譚木匠

2021
ANNUAL REPORT

梳造东方美

SHU ZAO DONG FANG MEI

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

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

* For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Ms. Tan Yinan *(resigned on 12 April 2021)*
Ms. Huang Zuoan *(resigned on 1 June 2021)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

AUTHORISED REPRESENTATIVES

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

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STOCK CODE

837

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FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Changes
	2021	2020	Increase/
	RMB'000	RMB'000	(decrease)
Financial Highlights			
Revenue	**330,910**	277,261	19.3%
Cost of sales	**(131,120)**	(119,634)	9.6%
Gross profit	**199,790**	157,627	26.7%
Profit before taxation	**130,795**	100,785	29.8%
Profit attributable to owners of the Company	**107,663**	79,060	36.2%
Basic earnings per share (RMB cents)	**43.29**	31.79	36.2%
Proposed final dividend per share (HK cents)	**27.15**	19.58	38.7%

	As at 31 December		Changes Increase/
	2021	2020	(decrease)
Liquidity and Gearing			
Current ratio[(1)]	**7.42**	6.16	20.5%
Quick ratio[(2)]	**4.82**	4.33	11.3%
Gearing ratio[(3)]	**N/A[(4)]**	N/A[(4)]	–

Notes:

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

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

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

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

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Carpenter Tan Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2021 (the "Year Under Review") to the shareholders (the "Shareholders") and potential investors for your review.

In 2021, the market was generally stable. Under such circumstances, the Group moved forward steadily without slackening or acting in haste, and actively responded to market changes while adjusting its own pace. All of our staff member are united as one and hold a positive and proactive attitude towards all our endeavours. Given the current complexity and volatility of the market, coupled with the small-scale and localised outbreaks of the novel coronavirus (COVID-19) (the "Pandemic"), the operation of offline physical stores has been facing difficulties. As changes come faster than plans, this sets higher standards. We must be well-prepared to respond to any unexpected changes.

I wish to express my gratitude to our shareholders and investors, our dear friends, for their understanding, trust and continuous support they have given in such a tough year. Carpenter Tan has always been committed to being a good enterprise. Looking forward, we shall forge ahead while staying true to our original aspirations. Thank you!

Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 31 March 2022

Management Discussion and Analysis

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 there was in early 2020. All business sectors have gradually returned to their normal state, with various industries showing signs of green shoots and stability. While strictly implementing national Pandemic prevention and control policies, the Group has also put effort in production organization and market expansion. The order of production, everyday life and marketing has basically returned to a pre-pandemic state. Compared to last year, market conditions have improved significantly as evidenced by the stabilization and upswing of orders in franchised stores and the favorable development of market conditions for retail end sellers. This year we have made many endeavors but there is still much to do or improve, which shall require more efforts from us in 2022.

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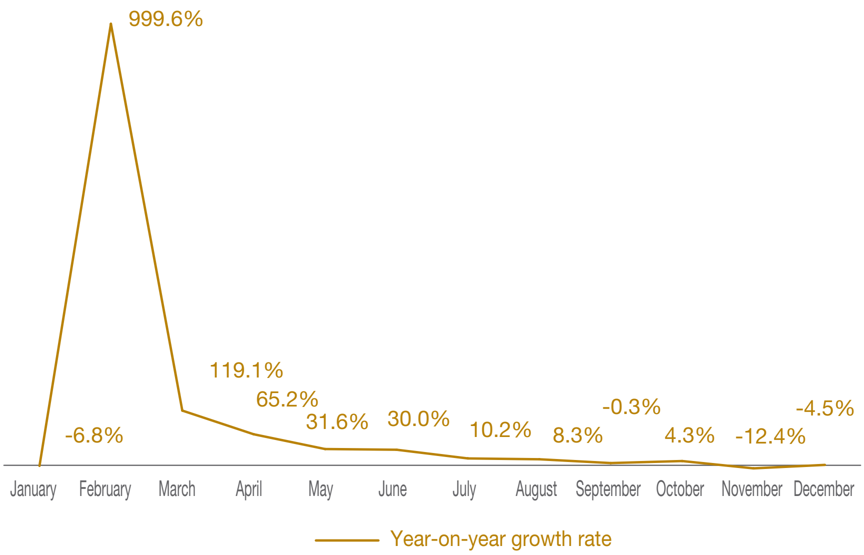
I. Offline Business

The momentum of opening new offline franchised stores remained intact in 2021, with 115 new stores opened throughout the year and their average monthly sales higher than that of the same period in 2019 before the Pandemic. However, we remain well aware of the increasing pressure on the operation of our franchisees. Not only did rent return to pre-Pandemic levels, labor costs also increased year by year. At the same time, our stores located at scenic spots and transportation hubs took the biggest hit as multiple outbreaks of the Pandemic has caused a significant decline in the footfall of shopping malls, transportation hubs and scenic spots.

For the year ended 31 December 2021, POS sales for our offline business reached 93.2% of the planned target, marking a year-on-year increase of 19.3% and a decrease of 16.7% 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 opening new stores reached 71.9% of its annual target, with average monthly sales exceeding RMB70,000 and shopping mall stores accounting for 87.0% of the total offline revenue.

2021 Sales Growth Rate



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	**1,094**	**3**	1,155	4

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

	As at 31 December			
	2021		2020	
Type of stores	**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	**1,089**	**100.0 %**	1,149	100.0%

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 and carry out fundamental Pandemic prevention measures. The proposal for a COVID-19 vaccination program was released, and owners and employees of franchised stores were encouraged to get vaccinated. Speedy and efficient responses were made to regional Pandemic emergencies through confirming the specific situation of the stores and related personnel in such areas and reporting back to the management in a timely manner. At the same time, a series of measures were formulated and implemented in the corresponding regions to safeguard sales. An "Every Tuesday Cleanup Day" event was carried out in order to ensure a clean and tidy store image and we have strengthened store inspections and imposed severe penalties for stores with non-compliant 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 our 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% 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 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 publicity campaign "Companionship is the longest confession of love" by "Carman Lee" (李若彤) were carried out online and offline respectively. 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 450,000 visitors.

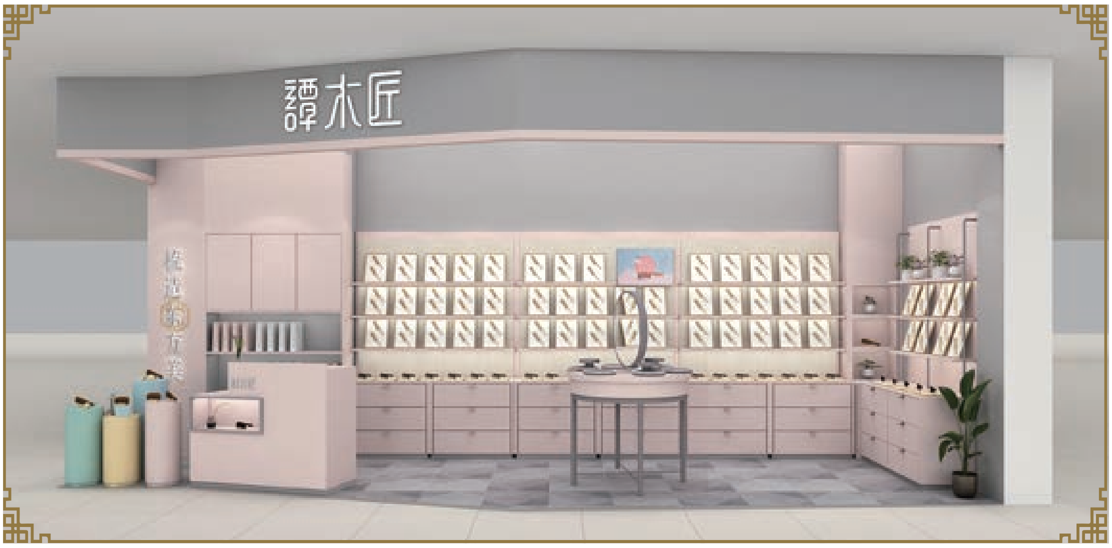
Expediting the upgrade of our product system

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 is nearly completed. Apart from decorative mirrors and combination sets, all other products have completed the upgrade of garment bags, packaging boxes and covers, 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 is 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 are better 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 areas 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 gave feedback and suggestions 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 improved substantially 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 marketing efforts: "Transformation, Going Global, Broaden Channels". We are resolved to implement this policy and make improvements 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 the basic work 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 102.6% of the total annual target of RMB165.0 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%. 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%.

Comparison between the sales data for 2021 and 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 February. The average daily sales of the Valentine's Day event increased by 110.0%. The sales of Qixi Festival in August and Teacher's day in September declined by 3.9% and 6.8%, respectively. The number of visitors in Qixi Festival increased by 11.0%. As the conversion rate of new customers decreased by 13.0%, we have to strengthen and optimize our efforts in launching marketing campaigns and retaining 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 Valentine's Day	648	591	9.6%
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 of Ms. Carman Lee using Carpenter Tan's combs for over 15 years has become a "long-lasting confession of love" and has been touching to many people. We have upgraded the decoration of our stores, enriched the contents of our webpages, improved brand tonality and increased dwell time. We initiated an 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 rate and turning visitors into purchasers.

In the coming year, the Group will develop new platforms, while expanding our platforms on Pinduoduo, Douyin and YIT. Pinduoduo's user portrait has a larger coverage as they include users in lower-tier cities as well as first- and second-tier cities, hence benefitting from the large amount of users. Without compromising the tonality of the brand, we will select suitable products for redirecting traffic and as special products to participate in platform activities, while continuously testing, adjusting and refining our product strategy. We will carry out in-depth planning for our platform on Douyin and leverage our experience in different dimensions such as brand videos and creative videos, and promotions by celebrities and celebrities livestreams to launch integrated marketing campaigns. YIT is an app platform that is in line with our brand tonality. It is an app that promotes the lifestyle of Chinese people, selects handicrafts and quality everyday products. We are currently discussing terms of collaboration 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 Pinduoduo 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-border exchanges and business activities have not yet recovered. Our overseas offline business was unable to expand, our remaining offline stores were struggling and certain franchisees went online. Our cross-border 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 franchised 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 store closures. We also paid attention to the health conditions of the overseas franchisee employees 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. Compared to last year, there was one store less. Meanwhile, our new store at Wanchai, which was in Morandi style, opened on 26 December 2021. During the Year Under Review, our two stores in Hong Kong recorded a total sales of approximately RMB3.5 million, representing a year-on-year decline of 2.8%.

Carpenter Tan's 108 New Store at Wanchai, Hong Kong

During the Year Under Review, our overseas offline business has recorded a total shipment of approximately RMB1.3 million, representing a year-on-year decrease of 14.0%. During the same period, the total sales of cross-border 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 are located in Asia, such as in Taiwan (China), Korea, Japan, Singapore, Malaysia as well as in Europe such as Switzerland and Germany and in North America such as the U.S. and Canada. Under the global Pandemic, currently only Macau, China opened their borders. 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 the international landscape for developing new overseas stores in Taiwan (China) and Malaysia. We will supplement basic information needed for expanding overseas and increase our investment in self-operated platform and official websites for cross-border e-commerce operation to expand our sales. We will strengthen our efforts in maintaining relationships and marketing campaigns with overseas institutions and media. We will provide guidelines for franchisees in developing overseas group purchase businesses so as to develop the Company's capability in handling overseas group purchases.

IV. Innovative Research and Development

In 2021, our R&D team explored ways to present the tonality of the brand, to dig deep into the traditional Chinese culture, to create a young and fashionable brand and to continuously improve and upgrade the craftsmanship, function and design of the products by constantly innovating and developing.

During the Year Under Review, we launched 16 new series with a total of 69 new products. We have made upgrades to our packaging, launching 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. The comb is now less prone to dropping and the endurance against drying and cracking is higher. This also lowered the requirement for the thickness of wooden or horn combs.

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

We have continued to explore the guochao culture and created young and fashionable product series.

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

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

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 prototypes of real ancient combs, and each 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 retrospect of our 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 hair-care comb with a curved 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 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 weatherability 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 being prone to deformation and tooth root cracking of ancient sapwood mixing wooden comb products during winter in the north, 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 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, 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, carrying out inspection work based on 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 Ms. 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：青絲里的時光), 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" (金陵陶崑灸療術), 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 (宫麗) "Gong Li Who Loves Literature and Art" (文藝范的宫麗), 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. Since then, 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 again.

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 Li Lin, our former colleague in the factory. 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 (經濟業務合同風險控制管理辦法), Administrative Measures for the Protection of Intellectual Property Rights and Trade Secrets (保護知識產權和商業秘密管理辦法), Qualified Supplier Evaluation (合格供方評價) 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.

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	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	**330,910**	**100.0**	277,261	100.0

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

2. Cost of sales

The cost of sales of the Group was approximately 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 details is set out in Note 8 to the Financial Statements in this report.

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. The details is set out in Note 14 to the Financial Statements in this report.

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.

CASH FLOWS

The Group's cash is primarily used to meet its working capital requirement, repay the principal and interest of its indebtedness falling due (if any) and finance the capital expenditures and growth of the Group's operations.

During the Year Under Review, the Group's cash and cash equivalents decreased by approximately RMB59,982,000, which mainly comprised the net cash inflow generated from operating activities with the amount of approximately RMB66,149,000, net cash outflow used in investing activities with the amount of approximately RMB66,778,000, net cash outflow used in financing activities with the amount of approximately RMB60,004,000 and the foreign exchange gain of approximately RMB651,000. Details of cash flows of the Group are set out on pages 79 and 80 of the Consolidated Cash Flow Statement in this report.

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 report.

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.

DIRECTORS

Executive Directors

Mr. Tan Chuan Hua (譚傳華), aged 64, is an executive Director, the co-founder of the Group and the chairman of the Company. He is responsible for the overall strategic planning, formulation of the corporate policies, the corporate development and also the day-to-day management of the Group. Mr. Tan has over 23 years of experience in the industry of manufacturing small size wooden handicrafts. Mr. Tan has been appointed as the Chairman of Chong Qing Art and Handicraft Association (重慶工藝美術行業協會) since 2004. He has been a member of the Third Political Consultative Conference Chong Qing Committee (重慶市第三屆政協委員) since January 2008 and was a member of the Second Political Consultative Conference Chong Qing Committee (重慶市第二屆政協委員) from January 2003 to December 2007. Mr. Tan was awarded by the Ministry of Personnel (人事部) of the PRC and China Disabled Persons' Federation (中國殘疾人聯合會) as a Country Self-motivated Model (全國自強模範) in 2003. He was also awarded as 2005 China Outstanding Franchise Executive (2005年中國特許企業優秀管理者) by China Chain Store and Franchise Association (中國連鎖經營協會). He is the director of Lead Charm Investments Limited ("Lead Charm"), the Company's controlling shareholder and Global Craft Collection Association (國際手工藝術集藏協會). He is the spouse of Ms. Fan Cheng Qin, father of Mr. Tan Di Fu and Mr. Tan Lizi and the uncle of Ms. Tan Yinan. Mr. Tan was appointed as an executive Director of the Company on 20 June 2006.

Mr. Tan Di Fu (譚棣夫), aged 36, is responsible for assisting the formulation of the business development strategy of the Group. He enrolled in Sichuan International Studies University (四川外語學院) in professional English language and literature (英語語言文化專業). He joined the Group in 2005 and has worked for various functional departments of the Group to obtain basic management training including production and human resources. He was subsequently promoted to the head of Wan Zhou Factory in 2007 and is responsible for its day-to-day operational management. Currently he is the General Manager of Chongqing Carpenter Tan Handicrafts Company Limited and is responsible for the day-to-day management of the Company. Mr. Tan Di Fu is the son of Mr. Tan Chuan Hua, the Chairman and an executive Director of the Company, and Ms. Fan Cheng Qin, the elder brother of Mr. Tan Lizi and the cousin of Ms. Tan Yinan. Mr. Tan was appointed as an executive Director of the Company on 18 August 2010.

Mr. Tan Lizi (譚力子), aged 32, at present is the chief executive officer of the Company. Mr. Tan is responsible for managing the day-to-day operation of the Group, including marketing management, logistics and finance. Mr. Tan is also the general manager of Jiangsu Mujianggu Tourism, Development Company Limited (江蘇木匠谷旅游發展有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Tan is the son of Mr. Tan Chuan Hua, the Chairman and an executive Director of the Company, and Ms. Fan Cheng Qin, the younger brother of Mr. Tan Di Fu and the cousin of Ms. Tan Yinan. He joined the Group in September 2012. Mr. Tan was appointed as an executive Director of the Company on 15 September 2017.

Non-executive Directors

Ms. Tan Yinan (譚佚男), aged 39, has worked for Hong Kong Sanxia Gas Investment Limited as a director and Chongqing Three Gorges Gas (Corp.) Ltd. as a general manager since May 2012 and July 2004 respectively. She has over 15 years experiences in management position. Ms. Tan graduated from Japanese Culture and Foreign Language Specialise School (日本文化外國語專門學校) in June 2004. She is the niece of Mr. Tan Chuan Hua, the chairman and an executive Director of the Company, the cousin of Mr. Tan Di Fu and Mr. Tan Lizi. Ms. Tan was appointed as a non-executive Director of the Company on 1 January 2016. Ms. Tan resigned as a non-executive Director of the Company on 12 April 2021.

Ms. Huang Zuoan (黃佐安), aged 62, worked for the Ministry of Public Security of the PRC as team head of the economic crime investigation unit at Chongqing City Wanzhou branch from May 2007 to August 2012 and zhengchuji investigator of Wanzhou district police school from August 2012 to December 2013. Ms. Huang has over 33 years experiences in public security governmental authorities. She was appointed as an independent non-executive Director on 22 May 2014. Ms. Huang was re-designated from an independent non-executive Director to a non-executive Director on 28 February 2017. Ms. Huang resigned as a non-executive Director of the Company on 1 June 2021.

Independent non-executive Directors

Mr. Chau Kam Wing, Donald (周錦榮), aged 59, has over 27 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a master degree in business administration from the University of San Francisco, US in 2000. He is also a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is currently the finance director of Winox Holdings Limited (Stock Code: 6838) and he is also an independent non-executive director of China Water Affairs Group Limited (Stock Code: 0855), Ching Lee Holdings Limited (Stock Code: 3728) and Kangda International Environmental Company Limited (Stock Code: 6136), respectively, these four companies are listed on the Main Board of the Hong Kong Stock Exchange ("HKEx"). He is also an independent non-executive director of Eco-Tek Holdings Limited (Stock Code: 8169) which is listed on the Growth Enterprise Market of the HKEx. Mr. Chau was also an independent non-executive director of Zhejiang Chang'an Renheng Technology Co., Ltd. (Stock Code: 8139), which is listed on the Growth Enterprise Market of the Stock Exchange, from May 2014 to May 2019. Mr. Chau has been appointed as an independent non-executive Director of the Company since 17 November 2009.

Mr. Yang Yang (楊揚), aged 43, has over 21 years experiences in the capital market and securities industry. During the period from April 2002 to April 2015, he worked as an investment manager, a senior investment manager and an equity managing director at Taikang Asset Management Co., Ltd. with main responsibility for assets investment and equity portfolio management. He was an officer of Bank of China Beijing Branch from July to December 1999. Mr. Yang received his bachelor's degree in economics from Beihang University in 1999 and his master's degree in financial investment from the University of Nottingham in December 2001. Mr. Yang was appointed as an independent non-executive Director of the Company on 1 January 2016.

Ms. Liu Liting (劉麗婷), aged 40, has over 17 years of experience in business administration. In 2007, she joined Beijing Puna PR Consulting Co., Ltd. (北京普納公關顧問有限公司), which is a public relations company in the People's Republic of China, and has been the general manager since 2013. Ms. Liu obtained her bachelor's degree in economics from the Harbin Institute of Technology (哈爾濱工業大學) in May 2004 and her master's degree in arts from the University of Sunderland in England in November 2006. Ms. Liu was appointed as an independent non-executive Director of the Company on 31 May 2017.

SENIOR MANAGEMENT

Ms. Fan Cheng Qin (范成琴) aged 57, is the co-founder and quality controller of the Group. She is responsible for the quality control of the Group including supervision of the quality control team of the logistic centre. She has over 19 years' experience in the industry of manufacturing small wooden handicrafts. Ms. Fan is the spouse of Mr. Tan Chuan Hua, the mother of Mr. Tan Di Fu and Mr. Tan Lizi, the elder sister-in-law of both Mr. Tan Cao and the aunt of Ms. Tan Yinan.

Ms. Liu Kejia (劉珂佳), aged 37, is the sales controller of the Group (both offline sales and online sales). Ms. Liu joined the Group in October 2009, and is responsible for the exploration of channels on the network sales platform, business management, risk control, overseas market development. Ms. Liu held a bachelor degree in business administration awarded by Chongqing Postal and Telecommunication University (重慶郵電大學) and was engaged in the project management of Singapore Certis CISCO (策安科技) before joining the Group.

Mr. Luo Hongping (羅洪平), aged 56, is the administration controller of the Group. Mr. Luo joined the Group in July 2003, and is responsible for human resource and administration, finance and accounting, product design, brand culture, production, processing and logistic. He has been the factory manager of Wanzhou factory and the head of the technical center of the Group. Mr. Luo held a bachelor degree in engineering management. Before joining the Group, he had been the deputy factory manager of Sichuan Huaxi Silk Factory (四川華西絲綢總廠) for over 10 years where he gained experience in production management, and the deputy general manager of Chongqing Longbao Radio and Television Co., Ltd. (重慶龍寶廣電有限公司) for 4 years where he gained experience in sales of electrical appliances.

Mr. Chan Hon Wan (陳漢雲), aged 61, is the financial controller and company secretary of the Company and joined the Group in June 2008. Mr. Chan graduated with a Master Degree in Accountancy from the Hong Kong Polytechnic University and a Bachelor Degree in Economics from Macquarie University in Australia. He is currently an associate member of The Hong Kong Institute of Certified Public Accountants (HKICPA), and an associate member of The Institute of Chartered Accountants in Australia. He has over 35 years of extensive experience in accounting and finance fields, gaining from one of the "Big-4" international accounting firms and various listed corporations. He is responsible for overseeing the Group's accounting and finance matters.

CORPORATE GOVERNANCE REPORT

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

During the Year Under Review, the Company had 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.

BOARD OF DIRECTORS

The Board is the core of the Company's corporate governance framework and its role is clearly separated from that of senior management. The Board is responsible for providing guidance for senior management and maintaining effective supervision over senior management. Since the day-to-day running of the Company has been delegated by the Board to the senior management, the senior management is responsible for the implementation of the policies resolved. In general, the responsibilities of the Board include formulating operation plans and investment proposals of the Company, preparing the proposed and final annual budgets of the Company, assessing the performance of the Company and overseeing the work of senior management.

As at 31 December 2021, the Board comprises a total of six Directors, being three executive Directors and three independent non-executive Directors. Mr. Tan Chuan Hua, Mr. Tan Di Fu and Mr. Tan Lizi served as executive Directors; and Mr. Yang Yang, Ms. Liu Liting and Mr. Chau Kam Wing, Donald served as independent non-executive Directors. These independent non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. Biographical details of and the relationship between the Directors are set out in the section headed "Biography of Directors and Senior Management" on pages 40 to 42 of this report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the Year Under Review, four Board meetings were held and attendance of each Director at the Board meetings is set out in the paragraph headed "Board Meetings and Individual Attendance" on page 48 of this report.

All members of the Board fully understand their collective and individual responsibility for the Company's Shareholders, and will try their best to carry out their duties to make contributions to the Group's results.

Throughout the Year Under Review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) and 3.10A of the Listing Rules and has appointed three Independent non-executive Directors, representing more than one-third of the number of Directors at the Board, with at least one Independent non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

Pursuant to the Articles of Association of the Company, one-third of the Directors shall retire from office by rotation at each annual general meeting. Accordingly, Mr. Tan Lizi and Mr. Yang Yang shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, offer themselves for re-election.

BOARD DIVERSITY POLICY

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

BOARD COMMITTEES

The Board has formed three committees, namely the audit committee, the remuneration committee and the nomination committee, for overseeing particular aspects of the Company's affairs. All Committees have been formed with specific written terms of reference in compliance with Appendix 14 to the Listing Rules which deal with their respective authorities and duties.

The Committees' terms of reference are reviewed and updated regularly to ensure they continue to be at the forefront of best practice and to ensure due compliance with the most updated rules and regulations. Copies of the terms of reference are available on the website of the Stock Exchange and the website of the Company.

Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

Members, duties and responsibilities of the committees are as follows:

AUDIT COMMITTEE

The Company established 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 the ensure that management has performed its duty to have effective systems.

During the Year Under Review, the Audit Committee had held two meetings. The attendance record of the committee members at these meetings are set out in the section headed "Board Meetings and Individual Attendance" of this report. The work performed by the Audit Committee during the Year Under Review included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 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 Committed has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements and the results announcement for the year ended 31 December 2021, and this 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.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 17 November 2009 with written terms of reference in compliance with the CG Code. The Remuneration Committee currently has three members, namely Ms. Liu Liting, Mr. Yang Yang and Mr. Chau Kam Wing, Donald, all of whom are independent non-executive Directors. Mr. Chau Kam Wing, Donald is the chairman of the Remuneration Committee.

The duties and responsibilities of the Remuneration Committee include:

- recommend to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- review and approve performance - based remuneration by reference to corporate goals and objectives;
- review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct; and
- consider the granting of share options to the Directors pursuant to any share option scheme adopted by the Company.

During the Year Under Review, the Remuneration Committee had held two meetings and all the members attended the meeting. The Remuneration Committee has considered the policy for the remuneration of Directors, the performance of Directors, and the terms of Directors' service contracts. The Remuneration Committee adopted the approach under Code Provision B.1.2(c)(ii) of the CG Code to make recommendation to the Board and review the remuneration packages of the individual Directors and senior management of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 28 March 2012 with written terms of reference, which was amended and adopted by the Board on 29 August 2013 and the contents of which are in compliance with the provisions of the CG Code. There are three members for the Nomination Committee which includes Ms. Liu Liting, Mr. Yang Yang and Mr. Chau Kam Wing, Donald who are all Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Chau Kam Wing, Donald.

The duties and responsibilities of the Nomination Committee include:

- formulate nomination policy for consideration of the Board and implement the nomination policy laid down by the Board;
- consider the selection criteria of Directors, and develop procedures for the sourcing and selection of members of the Board to be elected by shareholders of the Company;
- identify and nominate candidates to fill causal vacancies of Directors for the Board's approval;
- review the structure, size and composition of the Board at least annually, considering inter alia the skills, knowledge and length of service, the breadth of expertise of the Board as a whole, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman, and the chief executive.

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

To comply with the new provisions in the CG Code on board diversity which became effective on 1 September 2013, the Nomination Committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service in related business areas of the Board members and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of gender, professional background, skills and knowledge.

During the Year Under Review, the Nomination Committee had held two meetings and all the members attended the meetings.

The work performed by the Nomination Committee during the Year Under Review included reviewing the established policy and procedure for the nomination and appointment of new Directors, reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy and assessing the independence of the Independent Non-executive Directors. The Nomination Committee, having reviewed the structure, size, composition and diversity of the Board including the gender, age, culture and educational background, professional experience and industry experience of each Director vis-a-vis the Group's business strategy as well as the structure for the rotation of Directors, considered that the existing arrangements were appropriate.

BOARD MEETINGS AND INDIVIDUAL ATTENDANCE

It is proposed to hold Board meetings at least four times a year regularly. Notice will be given to Directors at least fourteen days before a regular Board meeting. Directors will be given reasonable and practicable notification under relevant circumstance for any special Board meeting called.

Before each Board meeting, the Directors are provided with a detailed agenda and sufficient relevant information, so as to enable the Directors to make appropriate decisions in relation to the matters to be discussed therein. All Directors are given an opportunity to include matters of their concern in the agenda of the Board meeting. If any Director or any of his/her associate has material interests in any resolution of the Board meeting, such Director much abstain from voting and should not be counted in the quorum of the meeting.

Details of the attendance records of Directors on Board meetings and board committee meetings for the year ended 31 December 2021 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Tan Chuan Hua *(Chairman)*	4/4	–	–	–	1/1
Mr. Tan Di Fu	4/4	–	–	–	1/1
Mr. Tan Lizi	4/4	–	–	–	1/1
Non-executive Directors					
Ms. Tan Yinan *(resigned on 12 April 2021)*	1/4	–	–	–	–
Ms. Huang Zuoan *(resigned on 1 June 2021)*	1/4	–	–	–	1/1
Independent Non-Executive Directors					
Mr. Chau Kam Wing, Donald	4/4	2/2	2/2	2/2	1/1
Mr. Yang Yang	4/4	2/2	2/2	2/2	1/1
Ms. Liu Liting	4/4	2/2	2/2	2/2	1/1

Subsequent to the year ended 31 December 2021 and up to the date of this report, the Board held another Board meeting in March 2022 for the main purpose of approving the annual results of the Group for the year ended 31 December 2021 and this annual report for publication and formulating business development strategies. All Directors attended such meeting.

TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. All Directors have been updated on the latest developments regarding the main board listing rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code effective from 1 April 2012 on Directors' training and have provided a record of the training they received to the Company. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge.

Name of Directors	Training received
Mr. Tan Chuan Hua	— Reading materials/attending external and in house seminars and programmes
Mr. Tan Di Fu	— Reading materials/attending external and in house seminars and programmes
Mr. Tan Lizi	— Reading materials/attending external and in house seminars and programmes
Ms. Tan Yinan *(resigned on 12 April 2021)*	— Reading materials/attending external and in house seminars and programmes
Ms. Huang Zuoan *(resigned on 1 June 2021)*	— Reading materials/attending external and in house seminars and programmes
Ms. Liu Liting	— Reading materials/attending external and in house seminars and programmes
Mr. Chau Kam Wing, Donald	— Reading materials/attending external and in house seminars and programmes
Mr. Yang Yang	— Reading materials/attending external and in house seminars and programmes

RESPONSIBILITIES OF THE DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the Financial Statements of the Group in accordance with the relevant laws and disclosure stipulations of the Listing Rules and ensuring that these statements give a true and fair view of the state of affairs of the Group, its results and cash flows for the relevant period. The Board also ensures the timely publication of the financial statements of the Group. The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

The responsibilities of the external auditors are to express an independent opinion on the Financial Statements prepared by the Directors based on their audit and to report their opinion solely to all the Shareholders, and for no other purpose. The statement of external auditor of the Company, Crowe (HK) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" of this report.

REMUNERATION OF EXTERNAL AUDITORS

For the year ended 31 December 2021, the total remuneration paid to the external auditors in Hong Kong and the PRC for audit services amounted to approximately RMB668,000 (equivalent to approximately HK$810,000).

For the year ended 31 December 2021, the total remuneration for the permissible non-audit services provided by the external auditors amounted to approximately RMB351,000 (equivalent to approximately HK$425,000), mainly representing the remuneration for interim review services.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

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

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

Internal control and risk management

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

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

COMPANY SECRETARY

Mr. Chan Hon Wan was appointed as the company secretary of the Company on 1 June 2008. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. He is responsible for ensuring a good information flow within the Board and the compliance of the board policy and procedures.

During the Year Under Review, Mr. Chan has confirmed that he has duly complied with the relevant requirement under Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training. His biographical details are set out in the section headed "Biography of Directors and Senior Management" in this report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) has entered into a service agreement with the Company. The terms and conditions of such service agreements are briefly described as follows:

(a) Each service agreement in respect of executive Directors is for a term of three years unless and until terminated by either party thereto giving to the other party not less than three months' prior written notice or terminated in accordance with the provisions set out in the respective service agreement after the first one year.

    Each of the executive Directors is entitled to their respective remuneration and benefits under statutory retirement scheme which have been agreed with the Company.

    In addition, each of the executive Directors may receive a discretionary bonus as the Board may suggest, the amount of which shall not exceed 5% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee of the Board.

(b) Each service agreement in respect of non-executive Directors is for a term of two years. Either party may terminate the appointment by giving to the other party no less than three months' prior written notice. Each of the non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

(c) Each service agreement in respect of the independent non-executive Directors is for a term of two years. Either party may terminate the appointment by giving to the other party not less than three months' prior written notice. Each of the independent non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

Save as disclosed herein, none of the Directors has entered into or has proposed to enter into any service agreements with the Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

COMMUNICATION WITH SHAREHOLDERS

Shareholders' communication policy

On 28 March 2012, the Board adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly by the Group to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.ctans.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website at www.ctans.com;

(iv) Annual General Meeting and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

Extraordinary general meetings shall be convened on the written requisition of any one or more Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for proposing a person for election as a director

On 28 March 2012, the Board adopted a policy of procedures for proposing a person for election as a director. If a shareholder of the Company wishes to propose a person (other than a retiring Director) for election as a Director (the "Candidate") at a general meeting of the Company, he should:

(i) lodge a written notice of such proposal at the Company's head office in Hong Kong at Room 708, 7th Floor, Witty Commercial Building, 1A-1L Tung Choi Street, Mong Kok, Kowloon, Hong Kong for the attention of the Company's company secretary, signed by the shareholder who should be qualified to attend and vote at the general meeting;

(ii) provide biographical details of the Candidate as set out in Rule 13.51(2)(a)-(x) of the Listing Rules; and

(iii) provide a written consent signed by the Candidate indicating his/her willingness to be elected.

The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the relevant general meeting appointed for such election and end on the date seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary whose contact address is Room 708, 7th Floor, Witty Commercial Building, 1A-1L Tung Choi Street, Mong Kok, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company believes that effective communications with the investment community are pivotal in enhancing investors' understanding of the Company's business and development. To achieve this and to enhance transparency, the Company maintains a proactive approach in promoting investor relations and communications. As such, the objectives of the Company's investor relations policy is to enable investors to have access, on a fair and timely basis, to information relating to the Group so that they can make informed decisions.

Investors are welcome to share their views with the Board by writing to the Company or sending enquiries to the Company's website at www.ctans.com. The website also enables investors and the public to obtain up-to-date corporate information of the Group.

On behalf of the Board
Carpenter Tan Holdings Limited
Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 31 March 2022

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "Financial Statements").

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the Consolidated Financial Statements on pages 74 to 146.

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 financial 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, 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.

POLICY ON PAYMENT OF DIVIDENDS

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

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

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

CLOSURE OF THE REGISTER OF MEMBERS

To be eligible to attend and vote in the forthcoming annual general meeting

The register of members of the Company will be closed from 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.

BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" on pages 7 to 39. An analysis of the Group's performance during the Year Under Review using financial key performance indicators is provided in the "Financial Highlights" on page 4. No important event affecting the Group has occurred since the end of the Year Under Review.

ENVIRONMENTAL POLICY

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH STAKEHOLDERS

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

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

KEY RISKS AND UNCERTAINTIES

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

Market Risk

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

Foreign exchange risk

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

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

Liquidity Risk

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

Operational Risk

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

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

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

Included in the Group's property, plant and equipment, there is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB27,280,000 as at 31 December 2021. The Group purchased the property from 蘇州建興置業有限公司 (the "Developer") in 2013. The Group has fully paid the cost of the buildings but as at 31 December 2021, the Group has not obtained the ownership certificate yet. The Group has litigations against the Developer in these few years. During the Year Under Review, the Developer was under liquidation procedure. The management has obtained legal opinion and assessed it is more probable for the liquidator will continue to execute the sales and purchase agreement between the Developer and the Group and complete the 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 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:

					Number of Share Options					
Grantees	Position held with the Group	Date of grant	Option period (Note 1)	Exercise price per share (Note 2)	Outstanding as at 1 January 2021	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2021	Approximate percentage of the Company's total issued share capital
Mr. Tan Lizi	Executive Director	31 August 2018	31 August 2018 to 30 August 2023	4.896	300,000	–	–	–	300,000	0.12%
Ms. Liu Kejia	Sales Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	–	–	–	200,000	0.08%
Mr. Luo Hongping	Administration Controller	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	–	–	–	200,000	0.08%
					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.

BORROWINGS

The Group did not have any borrowings for the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association of the Company, each Director or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

GOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a "going concern" basis.

PUBLIC FLOAT

According to information disclosed publicly and as far as the Directors are aware, for the year ended 31 December 2021 and up to the date of this report, at least 25% issued shares of the Company were held by public shareholders.

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

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 28 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the "Consolidated Statement of Changes in Equity" on page 78 and Note 30 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately RMB111,285,000, of which approximately RMB55,215,000 (equivalent to approximately HK$67,526,000) has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

CHARITABLE DONATIONS

The Group had charitable donations of approximately RMB50,000 for the year ended 31 December 2021 (2020: approximately RMB1,904,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2021 are set forth in Note 14 to the Financial Statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The fair value of the Group's investment properties as at 31 December 2021 amounted to approximately RMB99,140,000 which had decreased by approximately RMB2,100,000 when compared to 2020. Details of movements in the investment properties of the Group are set out in Note 15 to the Financial Statements of the Group for the year ended 31 December 2021. Details of the principal properties held for investment purposes are set out on page 147 of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2021 are set out in Note 17 to the Financial Statements.

DIRECTORS

The Directors of the Company during the financial year ended 31 December 2021 and up to the date of this report are as follows:

Executive Directors

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

Non-executive Directors

Ms. Tan Yinan (resigned on 12 April 2021)
Ms. Huang Zuoan (resigned on 1 June 2021)

Independent Non-Executive Directors

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

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Biography of Directors and Senior Management" on pages 40 to 42 of this report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it has received from each Independent Non-executive Director a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers, based on the confirmations received, the Independent Non-executive Directors remain independent.

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee considers and makes recommendation to the Board on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

The Board determines the remuneration of the Directors on the basis of the Company's performance, together with the relevant Directors' qualifications, responsibilities, experience, contributions to and positions held with the Company. Details of the remuneration of the Directors are set out in Note 9 to the Financial Statements.

The five highest paid individuals of the Group in the Year Under Review include 1 Director (2020: 1 Director). Details of the five highest paid individuals are set out in Note 10 to the Financial Statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) has entered into a service agreement with the Company. The terms and conditions of such service agreements are briefly described as follows:

(a) Each service agreement in respect of Executive Directors is for a term of three years unless and until terminated by either party thereto giving to the other party not less than three months' prior written notice or terminated in accordance with the provisions set out in the respective service agreement after the first one year.

Each of the Executive Directors is entitled to their respective remuneration and benefits under statutory retirement scheme which have been agreed with the Company.

In addition, each of the Executive Directors may receive a discretionary bonus as the Board may suggest, the amount of which shall not exceed 5% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee of the Board.

(b) Each service agreement in respect of Non-executive Directors is for a term of two years. Either party may terminate the appointment by giving to the other party no less than three months' prior written notice. Each of the Non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

(c) Each service agreement in respect of the Independent Non-executive Directors is for a term of two years. Either party may terminate the appointment by giving to the other party not less than three months' prior written notice. Each of the Independent Non-executive Directors is entitled to their respective remuneration which has been agreed with the Company.

For the Year Under Review, the emoluments payable to each of the Directors are as follows:

	RMB'000
Executive Directors	
Mr. Tan Chuan Hua *(Chairman)*	154
Mr. Tan Di Fu	88
Mr. Tan Lizi	894
Non-executive Directors	
Ms. Tan Yinan (resigned on 12 April 2021)	26
Ms. Huang Zuoan (resigned on 1 June 2021)	37
Independent Non-Executive Directors	
Mr. Chau Kam Wing, Donald	132
Mr. Yang Yang	88
Ms. Liu Liting	88

Each of the executive Directors will also be entitled to reimbursement of reasonable traveling, hotel, entertainment and other expenses properly incurred in the performance of his or her duties under the relevant service contract.

Save as disclosed herein, none of the Directors has entered into or has proposed to enter into any service agreements with the Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, none of the Directors was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN SECURITIES

(A) Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interest in the shares in the Company:

Name of Director	Capacity/Nature of interest	Number of securities	Approximate percentage of shareholding
Tan Chuan Hua (Note 1)	Interest in a controlled corporation	167,700,000	67.43%
Tan Lizi (Note 2)	Beneficial owner	300,000	0.12%

Note:

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

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

(II) Interests in the shares of associated corporations:

Name of Directors	Name of associated corporations	Capacity/ Nature of interest	Approximate percentage of shareholding in associated corporations
Tan Chuan Hua	Lead Charm	Beneficial owner	51%

(B) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2021, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Number of shares	Position	Approximate percentage of shareholding
Tan Chuan Hua (Note 1)	Interest in a controlled corporation	167,700,000	Long	67.43%
Fan Cheng Qin (Note 2)	Interest in a controlled corporation	167,700,000	Long	67.43%
Lead Charm (Note 3)	Beneficial owner	167,700,000	Long	67.43%

Notes:

1. Tan Chuan Hua is deemed to be interested in 167,700,000 Shares held by Lead Charm by virtue of his 51% interest in Lead Charm under Part XV of the SFO. Mr. Tan is a controlling shareholder within the meaning of the Listing Rules.

2. Fan Cheng Qin is deemed to be interested in 167,700,000 Shares held by Lead Charm by virtue of her 49% Interest in Lead Charm under Part XV of the SFO. Ms. Fan is a controlling shareholder within the meaning of the Listing Rules.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2021 are set out in Note 33 to the Financial Statements.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions set out in the paragraph headed "Related Party Transactions", at the end of the year or at any time during the Year Under Review, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year Under Review.

PLEDGE OF ASSETS

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

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various short term bank borrowings when required. As at 31 December 2021, the Group did not have any bank borrowings. Taking into account the cash flow generated from operation and the bank borrowing facilities available to the Group, the directors of the Company are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least twelve months from the date of this report.

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 5.1% of the Group's total revenue and sales to the largest customer accounted for approximately 1.1% of the Group's total revenue for the year ended 31 December 2021. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 70.3% of the Group's total purchases and purchases from the largest supplier accounted for approximately 45.4% of the Group's total purchases for the year ended 31 December 2021.

None of the Directors, their associates, or any shareholder which to the knowledge of the Directors owns more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2021 are set out in Note 2(N) to the Financial Statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the last five financial years is set out in the "Financial Summary" on page 148 of this report.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

Crowe (HK) CPA Limited ("Crowe (HK)") acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 December 2021. Crowe (HK) retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (HK) as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Carpenter Tan Holdings Limited
Mr. Tan Chuan Hua
Chairman of the Board

Hong Kong, 31 March 2022

INDEPENDENT AUDITOR'S REPORT

Crowe

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
CARPENTER TAN HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Carpenter Tan Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 146, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Net realisable value of inventories	
Refer to notes 4 and 18 to the consolidated financial statements and the accounting policies on page 92.	We have performed review of the ageing analysis of the inventory reports to identify any issues in respect of slow-moving items of the inventories.
Assessing net realisable value is an area of significant judgement, with specific consideration in relation to the estimate of write-down of slow-moving and obsolete inventory. Considered that the characteristic of the raw materials, they are ready for use after storing for a period of time which is around 2 to 3 years. However, the demand and ability of the Group to sell these inventories in the future may be adversely affected by many factors, such as changes in customers and consumer preferences, competitor activities including pricing and the introduction of new products.	We have assessed the demand for the Group's inventories by reference to the sales patterns and trends of the Group's products before and after the year end, reviewed the confirmed sales orders from the customers. We have reviewed the calculation of net realisable value of inventories, on a sample basis, with reference to the selling prices achieved on sales near and after the year-end, and checked that the inventories are stated at the lower of their costs and net realisable value.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sze Chor Chun, Yvonne.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong
31 March 2022

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**330,910**	277,261
Cost of sales		**(131,120)**	(119,634)
Gross profit		**199,790**	157,627
Other income and other net gain/loss	6	**38,215**	48,354
Administrative expenses		**(30,821)**	(37,475)
Selling and distribution expenses		**(71,615)**	(61,197)
Other operating expenses		**(4,440)**	(6,067)
Profit from operations		**131,129**	101,242
Finance costs	7(C)	**(334)**	(457)
Profit before taxation	7	**130,795**	100,785
Income tax	8(A)	**(22,447)**	(19,777)
Profit for the year		**108,348**	81,008
Attributable to			
Owners of the Company		**107,663**	79,060
Non-controlling interests		**685**	1,948
Profit for the year		**108,348**	81,008
Earnings per share			
Basic and diluted	13	**RMB43.29 cents**	RMB31.79 cents

The notes on pages 81 to 146 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 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)
Item that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**1,086**	6,134
Other comprehensive income for the year, net of nil income tax	**227**	476
Total comprehensive income for the year	**108,575**	81,484
Attributable to		
Owners of the Company	**107,890**	79,536
Non-controlling interest	**685**	1,948
Total comprehensive income for the year	**108,575**	81,484

The notes on pages 81 to 146 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14(A)	**77,852**	60,920
Right-of-use assets	14(B)	**41,814**	36,787
Investment properties	15	**99,140**	101,240
Intangible assets	16	**–**	–
Other receivables, deposits and prepayments	20	**705**	–
		219,511	198,947
Current assets			
Inventories	18	**198,103**	159,404
Income tax recoverable	22(A)	**60**	–
Trade receivables	19	**4,902**	3,714
Other receivables, deposits and prepayments	20	**8,355**	12,573
Financial assets at fair value through profit or loss	21	**317,580**	264,000
Cash and bank balances	23(A)	**35,795**	95,777
		564,795	535,468
Current liabilities			
Trade payables	24	**2,441**	4,114
Other payables and accruals	25	**48,738**	50,479
Income tax payable	22(A)	**22,540**	29,013
Lease liabilities	26	**2,388**	3,308
		(76,107)	(86,914)
Net current assets		**488,688**	448,554
Total assets less current liabilities		**708,199**	647,501

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Deferred tax liabilities	22(B)	**23,850**	23,195
Deferred income	27	**565**	600
Lease liabilities	26	**11,337**	4,567
		(35,752)	(28,362)
NET ASSETS		**672,447**	619,139
CAPITAL AND RESERVES			
Share capital	28	**2,189**	2,189
Reserves	30	**666,207**	604,035
Equity attributable to owners of the Company		**668,396**	606,224
Non-controlling interests		**4,051**	12,915
TOTAL EQUITY		**672,447**	619,139

Approved and authorised for issue by the board of directors on 31 March 2022.

Tan Chuan Hua
Director

Tan Lizi
Director

The notes on pages 81 to 146 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company										
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 30(A))	Capital reserve RMB'000 (Note 30(B))	Statutory reserves RMB'000 (Note 30(C))	Other reserves RMB'000 (Note 30(D))	Property revaluation reserve RMB'000 (Note 30(E))	Currency translation reserve RMB'000 (Note 30(F))	Equity settled share-based payment reserve RMB'000 (Note 30(G))	Retained profits RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	2,189	110,503	10,005	57,947	17,542	12,245	(16,788)	192	394,969	7,800	596,604
Profit for the year	–	–	–	–	–	–	–	–	79,060	1,948	81,008
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	(5,658)	–	–	–	(5,658)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	6,134	–	–	–	6,134
Total comprehensive income for the year	–	–	–	–	–	–	476	–	79,060	1,948	81,484
Dividends approved in respect of the previous year (note 12)	–	–	–	–	–	–	–	–	(62,502)	–	(62,502)
Change in the Group's interests in existing subsidiary	–	–	270	–	–	–	–	–	–	3,167	3,437
Equity settled share-based transactions	–	–	–	–	–	–	–	116	–	–	116
Transfer to reserve	–	–	–	264	–	–	–	(40)	(224)	–	–
At 31 December 2020	2,189	110,503	10,275	58,211	17,542	12,245	(16,312)	268	411,303	12,915	619,139
At 1 January 2021	**2,189**	**110,503**	**10,275**	**58,211**	**17,542**	**12,245**	**(16,312)**	**268**	**411,303**	**12,915**	**619,139**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**107,663**	**685**	**108,348**
Exchange differences on translation from functional currency to presentation currency	**-**	**-**	**-**	**-**	**-**	**-**	**(859)**	**-**	**-**	**-**	**(859)**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**1,086**	**-**	**-**	**-**	**1,086**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**227**	**-**	**107,663**	**685**	**108,575**
Dividends approved in respect of the previous year (note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(40,540)**	**-**	**(40,540)**
Changes in the Group's interests in existing subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,316)**	**(10,557)**	**(15,873)**
Capital contribution from non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,008**	**1,008**
Transfer to reserve	**-**	**-**	**-**	**239**	**-**	**-**	**-**	**-**	**(239)**	**-**	**-**
Equity settled share-based transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**138**	**-**	**-**	**138**
At 31 December 2021	**2,189**	**110,503**	**10,275**	**58,450**	**17,542**	**12,245**	**(16,085)**	**406**	**472,871**	**4,051**	**672,447**

The notes on pages 81 to 146 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**130,795**	100,785
Adjustments for:			
Finance costs	7(C)	**334**	457
Interest income	6	**(609)**	(212)
Change in fair value of investment properties	6	**2,100**	–
Change in fair value of financial assets at fair value through profit or loss	6	**(8,575)**	(16,666)
Net loss on disposal of property, plant and equipment	7(B)	**329**	32
Depreciation of property, plant and equipment	7(B)	**4,505**	4,079
Depreciation of right-of-use assets	7(B)	**5,147**	6,380
Equity settled share-based payment expenses	7(A)	**138**	116
COVID-19-related rent concessions received	6	**–**	(296)
Write down of inventories	7(B)	**1,987**	4,349
Net foreign exchange (gain)/loss	7(B)	**(669)**	5,674
Government grants released from deferred income	6	**(35)**	(32)
(Reversal of loss allowances)/loss allowance on trade receivables, net	7(B)	**(12)**	63
(Reversal of loss allowances)/loss allowance on other receivables, net	7(B)	**(30)**	5
Provision for sales returns	7(B)	**1,788**	562
Reversal of write-down of inventories	7(B)	**(269)**	(50)
Operating profit before working capital changes		**136,924**	105,246
Increase in inventories		**(40,417)**	(10,631)
(Increase)/decrease in trade receivables		**(1,176)**	1,022
Decrease in other receivables, deposits and prepayments		**3,543**	6,314
(Decrease)/increase in trade payables		**(1,673)**	1,016
(Decrease)/increase in other payables and accruals		**(3,529)**	1,635
Cash generated from operations		**93,672**	104,602
Interest received		**609**	212
Income tax paid		**(26,105)**	(13,819)
Income tax refund		**–**	320
Withholding tax paid		**(2,027)**	(10,707)
Net cash generated from operating activities		**66,149**	80,608

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(21,794)**	(4,561)
Proceeds from disposal of property, plant and equipment		**21**	50
Payment for purchase of financial assets		**(591,580)**	(1,108,566)
Proceeds from sale of financial assets		**546,575**	1,308,816
Net cash (used in)/generated from investing activities		**(66,778)**	195,739
Financing activities			
Dividend paid	23(B)	**(40,540)**	(210,508)
Capital contribution from non-controlling interests		**1,008**	–
Proceeds on disposal of shares of a subsidiary to non-controlling interests		**–**	3,437
Capital element of lease rentals paid	23(B)	**(4,265)**	(5,614)
Interest element of lease rentals paid	23(B)	**(334)**	(457)
Payment to non-controlling interests for additional interests in existing subsidiary		**(15,873)**	–
Net cash used in financing activities		**(60,004)**	(213,142)
Net (decrease)/increase in cash and cash equivalents		**(60,633)**	63,205
Cash and cash equivalents at beginning of year	23(A)	**95,777**	39,380
Effect of foreign exchange rate changes, net		**651**	(6,808)
Cash and cash equivalents at end of year	23(A)	**35,795**	95,777

The notes on pages 81 to 146 form part of these financial statements.

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. Significant accounting policies adopted by the Group are disclosed below.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 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 as explained in the accounting policies set out below.

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C) SUBSIDIARIES

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D) Property, plant and equipment

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

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

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

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	Over the shorter of the estimated useful lives and the unexpired lease terms, being no more than 50 years after the date of completion
Leasehold improvements	Over the unexpired lease terms
Plant and equipment	5 to 10 years
Furniture and fixtures	5 to 6 years
Motor vehicles	5 to 6 years

Construction in progress represents buildings, leasehold improvements, and plant and equipment on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and available for use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by the end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E) Leased assets

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

(I) As a lessee

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E) LEASED ASSETS *(Continued)*

(I) AS A LESSEE *(Continued)*

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

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

(II) AS A LESSOR

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(E)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(Q)(IV).

G) Intangible assets

Intangible assets with finite useful lives that are acquired by the Group are stated at cost less any accumulated amortisation and any accumulated impairment losses (see note 2(H)(II)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

H) Credit losses and impairment of assets

(I) Credit losses from financial instruments

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

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

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

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Measurement of ECLs *(Continued)*

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

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

Significant increases in credit risk

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Significant increase in credit risk *(Continued)*

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

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

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(III) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

I) Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

J) Trade and other receivables

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

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

K) Contract Liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(Q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(J)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

L) Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

M) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 2(H)(I).

N) Employee benefits

(I) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

(II) Share-based payments

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

N) Employee benefits *(Continued)*

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

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

(III) Termination benefits

Termination benefits are recognised at the earlier date when the Group can no longer withdraw the offer of those benefits or when it recognises restructuring costs involving the payment of termination benefits.

O) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

O) Income tax *(Continued)*

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(F), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

O) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

P) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

Q) Revenue and other income

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Q) Revenue and other income *(Continued)*

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

(I) Sale of goods

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

(II) Franchise joining fee income

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

(III) Interest income

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

(IV) Rental income from operating leases

Rental income from operating leases is recognised on a straight-line basis over the period of the relevant leases.

(V) Value-Added Tax ("VAT") refund

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

(VI) Government grants

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

R) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the date the fair value was measured.

The results of operations in foreign currencies outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve.

S) Financial assets at fair value through profit or loss

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

T) Related parties

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

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

(II) has significant influence over the Group; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

T) Related parties *(Continued)*

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

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

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

(III) Both entities are joint ventures of the same third party.

(IV) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(V) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(VI) The entity is controlled or jointly controlled by a person identified in (A).

(VII) A person identified in (A)(I) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

U) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors, which is the Group's chief operating decision maker ("CODM"), for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to HKFRSs issued by the 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 (see note 2(E)). 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

A) Critical accounting judgement in applying the accounting policies

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

(i) Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits in the PRC will not be distributed in the foreseeable future, no withholding taxes are provided.

B) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Depreciation and amortisation

The Group reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation and amortisation expenses charged for the year. The useful lives of assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes and product obsolescence. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

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

B) Key sources of estimation uncertainty *(Continued)*

(II) Impairment on property, plant and equipment and right-of-use assets

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

(III) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their open market value, which is assessed by independent qualified valuers, determined by making reference to comparable sales evidence as available in the relevant market or capitalised rents derived from the existing tenancies with taking into account reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices, market yield and market rents.

(IV) Write-down of inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-down of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-down requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimate has been changed.

(V) Impairment on trade and other receivables

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

In considering the allowance that may be required for current receivables, future cash flows need to be determined. One of the key assumptions that have to be adopted is about the ability of the debtors to settle the receivables. Even though the Group has used all available information to make this estimation, inherent uncertainties exist and actual uncollectible amounts may be higher than the amount estimated.

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

B) Key sources of estimation uncertainty *(Continued)*

(VI) Provision for sales returns

The franchisees of the Group are allowed (after deducting certain administrative charges, if applicable): (i) to exchange or claim a refund for defective products; (ii) to return products previously purchased upon the termination of the franchise agreement; and (iii) to exchange or claim a refund for slow-moving products purchased more than six months but less than one year. The amount of the products exchanged or refunded by a particular franchisee for a year should not exceed 4% of its total purchase for that year (except those returns resulted from the termination of the franchise agreements).

The Group makes provision for sales returns based on the Group's past return experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the past return experience is not indicative of future returns. Any increase or decrease in the provision would affect profit or loss.

(VII) Income tax

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made. Deferred income tax liabilities on temporary differences relating to undistributed profits of the Group's subsidiaries in Mainland China are recognised to the extent that profits are expected to be distributed as the Company controls and pre-determines the dividend policy of these subsidiaries and management expects it is probable that profits will be partly retained and not distributed from these subsidiaries to their foreign holding companies in the foreseeable future. Management reassesses its expectation at each end of the reporting period.

(VIII) Fair value of financial assets at fair value through profit or loss

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

5. REVENUE

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

Disaggregation of revenue by sales channels is as follows:

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

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.

6. 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 (note 27)	**35**	32
Interest income from financial assets measured at amortised cost		
– bank interest income	**609**	212
PRC VAT refunds (note 8(A)(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 (note 15)	**(2,100)**	–
Change in fair value of financial assets at fair value through profit or loss (note 21)	**8,575**	16,666
Reversal of loss allowances on trade receivables (note 19(B))	**12**	–
Others	**1,122**	1,160
	38,215	48,354

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.

7. 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 (note 29)	**138**	116
Total staff costs (note (I))	**83,117**	66,838
B) Other items		
Auditor's remuneration		
– audit services	**668**	692
– non-audit services	**351**	277
Cost of inventories (note (I) and 18)	**129,402**	115,335
Depreciation of right-of-use assets (note (I))	**5,147**	6,380
Depreciation of property, plant and equipment (note (I))	**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 (note 18)	**1,987**	4,349
Reversal of write-down of inventories (note 18)	**(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	**(5,995)**	(4,981)
C) Finance cost		
Interest on lease liabilities (notes 14(B) and 23(B))	**334**	457

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.

8. INCOME TAX

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

	2021 RMB'000	2020 RMB'000
Current tax		
PRC Enterprise Income Tax (notes (I) and (II))	**19,765**	17,537
Hong Kong profits tax (note (IV))	**–**	–
Withholding tax on dividends (note (V))		
- Provision for the year (note 22(B))	**2,027**	3,125
	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 (note 22(B))	**(2,027)**	(3,125)
Provision for the year (note (V) and note 22(B))	**2,682**	2,473
Total	**22,447**	19,777

Notes:

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

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

8. INCOME TAX *(Continued)*

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

Notes: *(Continued)*

(II) The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (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 8(A)(I) above.

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

(IV) No provision for Hong Kong profits tax has been made for the years ended 31 December 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 6.

8. INCOME TAX *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	**130,795**	100,785
Notional tax on profit before tax, calculated at the rates applicable to profits in the relevant tax jurisdiction	**32,903**	26,320
Tax effect of non-deductible expenses	**634**	3,058
Tax effect of non-taxable incomes	**(1,983)**	(1,221)
Effect of tax concessions granted to subsidiaries (notes 8(A)(I) and (VI))	**(4,771)**	(4,111)
Effect of concessionary tax rate enjoyed by subsidiaries (note 8(A)(I))	**(7,479)**	(6,543)
Unrecognised temporary differences	**(128)**	101
Unrecognised tax losses	**510**	1,312
Utilisation of previously unrecognised tax losses	**–**	(451)
Tax reduction	**–**	(482)
Withholding tax on dividends (note 8(A)(V))	**2,761**	2,027
Over provision in prior years	**–**	(233)
Income tax expenses	**22,447**	19,777

9. DIRECTORS' EMOLUMENTS

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

For the year ended 31 December 2021

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits -in-kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Share-based payments (note 9(E)) RMB'000	Total RMB'000
Executive directors						
Mr. Tan Chuan Hua (note 9(B))	88	64	2	–	–	154
Mr. Tan Di Fu	88	–	–	–	–	88
Mr. Tan Lizi	88	190	520	37	59	894
Independent non-executive directors						
Mr. Yang Yang	88	–	–	–	–	88
Mr. Chau Kam Wing, Donald	132	–	–	–	–	132
Ms. Liu Liting	88	–	–	–	–	88
Non-executive directors						
Ms. Tan Yinan (note 9(C))	26	–	–	–	–	26
Ms. Huang Zuoan (note 9(D))	37	–	–	–	–	37
	635	254	522	37	59	1,507

9. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2020

Name of director	Directors' fees RMB'000	Salaries, allowance and benefits -in-kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Share-based payments (note 9(E)) RMB'000	Total RMB'000
Executive directors						
Mr. Tan Chuan Hua (note 9(B))	88	64	–	–	–	152
Mr. Tan Di Fu	88	–	–	–	–	88
Mr. Tan Lizi	88	149	558	3	52	850
Independent non-executive directors						
Mr. Yang Yang	88	–	–	–	–	88
Mr. Chau Kam Wing, Donald	132	–	–	–	–	132
Ms. Liu Liting	88	–	–	–	–	88
Non-executive directors						
Ms. Tan Yinan (note 9(C))	88	–	–	–	–	88
Ms. Huang Zuoan (note 9(D))	88	122	–	–	–	210
	748	335	558	3	52	1,696

Notes:

A) For the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments for the years ended 31 December 2021 and 2020.

B) Being the Executive Director and Chairman of the Group.

C) Ms. Tan Yinan resigned as non-executive director on 12 April 2021.

D) Ms. Huang Zuoan resigned as non-executive director on 1 June 2021.

E) These represent the estimated value of share options granted to the directors under the Group's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in notes 2(N)(II) and 29.

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

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included one director (2020: one) of the Company whose emoluments are disclosed in note 9 above. Details of the emoluments paid by the Group to the remaining four (2020: four) non-director individuals during the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	659	665
Bonus	1,308	1,244
Retirement scheme contributions	110	8
Share-based payments	79	64
	2,156	1,981

The emoluments fell within the following band:

	2021 Number of individuals	2020 Number of individuals
Nil up to HK$1,000,000 (equivalent to RMB825,000)	4	4

For the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. SEGMENT REPORTING

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

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

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

Major customers

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

12. DIVIDENDS

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

	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)	**55,215**	40,540

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	**40,540**	62,502
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	**–**	148,006

13. BASIC AND DILUTED EARNINGS PER SHARE

A) Basic earnings per share

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

(i) Profit attributable to owners of the Company

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

(ii) Weighted average number of ordinary shares

	Number of shares	
	2021 '000	2020 '000
Weighted average number of ordinary shares in issue	248,714	248,714
Weighted average number of ordinary shares for the purpose of basic earning per share	248,714	248,714

B) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 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 average market price of the Company's shares during the year ended 31 December 2021 and 2020.

14. PROPERTY, PLANT AND EQUIPMENT

A) Property, plant and equipment

	Buildings (Note I) RMB'000	Leasehold improvements RMB'000	Plant and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2020	42,894	15,827	20,764	8,612	2,078	3,623	93,798
Additions	–	–	1,124	1,104	161	2,172	4,561
Disposals	–	–	(187)	(181)	(105)	–	(473)
Transfer	–	–	223	–	–	(223)	–
Exchange adjustments	–	(132)	–	(61)	–	–	(193)
At 31 December 2020	42,894	15,695	21,924	9,474	2,134	5,572	97,693
At 1 January 2021	42,894	15,695	21,924	9,474	2,134	5,572	97,693
Additions	–	266	1,516	1,139	–	18,873	21,794
Disposals	–	(173)	(800)	(352)	(411)	–	(1,736)
Transfer	–	–	30	–	–	(30)	–
Exchange adjustments	–	(3)	–	(4)	–	–	(7)
At 31 December 2021	42,894	15,785	22,670	10,257	1,723	24,415	117,744
Accumulated depreciation							
At 1 January 2020	6,864	5,230	13,922	5,920	1,323	–	33,259
Charge for the year	1,487	847	724	857	164	–	4,079
Eliminated on disposals	–	–	(167)	(169)	(55)	–	(391)
Exchange adjustments	–	(119)	–	(55)	–	–	(174)
At 31 December 2020	8,351	5,958	14,479	6,553	1,432	–	36,773
At 1 January 2021	8,351	5,958	14,479	6,553	1,432	–	36,773
Charge for the year	1,487	768	1,147	937	166	–	4,505
Eliminated on disposals	–	(173)	(668)	(175)	(370)	–	(1,386)
Exchange adjustments	–	–	–	–	–	–	–
At 31 December 2021	9,838	6,553	14,958	7,315	1,228	–	39,892
Carrying amounts							
At 31 December 2021	33,056	9,232	7,712	2,942	495	24,415	77,852
At 31 December 2020	34,543	9,737	7,445	2,921	702	5,572	60,920

Note I:

Included in buildings is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB27,280,000 (2020: RMB 28,578,000) as at 31 December 2021. The Group purchased the property from 蘇州建興置業有限公司 (the "developer") in 2013. The Group has fully paid the cost of the buildings but at the end of the reporting period, the Group has not obtained the ownership certificate yet. The Group has litigations against the developer these years. During the year, the developer was under liquidation procedure. The management has obtained legal opinion and assessed it is more probable for the liquidator to continue to execute the sales and purchase agreement between the developer and the Group and complete the transfer of ownership certificate to the Group. Therefore, there are no material adverse effect on the business operation and financial position of the Group.

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

B) Right-of-use assets

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

	Notes	2021 RMB'000	2020 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost with remaining lease term of:			
– between 22 and 40 years	(I)	**25,648**	26,416
Other leasehold land and buildings leased for own use, carried at depreciated cost	(II)	**16,166**	10,371
		41,814	36,787

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	**828**	828
Other leasehold land and buildings leased for own use	**4,319**	5,552
	5,147	6,380
Interest on lease liabilities (note 7(C))	**334**	457
Expense relating to short-term leases	**243**	220
COVID-19-related rent concessions received (note 23(B))	**–**	(296)

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

B) RIGHT-OF-USE ASSETS *(Continued)*

During the year, additions to right-of-use assets were approximately RMB10,219,000 (2020: RMB1,476,000). This amount included the lease modification of the existing leases via new tenancy agreements of RMB3,697,000 (2020: RMB nil), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements for new leases.

The total cash outflow for leases in 2021 was RMB4,842,000 (2020: RMB6,291,000).

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

In addition, the Group was committed at 31 December 2021 to renew a lease of 2 years that is not yet commenced, the lease payments under which amounted to RMB nil per annum (2020: RMB 425,000 per annum).

As disclosed in note 3, the Group has early adopted the Amendment to HKFRS 16, *Leases*, *Covid-19-Related Rent Concessions beyond 30 June 2021*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed in (II) below.

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

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

Included in right-of-use assets is land use rights of a piece of land in Chongqing City Wanzhou District (the "Land") having carrying amount of approximately RMB5,900,000 (2020:RMB6,002,000) as at 31 December 2021. On 11 May 2011 萬州經濟技術開發區土地儲備中心 issued a notice to Carpenter Tan for the resumption of the Land. The Group originally intended to erect a production complex on the Land.

On 8 February 2012, Carpenter Tan received another notice from 萬州經濟技術開發區土地儲備中心, informing the Group that the Land will be resumed by the municipal government due to town planning and the Group will be compensated through an exchange with another piece of land. On 24 August 2017, the government officially announced that the Company could start to use the land as industrial purpose. The management has started to plan for a production complex on the land since 1 September 2017. The management expects that the fair value of the land will not be lower than the carrying amount of the land. The Group has commenced the development on the Land during the year, there is no material adverse effect on the business operation and financial position of the Group.

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

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

(ii) Other leasehold land and buildings leased for own use

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

During the year ended 31 December 2021 and 2020, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates. During 2020 the Group received rent concessions in the form of a discount on fixed payments as a result of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments recognised in profit or loss for the year is summarised below:

	2021		
	Fixed payments RMB'000	**Variable payments RMB'000**	**Total payments RMB'000**
Retail stores – Hong Kong	**2,453**	**–**	**2,453**

	2020			
	Fixed payments RMB'000	Variable payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Retail stores – Hong Kong	4,098	–	(296)	3,802

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

15. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2020	101,240
Change in fair value (note 6)	–
At 31 December 2020	101,240
At 1 January 2021	101,240
Change in fair value (note 6)	(2,100)
At 31 December 2021	99,140

A) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

15. INVESTMENT PROPERTIES *(Continued)*

A) Fair value measurement of properties *(Continued)*

(i) *Fair value hierarchy* *(Continued)*

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	**5,240**	**–**	**–**	**5,240**
– Commercial – PRC	**93,900**	**–**	**–**	**93,900**

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– Residential – PRC	5,240	–	–	5,240
– Commercial – PRC	96,000	–	–	96,000

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2021. The valuation was carried out by Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group. Cushman & Wakefield Limited has among its employee members of the Hong Kong Institute of Surveyors who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair values were determined by using Direct Comparison Approach or Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential. The financial controller has discussion with the valuers on the valuation assumptions and valuation results as at 31 December 2021.

15. INVESTMENT PROPERTIES *(Continued)*

A) Fair value measurement of properties *(Continued)*

(II) Information about Level 3 fair value measurements

Investment properties	Valuation techniques	Unobservable input	Range
Residential – PRC	Direct Comparison Approach	Price per square meter, using market direct comparables and taking into account of factors such as location condition, size of property and layout/design	RMB7,100 – RMB7,400 (2020: RMB7,100 – RMB7,400)
Commercial – PRC	Income Capitalisation Approach	Market yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition	7.5% (2020: 7.5%)
		Monthly market rent per square meter, taking into account of factors such as location condition, size of property and layout/design	RMB90 – RMB259 (2020: RMB91 – RMB250)

The fair value of investment properties located in the PRC is determined by using Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market or, if applicable, Income Capitalisation Approach, by capitalising the rent derived from the existing tenancies with taking into account reversionary income potential. The fair value measurement is positively correlated to the price per square meter and monthly market rents and negatively correlated to the market yield.

15. INVESTMENT PROPERTIES *(Continued)*

A) Fair value measurement of properties *(Continued)*

(II) Information about Level 3 fair value measurements *(Continued)*

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Investment properties		
	Residential – PRC RMB'000	**Commercial – PRC RMB'000**	**Total RMB'000**
At 1 January 2020	5,240	96,000	101,240
Net gain from fair value adjustment recognised in valuation gains on investment properties in profit or loss	–	–	–
At 31 December 2020 and 1 January 2021	5,240	96,000	101,240
Net loss from fair value adjustment recognised in valuation loss on investment properties in profit or loss	–	(2,100)	(2,100)
At 31 December 2021	5,240	93,900	99,140

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

16. INTANGIBLE ASSETS

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

The trademark represents the trademark previously acquired by the Group and registered in the PRC. Subsequent expenditure on internally generated trademarks is recognised as an expense in the period in which it is incurred.

17. SUBSIDIARIES

The following list contains only the particulars of those subsidiaries which principally affect the results, assets and liabilities of the Group. The class of shares held, unless otherwise-stated, is ordinary.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest held by the Company		Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
		Directly	Indirectly			
Carpenter Tan (BVI) Holdings Group Co., Ltd ("CTBVI")	British Virgin Islands/ Hong Kong	100%	–	USD50,000	Investment holding	Private limited liability company
Hong Kong Carpenter Tan Company Limited ("CTHK")	Hong Kong	–	100%	HK$1	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company
Carpenter Tan Development Company Limited ("CT Development")	Hong Kong	–	100%	HK$10,000	Retailing sale of small size wooden handicrafts and accessories	Private limited liability company
Chongqing Carpenter Tan Handicrafts Co., Ltd ("Carpenter Tan")	The PRC	–	100%	RMB100,000,000	Design, manufacture and distribution of small size wooden handicrafts and accessories and the operation of a franchise network	Wholly foreign-owned enterprise
Beijing Carpenter Tan Handicrafts Company Limited ("Beijing Carpenter Tan")	The PRC	–	100%	RMB10,000,000	Property investment	Domestic enterprise
Jiangsu Carpenter Tan Tourism Development Company Limited ("Jiangsu Carpenter Tan")	The PRC	–	100%	RMB11,000,000	Distribution of small size wooden handicrafts and accessories through internet	Domestic enterprise
Jiangsu Mujianggu Tourism Development Company Limited ("Jiangsu Mujianggu")	The PRC	–	95%	USD13,684,211	Distribution of small size wooden handicrafts and accessories through internet	Foreign-owned enterprise

18. 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
	198,103	159,404

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)
	131,120	119,634

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

19. TRADE RECEIVABLES

Customers are generally required to make payments for orders prior to delivery of goods. Credit terms within 30 days are granted to those customers with high credibility. An ageing analysis of the trade receivables is as follows:

	2021 RMB'000	2020 RMB'000
Trade receivables	**4,989**	3,813
Less: Loss allowance (note (B))	**(87)**	(99)
	4,902	3,714

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 RMB'000	2020 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
	4,902	3,714

19. TRADE RECEIVABLES *(CONTINUED)*

B) Movements in the loss allowance for trade receivables

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

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

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

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Other receivables	**2,459**	2,029
Trade and other deposits	**3,482**	9,370
Prepayments	**2,826**	881
VAT and other non-income tax recoverable	**293**	293
	9,060	12,573
Representing:		
Current	**8,355**	12,573
Non-current	**705**	–
	9,060	12,573

Except for rental deposits of RMB705,000 (2020: Nil) which are expected to be recovered after one year from the end of the reporting period, all other deposits, prepayments and other receivables are expected to be recovered or recognised as expense within one year.

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

	2021 RMB'000	2020 RMB'000
Principal Guaranteed Wealth Management Product, at fair value		
– Non-current	–	–
– Current	317,580	264,000
	317,580	264,000

As at 31 December 2021, the Group's financial asset at FVPL represents investment in principal guaranteed wealth management product with following details:

	RMB'000
Balance as at 1 January 2020	447,584
Additions	1,108,566
Change in fair value (note 6)	16,666
Disposal	(1,308,816)
Balance as at 31 December 2020	264,000
Balance as at 1 January 2021	264,000
Additions	591,580
Change in fair value (note 6)	8,575
Disposal	(546,575)
Balance as at 31 December 2021	317,580

The amount represents investment in principal guaranteed wealth management products issued by banks in the PRC with expected return ranging from 1.49% to 3.76% per annum (31 December 2020: 2.15% to 3.05% per annum). The amount of RMB317,580,000 (31 December 2020: RMB264,000,000) is with maturity within one year.

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2021 RMB'000	2020 RMB'000
Provision for the year	**19,765**	17,537
Over provision in prior years, net	**–**	(233)
Withholding tax on dividend	**2,027**	3,125
	21,792	20,429
Tax paid	**(28,132)**	(24,526)
Tax refunded	**–**	320
	(6,340)	(3,777)
Balance of provision for income tax related to prior years	**28,820**	32,790
Net income tax payable	**22,480**	29,013
Representing:		
Income tax recoverable	**(60)**	–
Income tax payable	**22,540**	29,013
	22,480	29,013

B) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation surplus of land and buildings RMB'000	Fair value changes in investment properties RMB'000	Withholding tax on dividends arising from undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2020	4,446	16,276	3,125	23,847
Release upon distribution of dividends (note 8(A))	–	–	(3,125)	(3,125)
Charged to consolidated statement of profit or loss for the year (note 8(A))	–	446	2,027	2,473
At 31 December 2020	4,446	16,722	2,027	23,195

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

B) Deferred tax liabilities recognised: (Continued)

	Revaluation surplus of land and buildings RMB'000	Fair value changes in investment properties RMB'000	Withholding tax on dividends arising from undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2021	4,446	16,722	2,027	23,195
Release upon distribution of dividends (note 8(A))	–	–	(2,027)	(2,027)
(Credited)/charged to consolidated statement of profit or loss for the year (note 8(A))	–	(79)	2,761	2,682
At 31 December 2021	4,446	16,643	2,761	23,850

C) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB52,542,000 (2020: RMB49,450,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming one to five years, except for an amount of approximately RMB49,725,000 (2020: RMB46,633,000) which do not expire under current tax legislation.

D) Deferred tax liabilities not recognised

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

At 31 December 2021, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB424,362,000 (2020: RMB368,693,000). Deferred tax liabilities of RMB21,218,000 (2020: RMB18,435,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

23. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

A) CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash and bank balances in the consolidated statement of financial position	35,795	95,777
Cash and cash equivalents in the consolidated cash flow statement	35,795	95,777

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

As at 31 December 2021, the balances that were placed with banks in the PRC amounted to approximately RMB30,678,000 (2020: RMB92,196,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

B) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Dividend payable RMB'000 (note 25)	Lease liabilities RMB'000 (note 26)	Total RMB'000
At 1 January 2020	149,800	12,628	162,428
Changes from financing cash flows	(210,508)	(6,071)	(216,579)
COVID-19-related rent concessions received (note 14(B))	–	(296)	(296)
Exchange adjustments	(127)	(319)	(446)
New leases entered	–	1,476	1,476
Interest expenses (note 7(C))	–	457	457
Dividend declared in respect of the previous financial year (note 12(II))	62,502	–	62,502
At 31 December 2020	1,667	7,875	9,542
At 1 January 2021	1,667	7,875	9,542
Changes from financing cash flows	(40,540)	(4,599)	(45,139)
Exchange adjustments	(30)	(104)	(134)
New leases entered	–	10,219	10,219
Interest expenses (note 7(C))	–	334	334
Dividend declared in respect of the previous financial year (note 12(II))	40,540	–	40,540
At 31 December 2021	1,637	13,725	15,362

24. TRADE PAYABLES

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

	2021 RMB'000	2020 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
	2,441	4,114

25. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Dividend payable	**1,637**	1,667
Salary payable	**12,337**	12,774
Other payables and accruals	**9,584**	9,822
Provision for sales returns (note 25(A))	**5,361**	3,573
VAT and other non-income tax payables	**2,496**	4,163
Trade deposits received	**14,447**	14,992
Contract liabilities (note 25(B))	**2,876**	3,488
	48,738	50,479

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

	2021 RMB'000	2020 RMB'000
At 1 January	**3,573**	3,011
Charge for the year	**1,788**	562
At 31 December	**5,361**	3,573

The provision for sales returns is estimated based on the expected total sales returns for the year less the actual sales returns already taken place. The franchisees of the Group are allowed to return eligible products within one year from the date of purchase from the Group.

(B) All the contract liabilities at the beginning of the year has been recognised as revenue during the year. All contract liabilities at the end of the reporting period are expected to be recognised as income within one year.

26. LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**2,388**	3,308
After 1 year but within 2 years	**1,789**	1,325
After 2 years but within 5 years	**1,609**	2,410
After 5 years	**7,939**	832
	11,337	4,567
	13,725	7,875

27. DEFERRED INCOME

Deferred income represents government grants received by the Group. The grants aimed to subsidise the Group for purchasing certain property, plant and equipment. Government grants are recognised as income over the useful lives of the relevant assets. During the year, the entire grant was spent for its intended purpose and the deferred income of RMB35,000 (2020: RMB32,000) was released to profit or loss.

28. SHARE CAPITAL

	Number of shares	Amount HK$	Amount equivalent to RMB
Ordinary shares of HK$0.01			
Authorised:			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000,000	87,926,000
Issued and fully paid:			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	248,714,000	2,487,140	2,189,160

(A) Authorised share capital

All shares rank pari passu in respect of voting rights, dividends and distribution of net assets.

(B) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged over the year.

The directors of the Company review the capital structure periodically. The Group considers the cost of capital and risks associated with the capital and will balance its overall capital structure through new share issues of the Company, distribution of dividends, repayment of debts as well as the raising of new debts.

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

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

The terms and conditions of the grants are as follows:

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

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

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

	2021		2020	
	Weighted exercise price HK$	**Number of options**	Weighted exercise price HK$	Number of options
Outstanding at the beginning of the year	**4.896**	**700,000**	4.896	900,000
Cancelled during the year	**–**	**–**	4.896	(200,000)
Outstanding at the end of the year	**4.896**	**700,000**	4.896	700,000
Exercisable at the end of the year	**4.896**	**700,000**	4.896	513,333

No share option was exercised and lapsed during the year ended 31 December 2021. During the year ended 31 December 2020, one of the staff resigned and left the Group, the directors of the Group approved to cancel the share options granted to him.

The share option scheme is governed by chapter 17 of the Listing Rules. No option has been granted for the years ended 31 December 2021 and 2020.

The share options outstanding at 31 December 2021 had an exercise price of HK$4.896 and a weighted average remaining contractual life of 1.66 years (2020: 2.66 years).

30. RESERVES

The Group

The capital and reserves of the Group are set out in the "Consolidated Statement of Changes in Equity" on page 78.

The Company

	Attributable to owners of the Company					
	Share premium RMB'000 (note A)	Currency translation reserve RMB'000 (note F)	Other reserves RMB'000 (note D)	Equity settled share-based payment reserve RMB'000 (note G)	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2020	110,503	(7,670)	(196)	192	17,546	120,375
Profit for the year	–	–	–	–	35,853	35,853
Exchange differences on translation from functional currency to presentation currency	–	(5,658)	–	–	–	(5,658)
Total comprehensive income for the year	–	(5,658)	–	–	35,853	30,195
Equity settled share-based transactions	–	–	–	116	–	116
Transfer to reserve	–	–	–	(40)	40	–
Dividends approved in respect of the previous year (note 12)	–	–	–	–	(62,502)	(62,502)
At 31 December 2020	110,503	(13,328)	(196)	268	(9,063)	88,184

	Attributable to owners of the Company					
	Share premium RMB'000 (note A)	Currency translation reserve RMB'000 (note F)	Other reserves RMB'000 (note D)	Equity settled share-based payment reserve RMB'000 (note G)	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2021	110,503	(13,328)	(196)	268	(9,063)	88,184
Profit for the year	–	–	–	–	50,385	50,385
Exchange differences on translation from functional currency to presentation currency	–	(859)	–	–	–	(859)
Total comprehensive income for the year	–	(859)	–	–	50,385	49,526
Dividends approved in respect of the previous year (note 12)	–	–	–	–	(40,540)	(40,540)
Equity settled share-based transactions	–	–	–	138	–	138
At 31 December 2021	110,503	(14,187)	(196)	406	782	97,308

30. RESERVES *(Continued)*

Notes:

A) Share premium

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

B) Capital reserve

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

C) Statutory reserves

The PRC subsidiaries of the Group are required to transfer 10% of the profit after tax, as determined under the PRC accounting rules and according to their articles of association, to the statutory surplus reserve until the balance reaches 50% of their registered capital. The transfer to this reserve must be made before distributing dividends to shareholders. The reserve, upon approval by the relevant authorities, can be used to make up previous years' losses, expand existing operations or convert into additional capital of the subsidiaries.

D) Other reserves

Other reserves represent the difference between the consideration for the acquisition of the subsidiaries paid by the Group and the nominal value of the paid-up capital of the subsidiaries and share repurchased in prior years.

During the year 2018, the Company repurchased 50,000 shares at prices ranging from RMB3.92 to RMB3.93 through the Stock Exchange at a total consideration of approximately RMB196,000, these repurchased shares had not been cancelled as at 31 December 2021.

E) Property revaluation reserve

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

30. RESERVES *(Continued)*

Notes: *(Continued)*

F) Currency translation reserve

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

G) Equity settled share-based payment reserve

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

H) Distributable reserves

Distributable reserves of the Company as at 31 December 2021 was RMB111,285,000 (2020: RMB101,440,000).

31. FINANCIAL INSTRUMENTS

A) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Trade receivables	4,902	3,714
Other receivables and deposits	5,131	4,642
Cash and bank balances	35,795	95,777
Financial assets at amortised cost	45,828	104,133
Financial assets at fair value through profit or loss	317,580	264,000
Financial liabilities		
Trade payables	2,441	4,114
Other payables and accruals	38,005	39,255
Lease liabilities	13,725	7,875
Financial liabilities at amortised cost	54,171	51,244

31. FINANCIAL INSTRUMENTS *(Continued)*

B) Financial risk management objectives and policies

Details of the Group's financial instruments as stated in note 31(A) are disclosed in the respective note. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Currency risk

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

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

	2021 RMB'000	2020 RMB'000
Assets		
US$	**125**	376
Euro	**93**	103
	218	479

Sensitivity analysis

The Group is mainly exposed to currency risks in respect of transactions during the year and balances maintained in United States Dollars ("US$") and Euro ("Euro").

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for a 5% change in foreign currency rates. A positive number indicates an increase in profit where RMB weaken against the relevant foreign currencies. For a 5% strengthening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit and other components of equity, and the balance below would be negative.

	Effect on profit after tax and retained profits	
	2021 RMB'000	2020 RMB'000
US$	**6**	19
Euro	**4**	5
	10	24

31. FINANCIAL INSTRUMENTS *(Continued)*

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

II) Interest rate risk

The Group is exposed to interest rate risk mainly from bank deposits (note 23) of the Group. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate exposures should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates of bank deposits of the Group. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used, which represents management's assessment of reasonably possible changes in interest rates.

If interest rates had been 100 basis point higher and all other variables were held constant, the Group's profit for the year ended 31 December 2021 and the retained earnings as at the reporting date would increase by approximately RMB338,000 (2020: RMB940,000). An equal and opposite impact on the Group's profit for the respective years would result if the interest rates had been 100 basis points lower.

III) Credit risk

The estimated loss rates are determined based on historically observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to the general economic conditions, that is available without undue cost or effort.

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

The management considers the credit risk exposure of the Group's trade receivables is low as sales are generally settled before delivery of goods or within 30 days. The directors review the recoverable amount of each individual debt regularly to ensure that adequate allowances are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk in respect of its trade and other receivables, with exposure spread over a large number of counterparties and customers. The credit risk in liquid funds is limited because the counterparties are banks with high credit ratings, which the Group considers to represent low credit risk.

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

31. FINANCIAL INSTRUMENTS *(Continued)*

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

IV) *Liquidity risk*

The Group's liquidity position is monitored closely by the directors. In managing liquidity risk, the Group monitors and maintains a level of cash and cash equivalents adequate for the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group mainly relies on internally generated funds and banking facilities as the principal sources of liquidity.

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

	Within 1 year or on demand RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2020						
Trade payables	4,114	–	–	–	4,114	4,114
Other payables and accruals	39,255	–	–	–	39,255	39,255
Lease liabilities	3,616	1,727	2,777	872	8,992	7,875
	46,985	1,727	2,777	872	52,361	51,244
At 31 December 2021						
Trade payables	**2,441**	**–**	**–**	**–**	**2,441**	**2,441**
Other payables and accruals	**38,005**	**–**	**–**	**–**	**38,005**	**38,005**
Lease liabilities	**2,961**	**2,370**	**2,993**	**10,881**	**19,205**	**13,725**
	43,407	**2,370**	**2,993**	**10,881**	**59,651**	**54,171**

31. FINANCIAL INSTRUMENTS *(Continued)*

C) FAIR VALUE

I) *FAIR VALUE HIERARCHY*

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

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2021	**Fair value measurements as at 31 December 2021 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	**317,580**	**–**	**–**	**317,580**

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Assets				
– Financial assets at fair value through profit or loss	264,000	–	–	264,000

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

31. FINANCIAL INSTRUMENTS *(Continued)*

C) Fair value *(Continued)*

II) Information about level 3 fair value measurement

Financial assets	Fair value as at 31 December 2021 RMB'000	Fair value as at 31 December 2020 RMB'000	Level 3: Valuation technique and key inputs	Level 3: Significant unobservable inputs	Level 3: Range
Financial assets at fair value through profit or loss					
– Principal guaranteed wealth management products	**317,580**	264,000	Discounted cash flow	Expected returns	1.49% to 3.76% (2020: 2.15% to 3.05%)

The fair value of financial assets at fair value through profit or loss in Level 3 is determined by discounting the contractual price of financial assets. The discount rate used is derived from the expected returns ranging from 1.49% to 3.76% (2020: 2.15% to 3.05%). The fair value measurement is positively correlated to the expected returns.

32. COMMITMENTS

A) Capital commitments

At 31 December 2021, capital commitments not provided for in the financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Contracted but not provided for in respect of		
– property, plant and equipment	**21,982**	28,551

32. COMMITMENTS *(Continued)*

B) Operating lease commitments

The Group leases out investment properties under operating lease. The leases were negotiated for terms ranging from 1 to 6 years. None of the lease include contingent rental. At 31 December 2021, the total future minimum lease payments receivable under non-cancellable operating leases in respect of premises are as follows:

Minimum lease payments receivable on leases are as follows:

	2021 **RMB'000**	2020 RMB'000
Within one year	**2,190**	2,295
After one year but within two years	**1,572**	1,212
After two years but within three years	**1,711**	560
After three years but within four years	**1,763**	–
After four years but within five years	**1,023**	–
After five years	**708**	–
	8,967	4,067

33. RELATED PARTY TRANSACTIONS

(A) Key management compensation

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

	2021 **RMB'000**	2020 RMB'000
Short-term employee benefits	**3,378**	3,550
Post-employment benefits	**147**	11
Equity-settled share-based payment expenses	**138**	116
	3,663	3,677

Note:

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

(B) Other related party transactions

During the year ended 31 December 2021, the Group acquired further 9.09% equity interests in Jiangsu Carpenter Tan for a consideration of RMB15,873,000 from the non-controlling interests, which is a company beneficially owned by Mr. Tan Chuan Hua, an executive director and the chairman of the Company. Details of the transaction are disclosed in note 35.

34. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**1**	148
Right-of-use assets		**–**	2,446
Investment in a subsidiary		**47**	47
		48	2,641
Current assets			
Inventories		**–**	541
Trade receivables		**–**	21
Amounts due from subsidiaries		**123,719**	111,963
Deposit and prepayments		**20**	1,796
Cash and bank balances		**1,790**	61
		125,529	114,382
Current liabilities			
Amounts due to subsidiaries		**23,219**	20,276
Other payables and accruals		**2,861**	4,121
Lease liabilities		**–**	2,253
		(26,080)	(26,650)
Net current assets		**99,449**	87,732
NET ASSETS		**99,497**	90,373
CAPITAL AND RESERVES			
Share capital	28	**2,189**	2,189
Reserves	30	**97,308**	88,184
TOTAL EQUITY		**99,497**	90,373

Approved and authorised for issue by the board of directors on 31 March 2022.

Tan Chuan Hua
Director

Tan Lizi
Director

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35. EQUITY TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

ACQUISITION OF EQUITY INTERESTS IN AN INDIRECT SUBSIDIARY

On 14 January 2021, a subsidiary of the Group, Chongqing Carpenter Tan, entered into the Equity Transfer Agreement with Jurong Yuechang Travel Development Company Limited, a company beneficially owned by Mr. Tan Chuan Hua, who is executive Director and Chairman of the Group, to acquire 9.09% equity interest of Jiangsu Carpenter Tan at a consideration of RMB15,873,000. On 8 March 2021, the transaction was completed. The Group held 100% equity of Jiangsu Carpenter Tan. Jiangsu Carpenter Tan became a wholly-owned subsidiary of the Group.

The Group recognized a net decrease in non-controlling interests of RMB10,557,000 and an aggregate decrease in equity attributable to owners of the Company of RMB5,316,000 for the year ended 31 December 2021. The effects on the equity attributable to the owners of the Group during the period is summarized follows:

	Acquisition of 9.09%equity interest in Jiangsu Carpenter Tan RMB'000
Carrying amounts of non-controlling interests decreased	10,557
Less: Consideration paid by cash to the non-controlling shareholder for acquiring 9.09% of the issued capital of Jiangsu Carpenter Tan	(15,873)
Deficiency of carrying amounts recognized in the equity transactions with non-controlling interests within equity of the Group	(5,316)

There were no equity transactions with non-controlling interests in 2020.

36. EMPLOYEE RETIREMENT BENEFITS

DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

37. ULTIMATE HOLDING COMPANY

At 31 December 2021, the directors consider the immediate parent and ultimate holding company of the Group to be Lead Charm Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Tan Chuan Hua. This entity does not produce financial statements available for public use.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

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

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

PRINCIPAL PROPERTIES HELD FOR INVESTMENT PURPOSES

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China

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

FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**330,910**	277,261	336,538	312,274	301,616
Profit before taxation	**130,795**	100,785	154,344	144,162	157,211
Income tax	**(22,447)**	(19,777)	(31,794)	(29,652)	(36,995)
Profit for the year	**108,348**	81,008	122,550	114,510	120,216
Attributable to					
Owners of the Company	**107,663**	79,060	122,484	114,510	120,216

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**784,306**	734,415	867,525	822,140	841,841
Total liabilities	**(111,859)**	(115,276)	(270,921)	(104,882)	(105,672)
Total equity	**672,447**	619,139	596,604	717,258	736,169

	As at 31 December				
	2021	2020	2019	2018	2017
Liquidity and Gearing					
Current ratio(1)	**7.42**	6.16	2.78	7.96	7.16
Quick ratio(2)	**4.82**	4.33	2.14	5.97	5.47
Gearing ratio(3)	**N/A(4)**	N/A(4)	N/A(4)	N/A(4)	N/A(4)

Notes:

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

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

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

(4) As at 31 December 2021, 2020, 2019, 2018 and 2017, the Group did not have any interest-bearing bank borrowings. The calculation of gearing ratio is not meaningful.