>

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

As at 30 June 2022, the balances that were placed with banks in the PRC including pledged and non-pledged bank deposit amounted to approximately RMB102,336,000 (31 December 2021: RMB30,678,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

- (b) Pledged bank deposit represented deposit pledged of bank to secure a financial guarantee issued by the bank to distribution agent for the Group's operation.

### 14. TRADE PAYABLES

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

	At 30 June 2022 (unaudited) RMB'000	At 31 December 2021 (audited) RMB'000
0 to 30 days	3,109	2,081
31 to 60 days	206	111
61 to 90 days	18	7
91 to 180 days	111	74
181 to 365 days	61	44
Over 1 year	61	124
	<u>3,566</u>	<u>2,441</u>

## 15. DIVIDENDS

- i) Subsequent to the end of the reporting period, the Board has resolved to declare an interim dividend of HK12.96 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), amounting to approximately HK\$32,233,000 in total. The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the interim period:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
Final dividend in respect of the financial year ended 31 December 2021, approved and paid during the current interim period, of HK27.15 cents, equivalent to RMB22.20 cents per ordinary share (2021: in respect of the financial year ended 31 December 2020, approved and paid during the period ended 30 June 2021, of HK19.58 cents, equivalent to RMB16.30 cents per ordinary share)	<b>55,215</b>	40,540

## 16. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$</b>	<b>Amount equivalent to RMB</b>
Ordinary shares of HK\$0.01			
Authorised:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<b>10,000,000,000</b>	<b>100,000,000</b>	<b>87,926,000</b>
Issued and fully paid:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<b>248,714,000</b>	<b>2,487,140</b>	<b>2,189,160</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT REVIEW

During the Reporting Period, areas like Shanghai, Beijing, Shenzhen, and Guangzhou have encountered the spread of the Pandemic and led to different extend of lockdown for various periods, which have caused different degrees of difficulties for our business expansion and the operation of specialty stores in these districts. Yet, the market overall has demonstrated a positive trend. Whilst the Group is doing better with the normalisation of anti-Pandemic measures. We are also maintaining a positive attitude and consolidating the confidence of the specialty stores through proper communication, taking care of each other, calm response and reaction.

The Group's raw material reserves, production and processing, new product development, brand building, technological innovation, risk pre-control, logistics distribution, and the construction of new factories are on track with the work plan at the beginning of the year and are operating in an orderly manner and progressing in a normal pace.

Our purpose of the journey shall not fade with the duration of our journey. Therefore, we shall re-examine, review, and clarify the value of the Group and different departments and positions and turn it into the motivation, goal, and direction of our work. We shall possess high aspiration while keeping our feet on the ground.

### BUSINESS REVIEW

#### 1. OFFLINE BUSINESS

For the six months ended 30 June 2022, POS sales for our offline business reached 40.2% of the planned target, compared to the same period in 2021 marking a year-on-year decrease of 8.4% and an increase of 51.4% when compared to the same period in 2020. During the first half of 2022, shopping mall stores and image stores of the third generation accounted for 59.8% and 85.9% respectively. The expansion plan of opening new stores reached 40.0% of its annual target with their average monthly sales exceeding RMB50,000 while shopping mall stores accounted for 85.0%.

As at 30 June 2022, Carpenter Tan had a total of 1,088 franchised stores and 1 self-operated store in mainland China, 5 franchised stores in other countries and regions, and 2 self-operated stores in Hong Kong. The total number of stores was 1,096, decreased by 1 store when compared to 1,097 stores as at 31 December 2021.

#### Number of franchised stores, overseas stores and counters as at 30 June 2022:

	30 June 2022		31 December 2021	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,088	1	1,089	1
Hong Kong	–	2	–	2
Other countries and regions	5	–	5	–
Total	<u>1,093</u>	<u>3</u>	<u>1,094</u>	<u>3</u>

## Number of franchised stores distribution in mainland China as at 30 June 2022:

Type of stores	30 June 2022		31 December 2021	
	Number of franchised stores	%	Number of franchised stores	%
Shopping mall	651	59.8%	642	59.0%
Street shop	286	26.3%	290	26.6%
Department store	64	5.9%	68	6.2%
Supermarket	27	2.5%	27	2.5%
Scenic spot	44	4.0%	43	4.0%
Transportation hub	8	0.7%	9	0.8%
Hotel	2	0.2%	2	0.2%
Others	6	0.6%	8	0.7%
Total	<b>1,088</b>	<b>100.0%</b>	<b>1,089</b>	<b>100.0%</b>

During the Reporting Period, the marketing department focuses on the Group's business strategy and continued to implement consumer-oriented, market-directed, and standardised store and internal management as guarantee so as to comprehensively improve the experience of the consumers, raise the level of professionalism of the front stores and increase the force of the marketing team. The main tasks carried out are as follows:

### ***NORMALISING HIGHLY EFFICIENT OPERATION***

In order to further explore regional development and integrate regional resources, the marketing department adjusted the organisational structure of the department, set up five sales subareas, set up expansion managers and operation managers, and added a training group, a new store support group and a market inspection group. This is beneficial to the coordination of various resources, the downflow of first-, second-, and third-tier cities and the further improvement of stores. The training groups, new store support groups and market inspection groups are all focus on the stores and respond quickly to their various needs.

For expansion, during the Reporting Period, highlighted new stores were opened, including Harbin Haxi Wanda, Harbin Hadong Wanda, Jiamusi Wanda, Lhasa Liuwu Wanda, Wuhan Chuhe Han Street, Tiyu West Road Station Hall, one of the largest subway transfer centers in Guangzhou, Chongqing Mixc City and Zhengzhou Xintian 360 Plaza.

For operation, during Mother's Day, as the national market was affected by weak sales due to the Pandemic, the Group carried out marketing activities with WeChat mini-programs and achieved total sales of approximately RMB7.12 million.

## ***FROM SALES TO PROMOTIONAL CAMPAIGNS***

The membership system has added a one-key import express tracking number function and a second-level menu function of receiving address selection, which not only reduces the chances of incorrect delivery, but also improves work efficiency, allowing members and customers to exchange their favourite gifts and check logistics information in time and improve the user experience of the customers. As at 30 June 2022, Carpenter Tan had 530,850 members with a total of 111,240 new members added during the Reporting Period.

The launch of holiday hand-held bags, group purchase manuals, group purchase guidance programs, group purchase case sharing, etc. has prompted more specialty stores to actively expand group purchase business during the peak festival season. During the Reporting Period, the total amount of group purchase sales increased by 188% year-on-year when compared to the same period last year. In particular, during the March 8 International Women’s Day, an important festival in March, the total amount of group purchase sales has already accounted for 70.1% of the sales target for the first half of 2022.

## ***THE UPGRADE AND SUPPLEMENT OF OUR PRODUCT SYSTEM***

We have completed the packaging upgrades for set products and accessories and mirror products. The development of inserted comb products has been strengthened with insert combs as the main product and other categories as supplementary products, and we have supplemented multi-category supplement. During the Reporting Period, a total of 12 inserted comb products, 2 hair care combs, 2 tendon combs, and 2 ring combs were launched. Among them, the Year of the Tiger toothed comb was well received, and the low-priced inserted comb and tendon combs are also welcomed by consumers. In the second half of 2022, Carpenter Tan will continue to launch more new products, enriching Carpenter Tan’s brand product line and product system.

## ***STEADILY IMPROVING STORE IMAGE***

During the Reporting Period, a total of 75 stores have been renovated, including 51 new stores, 16 relocated stores and 8 refurbished stores. Categorized by store style, 45 Carpenter Tan third generation-styled stores and 30 Morandi-styled stores were renovated. The image of Morandi has been more well received by various merchants and consumers.

The Morandi-styled standalone stores enhanced shop design and image by establishing display cases, DP points and VP points, and boosted sales performance. The framework structure and craftsmanship of props were further enhanced and improved in center island cases of Morandi-styled stores, which may be displayed to a larger extent in supermarkets.

Mini-sized comb-making equipment has been installed in stores and trial use was conducted in June 2022. Further improvements will continue to be made in equipment size and noise control based on the trial use results, and improvements have been completed now and testing is in progress. Activities of “Antique combing beauty” (梳房顏究院) have been launched again. Related activities are expected to be completed by September in Guangzhou according to the nodes of Mid-Autumn Festival, and the second event is expected to be completed by the end of this year.

## ***CONTINUOUS POSITIVE REVIEWS FROM CUSTOMERS ON LIFE-LONG FREE MAINTENANCE SERVICES***

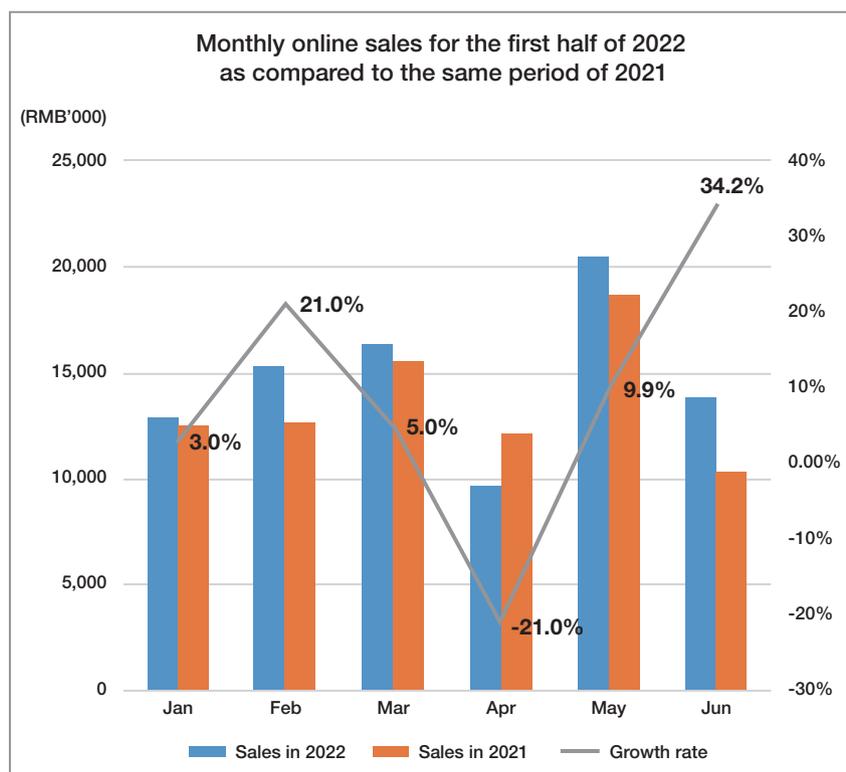
The nationwide maintenance stations were operating normally, with a total of 85,346 maintenance cases received during the Reporting Period. The maintenance system was upgraded continuously to increase the timeliness of maintenance services persistently, while ensuring the maintenance quality. Delivery to destinations was adjusted timely according to the Pandemic conditions of various places to ensure the normal operation of maintenance services. The percentage of good comments from customers on after-sales maintenance services continued to increase, and posts of good comments on after-sales maintenance services of Carpenter Tan appeared continuously in media (such as Xiaohongshu, Weibo and Douyin), which enhanced both brand awareness and reputation.

## ***TRAINING IN DIVERSIFIED FORMS***

During the Reporting Period, 2 sessions of large regular on-site trainings, 79 sessions of small shop-site trainings, 14 sessions of online trainings, site assistance to 27 franchisee display cases, and 2 sessions of supporting classes for online and offline group purchases were held. Under the impact of Pandemic commencing in March, uniform trainings in large regions were unable to conduct, but marketing training was still conducted for frontline positions, and small on-site trainings and practical display operations were launched. General immersive combing experience and basic shop display skills were provided comprehensively to promote the sales capabilities of sales staff, improve the overall image of shops, and enhance customer experience.

## 2. ONLINE BUSINESS

During the Reporting Period, the e-commerce team completed sales of RMB88.39 million or 93.5% of the first half-yearly target, representing a year-on-year increase of 8.06% when compared to same period of 2021. With the outbreak of the Pandemic in various locations in April, particularly in Shanghai, logistics service has been disrupted, sales in April declined by 21.0% year-on-year, the achievement ratio for that month was only 68.6%. Sales in June increased by 34.2% year-on-year, mainly due to a year-on-year increase of 52.7% during the 618 period, representing a significant growth. As of 30 June, 307,900 pieces of goods were delivered through local logistics providers, 69,900 pieces of goods were delivered through Yibaicang (驛佰倉) and 82,900 pieces of goods were delivered through JD.com (京東倉), hence a total of 460,700 pieces of goods were delivered, representing a year-on-year increase of 4.0%.



The e-commerce team actively explored and seek ways to increase sales volume. Two new sales platforms, Pingduoduo (拼多多) and A Living Room (一條生活館), were introduced, which resulted in certain promotional effect on increasing sales volume and brand communication, particularly the Pingduoduo platform which generated a net sales amount of approximately RMB1 million in half a year and an access volume of 3.72 million times. The platform joined hands with an external media entity to produce a video of “The birth of a comb (一把梳子誕生)” and broadcast through the official Weibo account of Pear Video (梨視頻), attracting a viewership of nearly 4 million times. During the holiday on 8 March, an article recommended by a female craftsman of Carpenter Tan was published through the public account of “Person of Today (每日人物)” and attracted a readership of 70,000 times. However, its limitation was also obvious, creating much pressure on the entire team and on pricing control of the products.

A Living Room platform mainly leveraged on the posts on its public account to achieve transforming contents into sales, but high fees were charged. Most of the shop sales were on the Mother's Day and the specific festive event of 520, which were sales transformed from posts of contents on its public account. It is necessary to conduct a subsequent study on the characteristics of the platform seriously, and other methods such as crowd funding may be attempted actively. Furthermore, the internal channels were actively adjusted and optimised to achieve a refined traffic flow while increasing the probability of repurchase by existing customers and old members. Finally, brand communication was carried out through the Douyin platform, by transmission of quality short videos through our own account, together with the joint narration of promotional short video from a Douyin celebrity for two reasons: firstly, an established brand has its own basic group of supporting fans to increase the brand tone; secondly, through the promotion by Douyin celebrity, the traffic flow of users was expanded.

In the second half of 2022, we are going to rearrange and change the product strategies based on the characteristics of various platforms, continue to improve the tools of various backstage modules, and make achievements in various segments, such as increasing brand endorsements, acquisition of new customers and maintaining members. In the aspects of content planting and marketing and broadcast of short videos on our brand, data tracking should be timely, corresponding adjustments should be made according to the data in stages to ensure the diversified forms and accuracy of output contents. We adhere to our belief that content planting and marketing are our advantages, therefore we combine the nodes of various activities and make noises through various channels inside and outside of our website surrounding the key words of affection, companion, local products, and craftsmanship, etc. In terms of skills enhancement of our staff, since the playing methods on various platforms keep changing generations, constant learning to keep up with times is necessary so that we can apply the mode of development suitable for us on our business. Learning and qualification certification will also be pursued on the backstage of our shops, and professional configuration by means of passing examinations will be used to operate our shops and increase sales.

### **3. OVERSEAS BUSINESS**

In respect of the macro global development, countries worldwide have eased the Pandemic measures. Market activities are recovering, and consumer confidence has been boosted. The sales of overseas stores have rebounded, and the shipment volume has increased in a fast pace. During the Reporting Period, our overseas offline business has recorded a total shipment of approximately RMB1.56 million, representing a year-on-year increase of 126.3% when compared to same period last year. The sales of cross boarder e-commerce platform have recorded approximately RMB260,000 with a year-on-year increase of 60.2% when compared to same period last year. The sales of self-operated stores in Hong Kong have rebounded after the wide spread of the Pandemic in February and March. During the Reporting Period, the sales of the two self-operated stores in Hong Kong was HK\$1.4 million, representing a year-on-year decrease of 35.6% when compared to the same period last year (as these two stores were closed in March due to the Pandemic).

Under these circumstances, the Group has been actively adjusting various projects: (1) we continue to provide support to existing overseas stores with complimentary promotional products and provide guidelines for franchisees to explore and expand different group purchase channels. Franchisee from the U.S. has obtained group purchase order from a local Chinese medical clinic successfully while franchisee from Taiwan has obtained group purchase of gifts in a small amount; (2) we are proactively planning overseas exhibitions and promotional campaigns for next year; (3) the new store in Lee Tung Avenue, Wan Chai, Hong Kong is open and we will continue to explore the local market of Hong Kong; (4) we established collaboration with new generation operation companies to focus on the promotion and sales on the U.S. official website; (5) we also proactively negotiate with intended franchisees from various areas, such as Malaysia, Japan and Australia, for the preparation of opening new stores; and (6) we took the initiative to explore overseas offline sales channels and we have been negotiating with Holz-Leute KG, a renown German home product wholesales store, for cooperation and the first batch of samples has been sold.

#### **4. INNOVATIVE RESEARCH AND DEVELOPMENT**

During the Reporting Period, the development of new product focused on optimizing product structure, product upgrade and iteration, and continued to innovate in product craftsmanship, structure, design and function, strengthen market feedback, and continuously enhance product power. We have finished the design and development of 7 new products and launched 19 new productions. 5 designs have turned into regular product as described in the one published new production evaluation report, with the successful rate of product launch of 71.4%. We have been continuously monitoring and collecting responses and suggestions from the markets so as to improve and supplement the packaging system, including the addition and improvement of 4 new packaging, 2 covers, 4 sacks and 3 hand-held paper bags.

Two types of new structure and new style products have been designed and developed, namely top-pinched airbag massage comb, which is to enhance the smoothness of combing by reducing the chances where the hair get stuck, and anti-stuck airbag massage comb with a unique comb tooth structure design, which is to prevent the chances where the hair is stuck between the teeth and the rubber of the comb.

In respect of integrated use of material, our ability to design and develop new product system is slightly insufficient. Under the combined effects of product category and model number ratio allocation, order volume differences, etc., some materials have not been fully utilised, resulting in sluggish and restocked materials. This issue will be enhanced and improved as soon as possible with the work in the second half of 2022.

## **5. PRODUCTION TECHNOLOGY**

During the Reporting Period, Carpenter Tan's Wanzhou factory had completed the production of 2.05 million pieces of products, with a year-on-year decrease of 330,000 pieces when compared to same period last year. We purchased 4,462.48 cubic meters of wood (including those in transit) and 278,000 pieces of horn products (horn combs and horn pieces). The price of black horn raw material has been increasing and has made purchasing difficult. Yet, it has not affected the production order so far. With respect to technical research and development, comb teeth automatic drilling technology and hair-care comb automatic shape processing technology have entered the stage of promotional application. We expect that they will contribute to the improvement of production efficiency as soon as possible. The ongoing research and development projects include:

- (i) Wooden comb automatic tooth-polishing possessing technology. It introduces smart device and technology to simplify operation skills and reduce labour intensity for process with huge manpower needs;
- (ii) Crafting technology for improving the stability of black rosewood materials. Through the analysis of the characteristics of black rosewood materials, physical methods are used to process and adjust the stress of the materials, so as to enhance the weather resistance of black rosewood material and reduce the deformation of the teeth and cracks at the bottom of the teeth of wood comb products;
- (iii) Wood and product nourish treatment technology. It mainly targets at solving the problem of rapid dimensional change of wood affected by humidity of the surrounding. By adjusting the stress of wood under specific conditions, it can enhance the hysteresis of wood and reduce the effect of moisture to wood, so as to achieve the stability of wood products; and
- (iv) Kingwood material resin removal treatment technology. This technology mainly deals with resin inclusions in the wood generated during the natural growth of kingwood, as the resin overflow in the later stage of the production will affect the deep processing, so this technology can improve the application value of the wood.

## **6. LOGISTICS AND DISTRIBUTION**

During the Reporting Period, the logistics centre 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 in a timely manner. Shipped products accounted for over 2.1 million pieces. We will continue to strengthen the supervision and management of product quality, adhere to the implementation of stricter quality control procedures, and achieve continuous improvement.

## 7. CORPORATE CULTURE

During the Reporting Period, we promoted the brand culture mainly through online means as many parts of the country were affected by the recurrence of the Pandemic and lockdown. First, we reinforced the operation of new media's own official accounts, such as WeChat public account, Weibo, Douyin, and video account. In particular, after continuous accumulation for Carpenter Tan's WeChat public account, it has received 540,000 followers, most of which are Carpenter Tan's customers and members. We introduced the wooden comb product and craftsmanship of Carpenter Tan, the history and culture of comb, the use and maintenance of wooden comb and the delivery of love and care through wooden comb in a vivid style. Meanwhile, we strengthened the interaction between the brand and our fans. We are preparing a brand campaign called "Make a post of combing and make every day smooth and beautiful" (梳頭打卡、順麗、美一天). The specialty stores will establish a group to encourage people posting about combing and invite their own customers and members to take part in and help them develop a good habit of combing while spreading the brand culture amid the campaign. We hope that we can guide the specialty stores to make use of different means of promotion, reinforce the interaction of their own members and expand the opportunities to sell.

We have revamped the yearbook of Carpenter Tan and have initially achieved the target of "making the yearbook looks better." In the following year, we will constantly improve the content and the layout of the yearbook to make it looks good, easy to read and more efficient to communicate. "The Beauty of Zhipei" (櫛佩之美) design competition continued this year, with the participants from the relevant faculties of Nanjing Institute of Technology, Nantong University, Jiangnan University, Jiangxia College. We will demonstrate these interesting and innovative combs together with "Antique combing beauty" (梳房顏究院) and other offline campaign after the Pandemic has been stabilised. The Chongqing Municipal Government has been holding "Yu Jian Mei Pin" (渝見美品), a focus brand promotion campaign in Chongqing. Carpenter Tan will continue to take part in this campaign, making use of the preferential policies and resources of the government to further expand the influence of our brand.

## 8. HUMAN RESOURCES AND COMPREHENSIVE GOVERNANCE

During the Reporting Period, with reference to the objective situation of personnel changes in the management, the Board took timely adjustment and countermeasures, held staff meetings, and made explanations of the changes in an honest manner to let employees fully understand the situation, and thus gain the understanding, recognition and support of all employees. Therefore, there is no unrest, work dislocation and chaos in the Group due to the changes in management personnel. Meanwhile, according to the human resources work plan at the beginning of the year, the Group selected younger employees to serve as factory directors of Wanzhou Factory, and exchanged and adjusted the positions of the persons in charge of the Wanzhou Factory and the logistics center and made suitable job rotations for the workshop directors of the Wanzhou Factory. This move has made a beneficial attempt and a good start for the Company to implement the optimization of human resources structure, prevent complacency with the status quo, improve the solidification and aging of all management levels, and rejuvenate and echelon management positions at all levels.

The Group has strictly abided by the national laws and regulations on labour safety, environmental protection and occupational health to ensure a sound system, proper measures and proper inspection. During the Reporting Period, we have not violated any laws and regulations concerning protection of employees' labour rights and interests, nor occurred any employees' labour disputes or litigation rights protection, any accident regarding labour safety, environmental protection and occupational health, and we have completed the transformation and construction of grade II safety standards. In the production, sale and use of products, there were no cases of toxic and side effects and allergies.

In terms of purging the market order, the Group, on one hand, is on its journey to develop and establish its new product information traceability technology, and on the other hand, to adopt measures for silent deployment and trace the applications of technical solutions which have been implemented. As presently interpreted, such act has not only been effective to some extent, but also played a certain role in purging and cleaning up the market. However, in relation to the Group's attitude towards illegal online sales, it may still take some time for it to transform from giving admonition and warning to make heavy-handed rectification. As to the franchised stores which were found by the traceability technology with engagement of illegal online sales in the early stage, it has been a common practice to handle them internally instead of making a public announcement as a form of discipline, which has shown an unpromising outcome. Certain franchised stores might even think that there would only be a low price to pay for their own non-compliance as the Group would only give minor penalties where the take-over of the business would not be affected. As a result, the number of illegal franchised stores which failed to withstand the temptation but desperately took risks to foul had increased but not fallen, which has indeed brought negative impact on the outcome of the Group in reversing the passive situation, regaining confidence towards the franchising system, and reshaping the corporate image. Nevertheless, the Group firmly believes that, with the virtue of honesty, integrity and kindness, the passive situation can be reversed as long the Group promptly identifies, reviews and adjusts its mistakes and flaws, where the success in purging the non-compliance in the market, rebuilding the confidence of franchised stores and reshaping its corporate image will eventually come along, so as to realize the sustainable and healthy development of the Group and the franchising system.

While endeavouring to accomplish the purging of external market environment, the Group has also effectively managed its operational risks and intellectual property rights internally. The Group has not only improved the technical measures of the Qualified Supplier Evaluation, but also carried out the risk evaluation and control based on the classification of its partners. Moreover, along with the implementation of price inquiry and comparison mechanism for annual contracts including directional procurement every quarter, it has also implemented the evaluation measures of comparison shopping under the same conditions of comparability for a single business contract, whereas for sporadic purchases, comprehensive comparison should be made according to the market level and the quotation information of online and offline channels. Thereby, business departments and handling personnel have been warned for any idleness, failure in observing incorruptibility and code of conduct (or observing the latter even being incorruptible), or any behaviour of disrespect and irresponsibility despite their success in securing a contract.

When introducing directional manpower for technology research and development, although requirements for time plan and targeted outcomes have been detailed in the project proposal according to the administrative measures for technology development and operation of the Group, such has not been combined with labour contracts (i.e., to reach agreement on aspects such as the requirements on outcomes during the employment period, and conditions for termination of employment before term end date by signing an additional contract). As far as the current case is concerned, there are indeed loopholes and deficiencies, resulting in the passive optimization and adjustment of the Group, where laborious disputes such as arbitration and legal disputes may also be incurred. In this regard, it is necessary for us to reflect, review and improve our human resource management.

As to our internal management, most departments inclined to handle issues internally but seldom reported to the top management or made public announcements to different levels of the Group, which failed to play a role in fostering mutual warning and admonition. While the current phenomenon cannot be said to be completely upsetting, it is believed that there are still some underlying drawbacks as such phenomenon does not only discourage mutual warning and alert, but also fails to avoid the reoccurrence of the same issue or the same faults in other departments or on colleagues from other departments, which forbid them to devote efforts to jointly improving their performance. For such, it is necessary for us to give due consideration and make improvements accordingly.

Affected by the prevention and control of the Pandemic, the Group has put a halt to the charity activities which it has always been doing; however, such halt may also be avoidable if we could go against our inertia and act upon our inner urges towards virtue and goodness. Therefore, it is crucial for us to reflect whether our participation in charity events is involuntary or part of our benevolence, and to recognise the fact that good deeds should be done with intention and not for attention. In the second half of 2022, it is essential for us give our best in this aspect, and to pass on the loving kindness of the big family of Carpenter Tan.

## FINANCIAL REVIEW

### 1. Revenue

The Group recorded revenue of approximately RMB167,086,000 for the six months ended 30 June 2022, representing a decrease of approximately RMB2,479,000 or 1.5% as compared to approximately RMB169,565,000 for the six months ended 30 June 2021. The decrease in revenue was mainly due to the negative impacts brought by the Pandemic during the Reporting Period as compared to the six months ended 30 June 2021.

	For the six months ended 30 June			
	2022		2021	
	(unaudited)		(unaudited)	
	(RMB'000)	%	(RMB'000)	%
Sales				
– Combs	24,001	14.4	29,035	17.1
– Mirrors	132	0.1	150	0.1
– Box sets	141,070	84.4	137,562	81.1
– Other accessories*	1,802	1.0	2,771	1.6
Franchise joining fee income	80	0.1	47	0.1
Total	<u>167,086</u>	<u>100.0</u>	<u>169,565</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 RMB66,890,000 for the six months ended 30 June 2022, representing an increase of approximately RMB1,942,000 or 3.0% as compared to approximately RMB64,948,000 for the six months ended 30 June 2021. The increase in cost of sales was mainly due to the increase in the average cost of materials and energy for the Reporting Period.

### 3. Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, gross profit of the Group was approximately RMB100,196,000, representing a decrease of approximately RMB4,421,000 or 4.2% as compared to approximately RMB104,617,000 for the six months ended 30 June 2021. The gross profit margin decreased from approximately 61.7% in 2021 to 60.0% in 2022. The decrease in gross profit margin was mainly due to the change in sales mix which led to the decrease in proportion of revenue for the products with higher gross profit margin for the Reporting Period.

#### **4. Other Income**

Other income was mainly comprised of PRC VAT concession refunds, interest income from financial assets, change in fair value of financial assets at fair value through profit or loss, government grants and rental income. Other income was approximately RMB18,361,000 for the six months ended 30 June 2022, representing a decrease of approximately RMB128,000 or 0.7% as compared to approximately RMB18,489,000 for the six months ended 30 June 2021. The decrease was mainly due to a decrease in PRC VAT concession refunds, while partially offset by the increase in change in fair value of financial assets at fair value through profit or loss. Details of other income are set forth in Note 6 to the condensed consolidated financial statements.

#### **5. Selling and Distribution Expenses**

The selling and distribution expenses, mainly including advertising, marketing and promotion expenses, rental expenses, salaries and benefits, transportation fee and travelling expenses, amounted to approximately RMB31,034,000 for the six months ended 30 June 2022, representing a decrease of approximately RMB3,030,000 or 8.9% as compared to RMB34,064,000 for the six months ended 30 June 2021. This decrease was mainly a result of the decrease in advertising and promotion expenses for the Reporting Period.

#### **6. Administrative Expenses**

The administrative expenses of the Group were approximately RMB14,549,000 for the six months ended 30 June 2022, representing a decrease of approximately RMB783,000 or 5.1% as compared to approximately RMB15,332,000 for the six months ended 30 June 2021. The decrease was primarily due to the decrease in staff costs for the Reporting Period.

#### **7. Profit from Operations**

For the six months ended 30 June 2022, profit from operations for the Group amounted to approximately RMB70,715,000, decreased by approximately RMB2,492,000 or 3.4% when compared to approximately RMB73,207,000 for the six months ended 30 June 2021. Decrease in profit from operations was mainly due to the decrease in gross profit of approximately RMB4,421,000 and increase in other operating expenses of approximately RMB1,756,000, while partially offset by the decrease in selling and distribution expenses of approximately RMB3,030,000 and decrease in administrative expenses of approximately RMB783,000 for the six months ended 30 June 2022.

#### **8. Finance Expenses**

For the six months ended 30 June 2022 and 2021, the Group did not have any interest expenses, respectively as there was no bank borrowings during both periods. The finance expenses of approximately RMB328,000 and RMB164,000 for the Reporting Period and for the six months ended 30 June 2021 were related to finance expenses as the Group started to apply the new HKFRS 16 from 1 January 2019.

## **9. Profit Before Taxation**

For the six months ended 30 June 2022, profit before taxation for the Group amounted to approximately RMB70,387,000, decreased by approximately RMB2,656,000 or 3.6% when compared to approximately RMB73,043,000 for the six months ended 30 June 2021. Decrease in profit before taxation was mainly due to the decrease in profit from operations of approximately RMB2,492,000 for the Reporting Period.

## **10. Income Tax Expenses**

For the six months ended 30 June 2022, income tax expenses for the Group amounted to approximately RMB15,340,000, decreased by approximately RMB91,000 or 0.6% when compared to approximately RMB15,431,000 for the six months ended 30 June 2021. This decrease was mainly due to the decrease in profit before taxation for the Reporting Period.

The effective tax rate for the Reporting Period was 21.8% which was higher than 21.1% for the six months ended 30 June 2021 by 0.7% points. Details of income tax expenses are set forth in Note 8 to the condensed consolidated financial statements.

## **11. Profit for the Period**

As a result of the foregoing, the profit for the six months ended 30 June 2022 was approximately RMB55,047,000, representing a decrease of approximately RMB2,565,000 or 4.5% as compared to approximately RMB57,612,000 in the corresponding period of 2021.

## **12. Liquidity and Capital Resources**

The Group has met its working capital needs mainly through cash generated from operations and various long-short-term bank loan when required. During the Reporting Period, the Group did not have any bank loan. Taking into account the cash flow generated from operations and the bank loan facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of publication of this announcement.

As at 30 June 2022, the Group had cash and bank balances of RMB41,322,000 (as at 31 December 2021: approximately RMB35,795,000) mainly generated from operations of the Group.

### **13. Cash Flows**

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

During the Reporting Period, the Group's cash and cash equivalents increased by approximately RMB5,527,000, which mainly comprised the net cash generated from operating activities with the amount of approximately RMB38,572,000, net cash generated from investing activities with the amount of approximately RMB22,973,000, net cash used in financing activities with the amount of approximately RMB55,932,000, and the negative effect of foreign exchange of approximately RMB86,000.

### **14. Capital Structure**

#### ***Indebtedness***

As at 30 June 2022 and during the Reporting Period, the Group did not have any bank loan.

#### ***Gearing ratio***

As at 30 June 2022 and 31 December 2021, the Group did not have any interest-bearing bank borrowings, the calculation of gearing ratio was not meaningful.

#### ***Pledge of assets***

As at 30 June 2022, the Group had pledged bank deposit of RMB3,000,000 to the bank to secure a financial guarantee issued by the bank to distribution agent for the Group's operation (as at 31 December 2021: nil).

#### ***Capital expenditure***

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and motor vehicles. The Group's capital expenditures amounted to RMB9,033,000 and RMB8,809,000 for the Reporting Period and the six months ended 30 June 2021 respectively.

#### ***Foreign exchange risk***

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

## 15. Contingent Liabilities, Legal and Potential Proceedings

Included in the Group's property, plant and equipment, there is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB26,630,000 as at 30 Jun 2022. The Group purchased the property from 蘇州建興置業有限公司 (the “Developer”) in 2013. The Group has fully paid the cost of the buildings but as at 30 June 2022, the Group has not obtained the ownership certificate yet. The Group has litigations against the Developer in these few years. During the Reporting Period, the Developer was under liquidation procedure. The management has obtained legal opinion and assessed it is more probable for the liquidator will continue to execute the sales and purchase agreement between the Developer and the Group and complete the transfer of ownership certificate to the Group. Therefore, there are no material adverse effect on the business operation and financial position of the Group.

Save as disclosed above, as at 30 June 2022, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

## 16. Major Acquisition and Disposal

For the six months ended 30 June 2022, the Group has not made any significant acquisition and disposal.

## 17. 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.

## 18. Significant Investments Held

### *Financial Assets at Fair Value Through Profit or Loss*

As at 30 June 2022, the Group's financial assets at fair value through profit or loss amounted to approximately RMB220,330,000 represents investment in principal guaranteed wealth management products issued by licensed banks in the PRC with expected return ranging from 1.40% to 3.76% per annum (31 December 2021: 1.49% to 3.76% per annum).

### *Investment Properties*

As at 30 June 2022, the Group's investment properties had a carrying value of approximately RMB99,140,000 (31 December 2021: approximately RMB99,140,000). The Group's investment properties were not revalued as at 30 June 2022 by independent valuers. The Directors were aware of the possible change in the conditions of the property market. The Directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2021 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the Reporting Period. During the Reporting Period, the Group neither acquired nor disposed any investment properties.

Save as disclosed above and the investments in the subsidiaries and associates by the Company, the Group did not hold any significant investments during the Reporting Period.

## FUTURE OUTLOOK

1. Although major markets such as Shanghai and Beijing were hit by the Pandemic, the Group's response measures has been effective with the relative sophistication demonstrated in its ideology. We make no excuse for the Pandemic, where no adjustments or lowering of standards will be made to our various work plans for the second half of 2022, including our annual marketing targets; instead, it is important for us to overcome the hurdle and achieve our goals with positivity and extra efforts.
2. Re-evaluating, reviewing and clarifying the value of existence of the Group and its departments and positions. In the spirit of striving to realize the value of existence of the Group and its department and positions, we will readjust our roadmap, recognize and sublimate the value of existence of the Group and its departments and position in order to enhance our sense of dedication and motivation; moreover, through realizing such value, we proceed to create an inviting working environment where sense of happiness at work can be improved while distress and stress that different work situations may cause can be eliminated. We are all set to make improvements and accomplishments with sincerity, to provide product and service offerings that gain the market satisfaction and to realize the value of existence of the Group and its departments and positions.
3. Devoting continuous efforts in encouraging innovation and accepting setbacks and failures, meanwhile enhancing the administrative supervision and penalties for poor character, inaction at work, sloppy mistakes, or any possible acts of muddle up official duties with private affairs.
4. Propelling the establishment of a new remuneration and performance model of manpower, strengthening the evaluation of position value and competency, and piloting the tenure system and the interaction and exchange among management positions with strong determination.
5. Thoroughly implementing 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.
6. Stepping up efforts not only in the application of technology for the identification of illegal acts in the market, but also in the investigation and punishment in this regard.
7. Strengthening the external cooperation, technology introduction, and independent research and development of intelligent processing, realizing the optimization and sublimation of the human resource demand structure, solving the issue of unreasonable labour structure and bottleneck issues regarding employees at various operation positions, while focusing on realizing the perfect combination of traditional handicraft arts and intelligent processing to fully reflect the attributes of handicraft arts and the brand cultural value of our products.

## **HUMAN RESOURCES AND TRAINING**

As at 30 June 2022, the Group had a total of 986 employees in Mainland China, Hong Kong and overseas. In addition to providing job opportunities to the disabled, the Group has attached high emphasis to the self-upgrade of its staff. By holding various themed exhibitions, workshops, seminars and staff training, the working skills and marketing strategies, techniques and methods of the staff as well as their sense of belonging to the Group were further enhanced. During the Reporting Period, in order to develop team spirits, courtesy, production management and accounting practice of the staffs, the Group provided the staffs various on-job training in various forms such as face to face teaching and examination to consolidate and spread the corporate culture of Carpenter Tan. For the six months ended 30 June 2022, the Group's total remuneration paid to employees was approximately RMB34,622,000.

## **OTHER INFORMATION**

### **PRINCIPAL ACTIVITIES**

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

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the six months ended 30 June 2022, none of the Directors was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **CAPITAL COMMITMENT**

As at 30 June 2022, the Group had capital commitments contracted but not provided for acquisition of property, plant and equipment of approximately RMB17,282,000 (as at 31 December 2021: RMB21,982,000).

### **PUBLIC FLOAT**

According to information disclosed publicly and as far as the Directors of the Company are aware, during the Reporting Period and up to the date of this announcement, at least 25% issued shares of the Company has been held by public shareholders.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING**

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 29 December 2009, after deducting the related issuance expenses, amounted to approximately HK\$132,900,000 (equivalent to approximately RMB116,800,000). As of 30 June 2022, 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 base and approximately RMB12,200,000 as working capital. The remaining net proceeds have been deposited with banks.

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

## **CORPORATE GOVERNANCE PRACTICES**

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**"), and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards. During the Reporting Period, the Company complied with the code provisions, other than code provisions C.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Tan Chuan Hua holds both the positions of the Chairman of the Board and the Chief Executive Officer. The Board believes that vesting the role of both positions in Mr. Tan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this arrangement will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element in the Board. The Board believes that the arrangement outlined above is beneficial to the Company and its business.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 for the six months ended 30 June 2022. 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 written guidelines. No incidence of non-compliance of the employees’ written guidelines by the relevant employees was noted by the Company during the Reporting Period.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 17 November 2009 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The primary duties of the audit committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditors are independent and the audit process is effective. The audit committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The audit committee also serves as a channel of communication between the Board and the external auditors.

The audit committee currently comprises the three independent non-executive Directors, namely, Mr. Yang Tiannan, Ms. Liu Liting and Mr. Chau Kam Wing, Donald. Mr. Chau is the chairman of the audit committee, and he possesses recognised professional qualifications in accounting as required by the Listing Rules.

The financial information in this interim results announcement has not been audited by the auditor of the Company. The audit committee has reviewed the Company’s unaudited condensed consolidated interim financial information, this results announcement and the interim report of the Company for the six months ended 30 June 2022 with the management of the Group and agreed with the accounting treatment adopted by the Company, and was of the opinion that the preparation of the financial statements in this interim results announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

## **DIVIDENDS**

Pursuant to a resolution passed by the shareholders of the Company on 20 May 2022, the Company declared a final dividend of HK27.15 cents per share for the year ended 31 December 2021, amounting to an aggregate of approximately HK\$67,526,000 (equivalent to approximately RMB55,215,000) to the shareholders of the Company. The final dividend was paid on 30 June 2022 by the internal cash resources of the Company.

The Board has resolved to declare an interim dividend of HK12.96 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: nil) to be payable on or around 31 October 2022 to the shareholders of the Company whose names appear on the register of members of the Company on 19 September 2022, amounting to an aggregate of approximately HK\$32,233,000 (equivalent to approximately RMB27,508,000).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 14 September 2022 to 19 September 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 13 September 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

The outbreak of the Pandemic continued to bring about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the Pandemic on the Group's businesses and will take all necessary and appropriate measures to reduce the impact of the Pandemic to the Group. Based on the information currently available, the Directors have confirmed that there has been no material adverse change in the financial or trading position of the Group up to the date of this announcement.

Saved as disclosed above, there is no material events after the Reporting Period as at the date of this announcement.

## **DISCLOSURE OF INFORMATION**

The interim report for the six months ended 30 June 2022 will be duly despatched to shareholders of the Company and published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ctans.com>).

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

Hong Kong, 30 August 2022

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

\* *For identification purpose only*