

# 譚木匠控股有限公司\*

## CARPENTER TAN HOLDINGS LIMITED

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

# 2023

## INTERIM REPORT

### 梳造东方美

SHU ZAO DONG FANG MEI

譚木匠

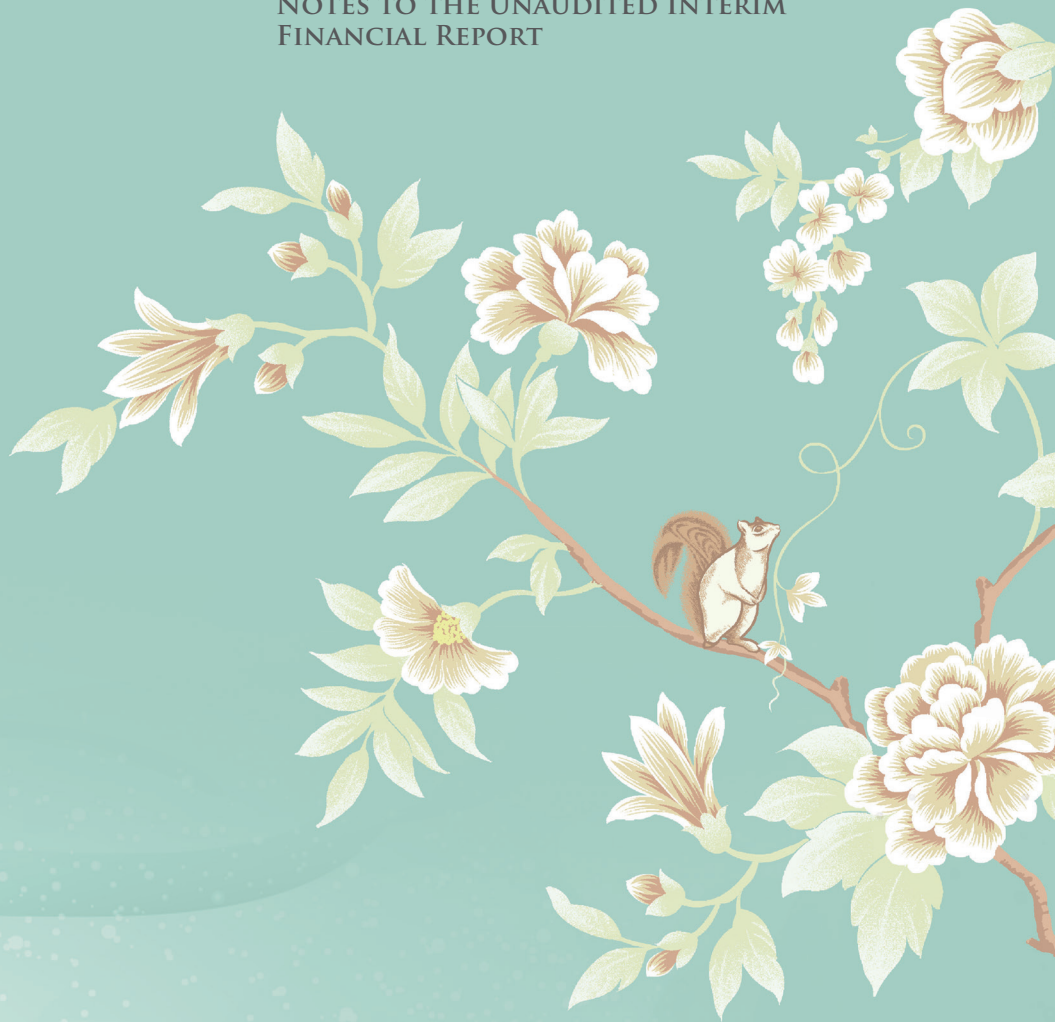
\*For identification purpose only

譚木匠



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Mr. Chan Hon Wan *CA*

## AUTHORISED REPRESENTATIVES

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

Type A Factory Building  
Longbao Shuanghekou  
Light Industry Park  
Wanzhou District  
Chongqing  
The PRC



# CORPORATE INFORMATION

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 708, 7th Floor  
Witty Commercial Building  
1A-1L Tung Choi Street  
Mong Kok  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 609  
Grand Cayman KY1-1107  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKS

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

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

## AUDITOR

Crowe (HK) CPA Limited  
9th Floor  
Leighton Centre  
77 Leighton Road  
Causeway Bay  
Hong Kong

## LEGAL ADVISORS TO THE COMPANY

Hastings & Co  
5th Floor  
Gloucester Tower  
11 Pedder Street  
Central  
Hong Kong

## STOCK CODE

837

## COMPANY WEBSITE

[www.ctans.com](http://www.ctans.com)





# FINANCIAL HIGHLIGHTS

# FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% Change Increase/ (Decrease)
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000	
<b>Financial Highlights</b>			
Revenue	256,773	167,086	53.7%
Cost of sales	(101,888)	(66,890)	52.3%
Gross profit	154,885	100,196	54.6%
Gross profit margin	60.3%	60.0%	0.3% point
Profit before taxation	121,234	70,387	72.2%
Profit for the period	93,948	55,047	70.7%
Profit attributable to owners of the Company	93,880	55,028	70.6%
Basic earnings per share (RMB cents)	37.7	22.1	70.6%
	<b>At 30 June 2023 (unaudited)</b>	<b>At 31 December 2022 (audited)</b>	<b>% Change Increase/ (Decrease)</b>
<b>Liquidity and Gearing</b>			
Current ratio <sup>(1)</sup>	6.36	7.22	(11.9)%
Quick ratio <sup>(2)</sup>	3.91	4.54	(13.9)%
Gearing ratio <sup>(3)</sup>	N/A <sup>(4)</sup>	N/A <sup>(4)</sup>	N/A <sup>(4)</sup>

Notes:

- (1) Current ratio is calculated as current assets divided by current liabilities.
- (2) Quick ratio is calculated as current assets less inventories divided by current liabilities.
- (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 period/year and multiplied by 100%.
- (4) As at 30 June 2023 and 31 December 2022, the Group did not have any interest-bearing bank borrowings, the calculation of gearing ratio is not meaningful.



CHAIRMAN'S  
STATEMENT



# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Carpenter Tan Holdings Limited (the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2023 (the "Reporting Period") to the shareholders (the "Shareholders") and potential investors for your review.

As the three-year of the novel coronavirus (COVID-19) (the "Pandemic") finally came to an end, the Company's production, operation and other aspects have quickly resumed to normal at the beginning of the year 2023. We together have withstood the challenges brought by the Pandemic in the last three years and forged ahead, striving to deepen our brand and market layout. For these three years, Carpenter Tan's door sign has been the beacon that lights up the way of passers-by.

In strict accordance with the third three-year development plan and the annual key work plan, the Group has paid close attention to and comprehensively implemented the promotion of various tasks. Although some partial adjustments may be made during the implementation process according to the actual situation, we will stick to the same overall direction and objectives, and show the same attitude and confidence in action.

In the first half of 2023, the Group's marketing performance demonstrated an obvious trend of stable and positive development, while the end-market retail, regional optimization layout, offline new stores, and online new channel expansion all showed a good momentum. The close collaboration and simultaneous follow-up of works, such as raw material organization, order production, market supply, new product development, brand building, technology research and development, risk management and control, financial services, have played a good role in mutual protection. Although we were not able to meet a small number of orders for a short period of time, the achievements brought by the joint effort of all departments was still recognised.

In 2023, the Company will celebrate its 30th anniversary. We will present silver and gold medals to employees and franchisees who have been with the Group for 10 and 20 years respectively in order to express our gratitude for their contribution. We would also like to take this opportunity to express our sincere gratitude to the investors, Shareholders and other parties who have showed care and support to Carpenter Tan over the years.

Humility breeds great success, while tiny clues reveal eternal truth. Standing firm at the year of thirty, we never forget our original aspiration. We will join hands to make our way towards the bright future of Carpenter Tan.

**Mr. Tan Chuan Hua**  
*Chairman of the Board*

Hong Kong, 30 August 2023





MANAGEMENT  
DISCUSSION  
AND ANALYSIS

木匠  
DIY 木匠®

# MANAGEMENT DISCUSSION AND ANALYSIS

## MANAGEMENT REVIEW

The Company undertook the third three-year development plan, and clearly put forward the key tasks for this year, including corporate governance, performance targets, governance policies, market rectification, specialty store upgrade, product development, technology research and development, brand building, safe production, supply guarantee, manpower policy, financial service, charity activities, and project construction dimensions, which include special works such as enhancing production efficiency, increasing product gross profit, and improving raw material utilization. The Company also set concrete objectives, implementation measures and business focus, and clarified the direction and formed specific implementation opinions for the work in the first half of the year and the whole year.

In the first half of 2023, the end-market retail and the Group's marketing performance both showed a better trend, with satisfying performance in terms of online channel expansion, offline layout optimization and new specialty stores. The close collaboration and simultaneous follow-up of the service departments provided secure supply guarantee to the market. In particular, with the rapid increase in orders, the Group mobilized management at all levels and front-line employees in all departments to make concerted efforts, careful arrangements and hard work in terms of raw materials supply, production and processing, and packaging and distribution. Although there was shortage of a few popular models for a short period of time due to problems such as material specification restrictions, process adjustments, and bottleneck of drying, the overall work in the first half of the year still deserved recognition.



## MANAGEMENT DISCUSSION AND ANALYSIS

At the beginning of July 2023, the Group held a review meeting for the first half of the year in a timely manner to objectively summarize the work in the first half of the year, identify improvement made and objectives achieved for each department and propose improvement plans and key directions for the second half of the year.

During the Reporting Period when the Group was in a good momentum, we promptly raised the awareness of quality and brand concerns, and clearly required that “we should improve product quality and enhance our brand. Both the front-end of marketing and the departments providing service support for marketing should establish quality and brand awareness. Product quality is the guarantee of the brand, and defective products shall be controlled within the Group. Regardless of product, technology research and development, or marketing and after-sales service, all should be carried out in a way beneficial to the reputation of the Group. We have to maintain a moderate degree of flexibility to protect our brand without compromising the basic principles.”

At the same time, the heads and managers of departments at all levels were clearly required to maintain a rational and clear understanding of the performance of the market at a better growth stage: to analyze the reasons for the growth, whether it was natural growth after the Pandemic factor was eliminated, or growth achieved through our hard work. In addition, they were required to pay more attention to the growth we achieved through hard work, which reflected our dedication, concerted efforts and the competitiveness of the Company’s brand. We should not cover up all weaknesses with just one strength simply because the market recovery is showing a good momentum. Instead, we need to have a clear understanding of our shortcomings and room for improvement in our work, and maintain an empty cup mentality. We also need to have awareness and sense of crisis, strive to make up for significant shortcomings in work, and specifically propose concrete opinions for review, examination and improvement.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### 1. OFFLINE BUSINESS

For the six months ended 30 June 2023, POS sales for our offline business reached 71.84% of the whole year planned target, compared to the same period in 2022 marking a year-on-year increase of 50.91%. During the first half of 2023, shopping mall stores, image stores of the third generation accounted, and Morandi image stores accounted for 64%, 76.88% and 17.59%, respectively. The expansion plan of opening new stores reached 72.31% of its annual target with their average monthly sales exceeding RMB76,000 while shopping mall stores accounted for 88.30%.

As at 30 June 2023, Carpenter Tan had a total of 1,119 franchised stores and 1 self-operated store in mainland China, 4 franchised stores in other countries and regions, and 2 self-operated stores in Hong Kong. The total number of stores was 1,126, increased by 31 stores when compared to 1,095 stores as at 31 December 2022.

#### Number of franchised stores, overseas stores and counters as at 30 June 2023:

	30 June 2023		31 December 2022	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,119	1	1,088	1
Hong Kong	–	2	–	2
Other countries and regions	4	–	4	–
Total	<u>1,123</u>	<u>3</u>	<u>1,092</u>	<u>3</u>

#### Number of franchised stores distribution in mainland China as at 30 June 2023:

Type of stores	30 June 2023		31 December 2022	
	Number of franchised stores	%	Number of franchised stores	%
Shopping mall	716	64.0%	676	62.1%
Street shop	263	23.5%	269	24.7%
Department store	59	5.3%	61	5.6%
Supermarket	23	2.0%	25	2.3%
Scenic spot	46	4.1%	43	4.0%
Transportation hub	7	0.6%	8	0.7%
Hotel	2	0.2%	2	0.2%
Others	3	0.3%	4	0.4%
Total	<u>1,119</u>	<u>100.0%</u>	<u>1,088</u>	<u>100.0%</u>

Since 2020, we have followed a customer-centric development strategy and pursued a long-term development path. We are committed to providing customers with products and life concepts that combine art, culture, quality and health. During the Reporting Period, we made breakthroughs in business operations, with different sales figures hitting record highs by formulating long-term plans and implementing a series of measures, as well as benefiting from the recovery of China's consumer market and the support and contribution of our customers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## *STORE EXPANSION TOGETHER WITH STORE MANAGEMENT*

During the Reporting Period, through the implementation and execution of policies and measures, we cooperated with more than 30 commercial systems to build 103 new stores, which further expanded the overall store scale. In terms of city distribution of new stores: Beijing, Shanghai, Guangzhou and Shenzhen accounted for 29.7%, provincial capitals and sub-provincial cities accounted for 38.2% and other cities accounted for 32.1%, leading to further expansion of the breadth of store layout. The new expansion of China Resources The Mixc and The Mixc system, and the strengthening of cooperation with Zhongliang, The Wharf, Longfor and local leading businesses resulting in significant development in the depth of the store layout. We strengthened the basic hygiene and service requirements of stores, started to implement internal and external training programs for the management and first-line shopping guides and conveyed the operation philosophy of “attracting customers with customers” by providing customers with clean and comfortable shopping environment that was full of experience and strong cultural atmosphere to facilitate marketing through word of mouth.

## *CONTINUOUS UPGRADE OF MEMBERSHIP SERVICE*

During the Reporting Period, we completed the redesign and visual adjustment of the user interface of our membership system. We also added new module functions such as member points redemption card coupons, interactive member points functions, member questionnaire and launch of new agricultural by-products to provide better visuals and interactive experiences for our members. During the Reporting Period, a total of 49,651 member redemption orders were processed, representing an increase of 123.56% for the corresponding period of last year. The significant increase in member redemption orders reflected the significant increase in the number of active brand members and, to a certain extent, reflected the effective achievement of membership service upgrades.

## *STRENGTHENING GROUP PURCHASE*

Since 2022, the Group has increased its support for group purchase. Through formulating new group purchase policies, providing multi-version group purchase catalogues and lowering the charging standards for value-added services such as words engraving and gold or silver glazing, the specialty stores were encouraged to proactively expand the group purchase business. During the Reporting Period, we launched the “Fu Lu Shou Xi” (福祿壽喜) themed group purchase products. In addition to free selection from the theme gallery pattern, we also offered customized patterns to provide customers with more personalized value-added services. During the Reporting Period, as we developed group purchase, the group purchase achieved by the Group amounted to RMB3.90 million, representing an increase of 35% as compared with the same period of last year; the group purchases initiated by specialty stores independently amounted to RMB21.77 million, accounted for approximately 5.8% of the sales in the first half of the year.

## *PRODUCT INNOVATION*

During the Reporting Period, a total of 21 new products were launched, which were distributed and launched on Valentine’s day, International Women’s Day, Mother’s Day, Children’s day and Father’s day, respectively. Among them, 2 new home furnishing products were distributed in limited quantities as rewards to customers; among the remaining 19 new products, 7 were new regular mixing wood and engraved products, 12 were new functional products. Among the 12 new functional products, 2 were sharp-tail combs for children, 2 were large sized angular wood massage boards, 1 were tendon sticks, 7 were tendon combs. These products can meet the needs of different groups of people from multiple perspectives and types, create a healthy combing life and enrich the product line of Carpenter Tan brand.

During the Reporting Period, we reviewed and planned the existing product system and specifically proposed the optimization ideas for some products with low gross profit level. In the second half of 2023, we planned to introduce new products of some category in the Carpenter Tan product system to bring better products to everyone.



## MANAGEMENT DISCUSSION AND ANALYSIS



### *STEADILY IMPROVING STORE IMAGE*

During the Reporting Period, 119 stores were renovated, including 103 new stores, 8 relocated stores and 8 refurbished stores. Categorised by store style, there are a total of 35 Carpenter Tan third generation-styled stores and a total of 84 Morandi-styled stores. The image of Morandi has been well received, accounting for approximately 70% of the completed number. Such image could be continuously enhanced and promoted. We cooperated with Japanese designer, Mr. Tetsuya Matsumoto, to enhance the image of the third generation-styled stores. The first draft of the design expected to be completed in August. Mini-sized comb-making equipment has been installed in stores and trial use have been conducted in some stores. Further improvements and adjustments will be made based on the trial use results.

In the second half of the year 2023, the Morandi-styled display props will be standardized to achieve the purpose of “let products speak for the brand”. By creating standardized scenarios, the brand image of national stores will be improved, the rate of customer visits will be increased and transaction rate will be achieved. “Antique combing beauty” (梳房顏究院) has been designed and modified with original props, and it is planned to be used in the promotion activities of the Suzhou Art Expo in July and the Malaysia Art Expo in November.

### *EXCELLENCE IN MAINTENANCE SERVICE*

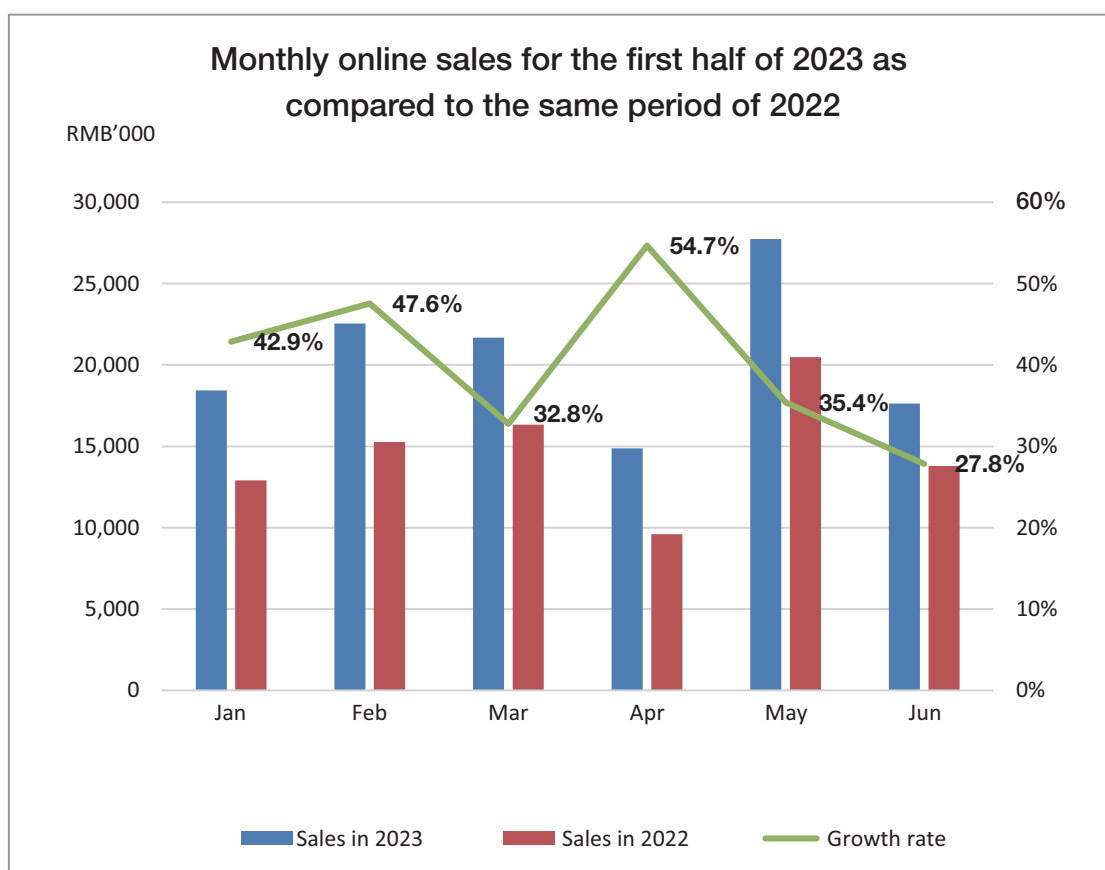
During the Reporting Period, 29 maintenance stations operated efficiently and completed a total of 107,043 maintenance products to provide customers with high-quality maintenance within the prescribed time limit. In order to improve the maintenance service, we have completed the shooting of the comparison photos of before and after product maintenance, which can be uploaded after the system upgrade in later stage, so that customers can clearly understand the effect and traces of the product maintenance. We also unified the communication skills for application review at the system back-end to improve the professionalism of maintenance services. We will continue to arrange and optimize the work process of maintenance stations and keep improving the timeliness of maintenance and service quality to enhance the comprehensive positive reviews from consumers on the brand, and hence, to achieve the Carpenter Tan’s long-term goal of customer-based brand operation.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. ONLINE BUSINESS

During the Reporting Period, the e-commerce team completed sales of RMB122.9 million or 115.4% of the first half-yearly target, representing a year-on-year increase of 39% when compared to same period of 2022, and 58% of annual sales progress has been completed. Since its establishment, the completed sales data of the e-commerce team has been increasing every year. From 2014 to 2020, the annual growth rate has been declining due to increasing sales base, from the highest point of increase of 35% to the lowest point of 6.12%. Starting from 2021, the growth rate has returned to more than 15%, and reached the highest point of 39% in the first half of this year, which is also the commanding height of the historical growth rate. As of 30 June 2023, 509,000 pieces of goods were delivered through local logistics providers, 127,000 pieces of goods were delivered through JD.com (京東倉), hence a total of 636,000 pieces of goods were delivered, representing a year-on-year increase of 38.2%.



In the first half of 2023, the e-commerce team was committed to seeking for the increase of sales volume and improvement of service quality. In terms of platform expansion, combined with the changes in the current Internet environment, the e-commerce team studied and analyzed new e-commerce platforms, and selected platforms that were in line with the brand tones. In the first half of the year 2023, two new platforms, Kuaishou and Jingxi, were introduced. Kuaishou platform is mainly used to open flagship stores and cover channels. It uses reposted short videos for brand promotion and does not conduct live sales. The business ecology of Kuaishou platform itself is not clear and the display logic is different, resulting in some customer stores having obvious advantages on this platform, so the traffic and sales volume of our brand are relatively low. Since Jingxi platform and the flagship store share the same backstage, traffic and sales volume on Jingxi platform cannot be calculated separately. The e-commerce team uses the Jingxi platform as a new exposure display at this stage to continuously attract traffic to the Jingdong flagship store.





## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the use of new promotion methods, the e-commerce team kept up with platform development trend, actively opened new platform modules and operated new promotion methods. In the first half of the year 2023, new channels and new promotion models brought a total revenue of RMB11.20 million, accounting for 9.1% of the total business volume.

In terms of Douyin channel promotion, we cooperated with Dongfang Zhenxuan account to conduct two Douyin live broadcast promotions in the first half of the year 2023. The cumulative number of exposures in the two live broadcasts was 76.5356 million, the number of viewers in the live broadcast room was 14.1313 million, and the number of visitors for our brand product reached 2.05 million with transaction amount of RMB705,000. However, the shortcoming is that the anchor's narration of the brand culture during the live broadcast is not in place and fails to fully achieve the dual purposes of brand promotion and sales. Based on this, the team uses Douyin platform combined with Carpenter Tan's short video content output, and uses the account short video + talent creative video + topic promotion to complement each other with live broadcast promotion, accumulate fan base, increase brand tonality, and expand brand influence.

In terms of marketing activities, a total of 7 activities were carried out in the first half of the year 2023. On-site and off-site content promotion was arranged in advance based on activity nodes and platform activity rhythm while promotions were carried out simultaneously. Therefore, sales increased significantly during the event period, such as the average daily sales reached RMB1.948 million during the 8-day Mother's Day event period, representing a year-on-year increase of 39%, breaking the historical record. In terms of digital transformation, artificial AI intelligent software were actively used to improve data capabilities, customer care capabilities and service capabilities based on business needs.

In the second half of 2023, we will continue to enhance the management of each platform, and use new methods and new technologies to tap business potential horizontally and vertically on the premise of maintaining the sales growth of the original main online platform. We will also adhere to the brand tone of Carpenter Tan to stick to our own path and boost our reputation. The key tasks in the second half of the year were carried out under the general strategy of "adhering the basic idea of channel diversification". We plan and implement marketing activities such as Qixi Festival, Teacher's Day, Wedding Season, Double Eleven Promotion, etc., and cooperate with on-site content channels, off-site Xiaohongshu channel, Douyin channels and other publicity channels to carry out promotion simultaneously. We actively contact and maintain cooperation with well-known head anchors and accounts to expand the topicality and exposure of our brand.

We focus on the long-term building of our brand, continuously invest resources in service quality and internal system optimization, optimize the existing business process through work order system, improve efficiency of artificial intelligence use, and increase the weight of the store's DSR assessment while improving service quality to obtain more platform free traffic.

In terms of creating new popular products, in the second half of the year 2023, we will speed up the design and launch process of the planned popular products, use corresponding nodes to pave the way for the basic sales of new product, and simultaneously combine various new product promotion tools and on-site and off-site promotion to empower new popular products, in order to gradually increase the weighting of products and increase product sales.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. OVERSEAS BUSINESS

During the Reporting Period, our overseas offline business has recorded a total shipment of approximately RMB2.23 million, representing a year-on-year increase of 42.95%. The sales of cross border e-commerce platform have recorded approximately RMB350,000 with a year-on-year increase of 34.48%. The sales of the two self-operated stores in Hong Kong was approximately HK\$2.14 million, representing a year-on-year increase of 52.89%.

In 2023, the Company's overseas team actively visited and developed new and old overseas franchisees. At the end of July, a new Morandi-styled store was opened in Toronto, Canada, which is also the first overseas Morandi-styled store. New stores in Miami, the U.S. and new joint venture model stores in Thailand and Malaysia are all under site selection and are expected to open this year. We will continue to put effort in the content production of overseas social media accounts, searched for suitable celebrities to attract traffic to the website, and filmed a series of unboxing videos on the product on the United States official website. We are selected to participate in the Malaysia Cultural Expo (馬來西亞文博會) held in Kuala Lumpur, Malaysia in November this year and we will present in the image of a 72 square meter special booth to highlight our brand image and charm. We continue to deepen the expansion of the Hong Kong market. At present, we have reached a preliminary cooperation with HAIR CORNER, a well-known hair salon in Festival Walk, Kowloon Tong with a new counter opening in November this year 2023.



## 4. INNOVATIVE RESEARCH AND DEVELOPMENT

In 2023, through optimizing the design and development process, strengthening market research and analysis, and combining with the product strategy system, the Creative Design Center continued to improve and enhance the structure and function of products, and continue to innovate and develop.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, we have finished the design and development of 5 new products and launched 17 new productions. 9 of the 10 products evaluated for trial sales have been transferred to regular products, with a success rate of 90%. The key projects include:

- 1) Children's comb design and development project: to fill the vacant of children's comb products and redevelop the sharp-tailed wooden comb. 3 new products have been launched.
- 2) Functional new product series development projects: the newly developed massage comb products with handles adopt curved comb tooth arrangement and thickened tooth heads, effectively increase the combing area, and meet the needs of different groups of people for combing comfort. 5 new products have been launched.
- 3) Inserted comb combing function improvement design and development project: with the help of Qixi Festival node, the combing function and use experience of the new inserted combs are improved by optimizing the size, arrangement, roundness and radian of the comb tooth. 4 new products have been launched.
- 4) New technique product development project: completed the design and proofing of the second batch of new products of large lacquer technique; promoted the application of the color lining mother-of-pearl inlay technique; completed the market research and scheme design of the cloisonné enamel technique.



# MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2023, the Company continued to launch functional products to increase the added value of products; enhanced the design transformation capability, developed new resources and controlled product costs; promoted the design and development of product elimination plan and upgrade projects to increase the gross profit margin of old products; created and launched offline and online popular models, and adjusted the design and development frequency in real time according to the actual situation of the market, so as to give full play to the potential of popular models and prolong the life cycle.

## 5. PRODUCTION TECHNOLOGY

During the Reporting Period, Carpenter Tan's Wanzhou factory had completed the production of 2.29 million pieces of products, with a year-on-year increase of 240,000 pieces. During the first half of the year 2023, we purchased 11 types of main materials used in the factory, such as black rosewood, jade sandalwood and dalbergia retusa, with a total of 1,020 cubic meters. Other materials were purchased according to the normal schedule to ensure the Company's need for safe and strategic storage of wood was met. We purchased 272,000 pieces of horn products (horn combs and horn pieces).

In terms of technology research and development, the main focus was on the following key projects:

- 1) Automatic inserting of hair-care comb rubber: The comprehensive acceptance application for the project was completed. On the basis of the set target value of 12 pieces/hour, the processing efficiency has reached the target effect of 52 sheets/hour. The project has been fully put into production.
- 2) Automatic polishing of wood comb teeth, namely automatic tooth-polishing: Prototype of the project has entered the trial production stage, with an average output of 44 pieces per hour. This solves the problems of high labor intensity and difficulty in operation skills by using machines to replace manpower. The final design of the machine is in progress.
- 3) Automated combination of wood combs: Test and verification of key units for the project was completed, mainly to solve the problems of long cycle, low efficiency and high labour intensity of wood comb combination.
- 4) Automated comb profile milling, namely replacing sanding and sand bending: Test and verification of key units for the project was completed, mainly to solve the problems of labor intensity and safety in the process of comb shape processing.
- 5) Research on the surface processing to prevent cracks at the bottom of the teeth of wood comb, mainly to enhance the ability of comb products to adapt to environmental and climatic conditions, also to reduce the problem of deformation and cracking of combs under dry and low-humidity conditions. Currently, the project is in the key test and verification stage.
- 6) Design and development of two types of new structure and new style products: Insertion type comb with concave-convex-arrayed teeth and an excess-glue-free teeth-inserting bonding structure.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 6. LOGISTICS AND DISTRIBUTION

During the Reporting Period, the logistics centre organised the processing of products in a timely manner 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 so as to complete distribution on time. Shipped products accounted for over 2.62 million pieces. We will continue to strengthen the supervision and management of product quality, adhere to the implementation of stricter quality control procedures, and achieve continuous improvement.

## 7. BRAND BUILDING

On 21 May 2023, Carpenter Tan was awarded the “Rehabilitation International Centennial Contribution Award” in the Rehabilitation International Centennial Celebration, which was hosted by Rehabilitation International and organized by the China Disabled Persons’ Federation. This award is presented by Rehabilitation International in recognition of 100 representatives or organizations that have contributed to the rehabilitation works worldwide. Carpenter Tan is proud to receive this award. Adhering to the core spirit of “honesty, labor, and happiness”, Carpenter Tan has always effectively protected the rights and interests of employees in terms of labor remuneration, vocational training, rest and leave, and actively promoted the employment of persons with disabilities, achieving equal pay for equal work and results sharing. Improvements of employees’ work, life and family happiness index is the main goal of our work.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 30 June 2023, the “2021-2022 Chongqing Culture and Tourism Enterprise Brand Value List” event was held at the Chongqing International Expo Center. The purpose of the event was to introduce a group of Chongqing cultural tourism brands that were widely popular in the market with unique Bayu characteristics, demonstrating the high-level and innovative development of the cultural and tourism industry and contributing to the high-quality development of the cultural and tourism industry in Chongqing. After fierce competition and rigorous evaluation, 20 cultural and tourism enterprises finally stood out from the competition, and Carpenter Tan was also on the list, becoming a model force for Chongqing cultural and tourism brands.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, Carpenter Tan and the Chinese Handicraft Magazine (中華手工雜誌) jointly organised the “The Beauty of Zhipei” (櫛佩之美) design competition and received a total of 289 pieces/groups of work. Students from more than 40 colleges and universities around the world and more than 50 designers and enthusiasts actively participated. In the end, “Shu Shu Dai Dai” (樹梳代代), created by Su Yu, a student at School of Design of Guangzhou Academy of Fine Arts, “Sheng Gu” (繩骨), created by Lu Yitian, a student at School of Art of Soochow University and “Rustling of Wings – visualization of the voice of flapping wings” (翩翾其羽 – 振翅之聲可視化), created by Deng Jie, a student at Craft Art Department of Sichuan Fine Arts Institute, were awarded first prize and second prize. This competition used the creative design of “comb and decoration” as the medium to connect life and dream, stimulate the clash of art and inspiration, and staged a dialogue between wisdom and soul.



# MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, aside from continuing to make good use of new media channels, offline brand activities focusing on wooden comb DIY experience will also continue to be an important way of promotion. Participants will be able to make their own exclusive wooden combs at the event site from inserting, sanding, fine grinding, polishing to painting... Under the guidance of professional comb makers, participants will experience the collaboration between heart and hands, and the happiness of wood crafting.

2023 is the 30th anniversary of Carpenter Tan. The Company plans to hold a celebration in the second half of the year 2023 to look back on the memories for the past 30 years of companionship support between the Company and its employees, and to showcase the development history of the brand and the belief for a brighter future.

## 8. HUMAN RESOURCES AND COMPREHENSIVE GOVERNANCE

We deeply practiced of the Company's existing values, further established a clean and upright corporate atmosphere, observed incorruptibility and code of conduct, and maintained a simple, clean and transparent cooperation relationship inside and outside the Company. At the beginning of the year, chairman of the Board Tan Chuan Hua and his wife were hospitalized due to some discomfort after recovery from the Pandemic when the prevention and control was released. A few employees went to visit and sent gifts and meals. Chairman Tan Chuan Hua worried, "This will lead to a bad trend of the Company. What the Company needs is a clean and upright atmosphere. My wife and I must take the lead in doing the right thing." He then promptly made an explicit request to the management and conveyed it to all departments, employees, financial departments and other cooperative units, "Visit other than work necessary is not allowed. Gifts and meals are not allowed. Everyone is only required to do their job well. Cooperative units that do not follow the above requirements will be included in the negative list and will not be considered for priority cooperation until termination. "The Company made investigation and punishment on two cases in which the Company was fined for violating the banned terms on online platforms for two times; and one case in which offline marketing personnel violated the relevant regulations on professional conducts and failed to perform their due diligence; made a public notice to criticize the Wanzhou Factory, the Creative Design Center and the Human Culture Center for not fulfilling the duties of reviewing the exhibition materials; made a public notice to criticize the financial management center for abnormal charge on the e-commerce platform and failing to follow up promptly and play a role in supervision and prevention; made a public notice to commend the logistics center and the financial management center for obtaining a better price competitive advantage during the negotiation of the procurement price of packaging materials and hence effectively reducing costs and expense.

Adhering to the principle of tightening the use of people, the Company adopted the method of reducing the number of employees and increasing efficiency and would not fill the vacancy for retired and resigned positions other than marketing, product development and technology research and development. Focusing on employee development channels, promotion grades, employment conditions, salary incentives and other aspects, the Company re-established the remuneration and performance system of manpower so that employees had a direction and goal to strive for. The Company put in place incentives for stimulation, forming a good competition and incentive mechanism and atmosphere to promote the development of the Company.





## MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company was committed to promoting the employment of the disabled. This year, the Company set up a special development fund to support the disabled and held the first sports meeting for disabled employees. The Company was improving the conditions of venues and equipment for the rehabilitation of the disabled, and realizing fully barrier-free access and the transformation of more user-friendly facilities. The Company further improved the production and living facilities of the disabled employees who lived in the factory, fully reflecting the humanistic care of the Company. This year, the Company was rewarded in the "Rehabilitation International Centennial Celebration" held in China by the International Disability Alliance. Ms. Zhang Haidi, chairman of the China Disabled Persons' Federation, cordially encouraged Carpenter Tan, "honor belongs to the past. In the future, we have to work together for better cause of the disabled."

At the beginning of the Pandemic when the prevention and control was released, the Company's employees also showed a general trend of large-scale infections. The Company made every effort to prevent the risk of comprehensive suspension of marketing front-end, production organization, packaging and distribution brought by full-scale infection in a short period of time, so as to ensure the orders in the market can be fulfilled. After the Pandemic, the market quickly recovered and apparently showed a stable and positive development trend, and the order volume also showed a rapid growth momentum. Due to the limitation of material width, there was shortage of supply for some product models in a short period of time. Moreover, after the process structure was changed, the quality problems in the local environment led to the prolonged production and supply cycle, decline in market demand and reduction of orders. At present, the Company is implementing the proposed improvement plan in order to solve the problem as soon as possible, so as to restore supply, ensuring market demand can be met.

In terms of product mix strategy and material utilization matching, the Company has been committed to optimizing product mix strategy to reduce and even eliminate unused materials, however, even after the efforts of various parties in the first half of the year, the result was not obvious. High-grade materials started to incur unused materials as well. In this way, there will be two consequences: one is not fully utilizing the valuable materials and resources; second is leading to an increase in product costs and an increase in site occupancy.

The Group still adhered to the market rights protection strategy of cracking down and running fast, and strengthened rectification of illegal behaviours of franchised stores in illegal online sales, disruptions in channels, prices and markets. During the Reporting Period, four stores in violation were investigated and penalized, resulting in the confiscation of approximately RMB55,000 in fines. The Group strictly cracked down on illegal acts of counterfeiting Carpenter Tan's brand and illegal acts that disrupted the Carpenter Tan market. During the Reporting Period, 20 cases were identified, 20 cases were confirmed with solid evidence and under litigation, and two cases have been closed, and the recoverable amount of compensation amounted to RMB60,000. In 2021 and 2022, a total of 13 litigations were settled by court through mediation (ruling), resulting in the recoverable compensation amount of RMB218,000. Efforts were made to eliminate non-compliance in market conduct, strengthen the confidence of franchisees, enhance brand image, and achieve sustainable and healthy development of the Group, the market and the franchise system.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 1. REVENUE

The Group recorded revenue of approximately RMB256,773,000 for the six months ended 30 June 2023, representing an increase of approximately RMB89,687,000 or 53.7% as compared to approximately RMB167,086,000 for the six months ended 30 June 2022. The increase in revenue was mainly due to the market recovery as a result of the lifting of the Pandemic control measures during the Reporting Period as compared to the six months ended 30 June 2022.

	For the six months ended 30 June			
	2023		2022	
	(unaudited) (RMB'000)	%	(unaudited) (RMB'000)	%
Sales				
– Combs	25,284	9.8	24,001	14.4
– Mirrors	306	0.1	132	0.1
– Box sets	228,692	89.1	141,070	84.4
– Other accessories*	2,072	0.8	1,802	1.0
Franchise joining fee income	420	0.2	80	0.1
Total	<u>256,773</u>	<u>100.0</u>	<u>167,086</u>	<u>100.0</u>

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

### 2. COST OF SALES

The cost of sales of the Group was approximately RMB101,888,000 for the six months ended 30 June 2023, representing an increase of approximately RMB34,998,000 or 52.3% as compared to approximately RMB66,890,000 for the six months ended 30 June 2022. The increase in cost of sales was mainly due to the increase in sales volume and the cost of materials for the Reporting Period.

### 3. GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2023, gross profit of the Group was approximately RMB154,885,000, representing an increase of approximately RMB54,689,000 or 54.6% as compared to approximately RMB100,196,000 for the six months ended 30 June 2022. The gross profit margin increased from approximately 60.0% in 2022 to 60.3% in 2023. The increase in gross profit margin was mainly due to the change in sales mix which led to the increase in proportion of revenue for the products with higher gross profit margin for the Reporting Period.

### 4. OTHER INCOME

Other income was mainly comprised of PRC VAT concession refunds, interest income from financial assets, change in fair value of financial assets at fair value through profit or loss, government grants and rental income. Other income was approximately RMB25,082,000 for the six months ended 30 June 2023, representing an increase of approximately RMB6,721,000 or 36.6% as compared to approximately RMB18,361,000 for the six months ended 30 June 2022. The increase was mainly due to an increase in PRC VAT concession refunds and bank interest income, while partially offset by the decrease in gain from change in fair value of financial assets mandatorily measured at fair value through profit or loss. Details of other income are set forth in Note 6 to the unaudited interim financial report.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 5. SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses, mainly including advertising, marketing and promotion expenses, rental expenses, salaries and benefits, transportation fee and travelling expenses, amounted to approximately RMB39,715,000 for the six months ended 30 June 2023, representing an increase of approximately RMB8,681,000 or 28.0% as compared to RMB31,034,000 for the six months ended 30 June 2022. This increase was mainly a result of the increase in transportation fee and travelling expenses for the Reporting Period.

## 6. ADMINISTRATIVE EXPENSES

The administrative expenses of the Group were approximately RMB15,543,000 for the six months ended 30 June 2023, representing an increase of approximately RMB994,000 or 6.8% as compared to approximately RMB14,549,000 for the six months ended 30 June 2022. The increase was primarily due to the increase in staff costs for the Reporting Period.

## 7. PROFIT FROM OPERATIONS

For the six months ended 30 June 2023, profit from operations for the Group amounted to approximately RMB121,508,000, increased by approximately RMB50,793,000 or 71.8% when compared to approximately RMB70,715,000 for the six months ended 30 June 2022. Increase in profit from operations was mainly due to the increase in gross profit of approximately RMB54,689,000 and increase in other income of approximately RMB6,802,000, while partially offset by the increase in selling and distribution expenses of approximately RMB8,681,000 and increase in administrative expenses of approximately RMB1,078,000 for the six months ended 30 June 2023.

## 8. FINANCE EXPENSES

For the six months ended 30 June 2023 and 2022, the Group did not have any interest expenses, respectively as there was no bank borrowings during both periods. The finance expenses of approximately RMB274,000 and RMB328,000 for the Reporting Period and for the six months ended 30 June 2022 were related to finance expenses as the Group started to apply the new HKFRS 16 from 1 January 2019.

## 9. PROFIT BEFORE TAXATION

For the six months ended 30 June 2023, profit before taxation for the Group amounted to approximately RMB121,234,000, increased by approximately RMB50,847,000 or 72.2% when compared to approximately RMB70,387,000 for the six months ended 30 June 2022. Increase in profit before taxation was mainly due to the increase in profit from operations of approximately RMB50,790,000 for the Reporting Period.

## 10. INCOME TAX EXPENSES

For the six months ended 30 June 2023, income tax expenses for the Group amounted to approximately RMB27,286,000, increased by approximately RMB11,946,000 or 77.9% when compared to approximately RMB15,340,000 for the six months ended 30 June 2022. This increase was mainly due to the increase in profit before taxation for the Reporting Period.

The effective tax rate for the Reporting Period was 22.5% which was higher than 21.8% for the six months ended 30 June 2022 by 0.7 percentage point. Details of income tax expenses are set forth in Note 8 to the unaudited interim financial report.

## 11. PROFIT FOR THE PERIOD

As a result of the foregoing, the profit for the six months ended 30 June 2023 was approximately RMB93,948,000, representing an increase of approximately RMB38,901,000 or 70.7% as compared to approximately RMB55,047,000 in the corresponding period of 2022.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 12. LIQUIDITY AND CAPITAL RESOURCES

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

As at 30 June 2023, the Group had cash and bank balances of RMB64,504,000 (as at 31 December 2022: approximately RMB27,160,000) mainly generated from operations of the Group.

## 13. CASH FLOWS

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

During the Reporting Period, the Group's cash and cash equivalents increased by approximately RMB37,344,000, which mainly comprised the net cash generated from operating activities with the amount of approximately RMB115,873,000, net cash used in investing activities with the amount of approximately RMB21,675,000, net cash used in financing activities with the amount of approximately RMB57,642,000, and the positive effect of foreign exchange of approximately RMB788,000. The cash flow details of the Group are set out in page 39 under "Condensed Consolidated Statement of Cash Flows" in this report.

## 14. CAPITAL STRUCTURE

### *INDEBTEDNESS*

As at 30 June 2023 and during the Reporting Period, the Group did not have any bank loan.

### *GEARING RATIO*

As at 30 June 2023 and 31 December 2022, the Group did not have any interest-bearing bank borrowings, the calculation of gearing ratio was not meaningful.

### *PLEDGE OF ASSETS*

As at 30 June 2023, the Group had pledged bank deposits of RMB3,000,000 to the bank to secure a financial guarantee issued by the bank to distribution agents for the Group's operation (as at 31 December 2022: RMB3,000,000).

### *CAPITAL EXPENDITURE*

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and motor vehicles. The Group's capital expenditures amounted to RMB13,433,000 and RMB9,033,000 for the Reporting Period and the six months ended 30 June 2022 respectively.

### *FOREIGN EXCHANGE RISK*

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## 15. CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

Included in the Group's property, plant and equipment, there is a property located in Jurong, Jiangsu, with a carrying amount of approximately RMB25,332,000 as at 30 June 2023. The Group purchased the property from 蘇州建興置業有限公司 (the "Developer") in 2013. The Group has fully paid the cost of the buildings but as at 30 June 2023, the Group has not obtained the ownership certificate yet. The Group has litigations against the Developer in these few years. During the Reporting Period, the Developer was under liquidation procedure. The management has obtained legal opinion and assessed it is more probable for the liquidator will continue to execute the sales and purchase agreement between the Developer and the Group and complete the issue of ownership certificate. Therefore, there are no material adverse effect on the business operation and financial position of the Group.

Save as disclosed above, as at 30 June 2023, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

## 16. MAJOR ACQUISITION AND DISPOSAL

For the six months ended 30 June 2023, the Group has not made any significant acquisition and disposal.

## 17. GOING CONCERN

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

## 18. SIGNIFICANT INVESTMENTS HELD

### *INVESTMENT PROPERTIES*

As at 30 June 2023, the Group's investment properties had a carrying value of approximately RMB97,120,000 (31 December 2022: approximately RMB97,120,000). The Group's investment properties were not revalued as at 30 June 2023 by independent valuers. The Directors were aware of the possible change in the conditions of the property market. The Directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2022 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the Reporting Period. During the Reporting Period, the Group neither acquired nor disposed any investment properties.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE OUTLOOK

1. Deeply practicing of the Group's existing values.
2. Thoroughly implementing the entry and optimization and adjustment of channels, platforms and core business circles (transportation ports and scenic spots) in the domestic market; making good use of the Group's supporting policies to revitalize the Northeast market, building and displaying brand image stores to enhance the Company's brand image and improve its market competitiveness; exploring and expanding new models of offline overseas markets; developing and improving specialty stores and products (packaging and materials) in line with overseas markets; keeping the continuous upward trend in general.
3. Expanding new channels and new resources to ensure raw material reserves and fulfillment of market orders.
4. Improving work efficiency and adhering to the principle of tightening the use of people according to the established plan; strengthening the independent development and external introduction of craftsmanship, equipment and technology, and enhancing the implementation of transformation; optimizing the processing and operating methods and promoting and applying mutual complementation and mutual learning among different procedures in the same factory and among different factories; fully putting the southern part of the new plant into use to fully alleviate the inadequacy of material processing and drying capacity, optimize the drying process and eliminate dry-and-use products.
5. Creative Design center implementing IP cooperation and launch co-branding and popular models, realizing the enhancement of mother-of-pearl inlay technique, lacquer technique and other traditional handicrafts, and launch of cloisonné enamel and other products in small batches or batches.
6. Continuously implementing and optimizing the product system according to the established plan to improve the material supply structure, eliminate or reduce unused materials, and increase the gross profit margin of products.
7. Accomplishing the purging of market environment, optimizing the marketing environment, enhancing the Group's credibility, and continuously improving the confidence in the franchise system.
8. Carrying out brand building and communication, deeply propelling the establishment of remuneration and performance system of manpower, and activating human resources.
9. Managing and using money properly, achieving the goal of deepening and optimizing the cost of a single product, and providing decision-making basis for market strategy and product system optimization as soon as possible.

## HUMAN RESOURCES AND TRAINING

As at 30 June 2023, the Group had a total of 968 employees in Mainland China, Hong Kong and overseas. In addition to providing job opportunities to the disabled, the Group has attached high emphasis to the self-upgrade of its staff. By holding various themed exhibitions, workshops, seminars and staff training, the working skills and marketing strategies, techniques and methods of the staff as well as their sense of belonging to the Group were further enhanced. During the Reporting Period, in order to develop team spirits, courtesy, production management and accounting practice of the staffs, the Group provided the staffs various on-job training in various forms such as face to face teaching and examination to consolidate and spread the corporate culture of Carpenter Tan. For the six months ended 30 June 2023, the Group's total remuneration paid to employees was approximately RMB47,673,000 (2022: approximately RMB34,622,000).



# OTHER INFORMATION

## PRINCIPAL ACTIVITIES

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2023, none of the Directors was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## DIRECTORS' INTERESTS IN SECURITIES

### (A) INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Division 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) Interests in the shares of the Company:

Name of Director	Capacity/ Nature of interest	Number of securities	Approximate percentage of shareholding
Tan Chuan Hua (Note 1)	Interest in a controlled Corporation	167,700,000	67.43%
Yang Tiannan	Beneficial owner	2,480,000	0.99%

Note:

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

#### (II) Interests in the shares of associated corporations:

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



## OTHER INFORMATION

### (B) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the interests and long positions of every person in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register maintained and kept by the Company under section 336 of the SFO were as below:

Interests in the shares of the Company:

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (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.

### SHARE OPTION SCHEME

On 17 November 2009, the Company conditionally adopted a share option scheme (the "Share Option Scheme"), which became effective on 29 December 2009 (the "Effective Date"). Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing on the Effective Date offer to grant to any Eligible Persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for shares. Details of the Share Option Scheme are set out in the prospectus of the Company dated 15 December 2009 (the "Prospectus"). The Share Option Scheme was lapsed on 28 December 2019.





## OTHER INFORMATION

As at 30 June 2023, the Company had granted to certain eligible participants (the “Grantees”), a total of 400,000 share options to subscribe for a total of 400,000 ordinary shares of HK\$0.01 each in the capital of the Company under the Share Option Scheme which were accepted by such Grantees. A summary of share options granted under the Share Option Scheme of the Company during the six months ended 30 June 2023 is as follows:

Grantees	Position held with the Group	Date of grant	Option period (Note 1)	Exercise price per share (HK\$) (Note 2)	Number of Share Options					Approximate percentage of the Company’s total issued share capital
					Outstanding as at 1 January 2023	Granted during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2023	
Ms. Liu Keja	Deputy Chief Executive Officer	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	—	—	—	200,000	0.08%
Mr. Luo Hongping	Executive Director	31 August 2018	31 August 2018 to 30 August 2023	4.896	200,000	—	—	—	200,000	0.08%
					<u>400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>400,000</u>	<u>0.16%</u>

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

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

### CAPITAL COMMITMENT

As at 30 June 2023, the Group had capital commitments contracted but not provided for acquisition of property, plant and equipment of approximately RMB50,399,000 (as at 31 December 2022: RMB16,279,000).

### PUBLIC FLOAT

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



## OTHER INFORMATION

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

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

### USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited on 29 December 2009, after deducting the related issuance expenses, amounted to approximately HK\$132,900,000 (equivalent to approximately RMB116,800,000). As disclosed in the announcement of the Company dated 21 September 2022 (the "Announcement"), there had been a change in use of the net proceeds from the Listing. Please refer to the Announcement for further details. As at 30 June 2023, the Group had utilised approximately RMB101,200,000 of the net proceeds and the remaining balance of the net proceeds is approximately RMB15,600,000. Details of which are set out in the table below:

	Planned use of the net proceeds as disclosed in the Prospectus (RMB million)	Revised use of net proceeds as disclosed in the Announcement (RMB million)	Actual utilised amount of the net proceeds as at 30 June 2023 (RMB million)	Unutilised amount of the net proceeds as at 30 June 2023 (RMB million)	Expected timeline of utilisation
Enhancement of the Group's design and product development and enhancement of operational efficiency	25.5	25.5	25.5	—	N/A
Construction of production base, logistic center and purchase of production equipment and machinery	27.5	27.5	27.5	—	N/A
Enhancement of the sales network and sales support services through internet and group sales to corporate customers	16.5	16.5	16.5	—	N/A
General working capital of the Group	12.2	12.2	12.2	—	N/A
Setting up new international shops in the overseas market	11.0	—	—	—	N/A
Setting up high-end home accessories shops in the PRC under the brand name of "Tan's"	19.0	—	—	—	N/A
Setting up lifestyle handicraft stores	5.1	—	—	—	N/A
Further enhancement of the Group's production facilities and environmental protection infrastructure	—	18.0	5.3	12.7	January 2024
Enhancement of the Group's logistic center	—	17.1	2.0	15.1	March 2024
	<u>116.8</u>	<u>116.8</u>	<u>89.0</u>	<u>27.8</u>	

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



# OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards. During the Reporting Period, the Company complied with the code provisions 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 set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his or her compliance with the Model Code for the six months ended 30 June 2023. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished inside information, has been requested to comply with the written guidelines. No incidence of non-compliance of the employees’ written guidelines by the relevant employees was noted by the Company during the Reporting Period.

## AUDIT COMMITTEE

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

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

The financial information in this interim report has not been audited by the auditor of the Company. The audit committee has reviewed the Company’s unaudited condensed consolidated interim financial information, the results announcement and this interim report of the Company for the six months ended 30 June 2023 with the management of the Group and agreed with the accounting treatment adopted by the Company, and was of the opinion that the preparation of the financial statements in this interim report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.



## OTHER INFORMATION

### APPOINTMENT OF EXECUTIVE DIRECTOR

As disclosed in the announcement of the Company dated 1 February 2023, the Board has approved the appointment of Mr. Luo Hongping as an executive Director of the Company with effect from 1 February 2023. Please refer to the announcement of the Company dated 1 February 2023 for further details.

### DIVIDENDS

Pursuant to a resolution passed by the shareholders of the Company on 23 May 2023, the Company declared a final dividend of HK25.03 cents per share for the year ended 31 December 2022 amounting to an aggregate of approximately HK\$62,253,000 (equivalent to approximately RMB54,991,000) to the shareholders of the Company. The final dividend was paid on 30 June 2023 by the internal cash resources of the Company.

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: HK12.96 cents per share)

### EVENTS AFTER THE REPORTING PERIOD

There is no material events after the Reporting Period as at the date of this report.

### DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2023 will be duly despatched to shareholders of the Company and published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ctans.com>).

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

Hong Kong, 30 August 2023



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
<b>Revenue</b>	6(a)	256,773	167,086
Cost of sales		(101,888)	(66,890)
<b>Gross profit</b>		154,885	100,196
Other income	6(b)	25,082	18,361
Selling and distribution expenses		(39,715)	(31,034)
Administrative expenses		(15,543)	(14,549)
Other operating expenses		(3,201)	(2,259)
<b>Profit from operations</b>		121,508	70,715
Finance costs		(274)	(328)
<b>Profit before taxation</b>	7	121,234	70,387
Income tax	8	(27,286)	(15,340)
<b>Profit for the period</b>		93,948	55,047
<b>Attributable to</b>			
Owners of the Company		93,880	55,028
Non-controlling interests		68	19
<b>Profit for the period</b>		93,948	55,047
<b>Earnings per share</b>			
Basic and diluted	9	RMB37.7 cents	RMB22.1 cents

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



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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
<b>Profit for the period</b>	93,948	55,047
<b>Other comprehensive income for the period</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	3,429	1,939
<i>Item that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(2,634)	(1,914)
Other comprehensive income for the period, net of nil income tax	795	25
<b>Total comprehensive income for the period</b>	<b>94,743</b>	<b>55,072</b>
<b>Attributable to</b>		
Owners of the Company	94,675	55,053
Non-controlling interests	68	19
<b>Total comprehensive income for the period</b>	<b>94,743</b>	<b>55,072</b>

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



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	30 June 2023 (unaudited) RMB'000	31 December 2022 (audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10(a)	102,222	91,370
Right-of-use assets		36,477	38,110
Investment properties	10(b)	97,120	97,120
Intangible assets		–	–
Non-pledged fixed bank deposit		53,000	53,000
Other receivables, deposits and prepayments		206	767
		<u>289,025</u>	<u>280,367</u>
<b>Current assets</b>			
Inventories		220,421	244,430
Income tax recoverable		–	2
Trade receivables	11	5,101	5,349
Other receivables, deposits and prepayments		31,737	7,539
Financial assets at fair value through profit or loss	12	–	57,710
Non-pledged fixed bank deposit (maturity over 3 months but within 1 year)		250,000	180,000
Cash and bank balances		64,504	27,160
Pledged bank deposit		–	3,000
		<u>571,763</u>	<u>525,190</u>
<b>Current liabilities</b>			
Trade payables	13	8,492	4,764
Other payables and accruals		52,078	44,759
Income tax payable		30,665	28,522
Lease liabilities		1,452	1,939
		<u>(92,687)</u>	<u>(79,984)</u>
<b>Net current assets</b>		<u>479,076</u>	<u>445,206</u>
<b>Total assets less current liabilities</b>		<u>768,101</u>	<u>725,573</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		28,418	23,779
Deferred income		519	530
Lease liabilities		9,420	9,385
		<u>(38,357)</u>	<u>(33,694)</u>
<b>NET ASSETS</b>		<u>729,744</u>	<u>691,879</u>
<b>Capital and reserves</b>			
Share capital	15	2,189	2,189
Reserves		723,428	685,631
<b>Equity attributable to owners of the Company</b>		<u>725,617</u>	<u>687,820</u>
<b>Non-controlling interests</b>		<u>4,127</u>	<u>4,059</u>
<b>TOTAL EQUITY</b>		<u>729,744</u>	<u>691,879</u>

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



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Attributable to owners of the Company												
Notes	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Property revaluation reserve RMB'000	Equity settled share-based payment reserve RMB'000	Currency translation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
At 1 January 2022	2,189	110,503	10,275	58,450	17,542	12,245	406	(16,085)	472,871	4,051	672,447	
Profit for the period	–	–	–	–	–	–	–	–	55,028	19	55,047	
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	1,939	–	–	1,939	
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(1,914)	–	–	(1,914)	
Total comprehensive income for the period	–	–	–	–	–	–	–	25	55,028	19	55,072	
Dividends	14	–	–	–	–	–	–	–	(55,215)	–	(55,215)	
Transfer to retained profits	–	–	–	–	–	–	(144)	–	144	–	–	
At 30 June 2022	<u>2,189</u>	<u>110,503</u>	<u>10,275</u>	<u>58,450</u>	<u>17,542</u>	<u>12,245</u>	<u>262</u>	<u>(16,060)</u>	<u>472,828</u>	<u>4,070</u>	<u>672,304</u>	
At 1 January 2023	2,189	110,503	10,275	58,512	17,542	12,245	262	(21,188)	497,480	4,059	691,879	
Profit for the period	–	–	–	–	–	–	–	–	93,880	68	93,948	
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	3,429	–	–	3,429	
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(2,634)	–	–	(2,634)	
Total comprehensive income for the period	–	–	–	–	–	–	–	795	93,880	68	94,743	
Dividends	14	–	–	–	–	–	–	–	(56,878)	–	(56,878)	
At 30 June 2023	<u>2,189</u>	<u>110,503</u>	<u>10,275</u>	<u>58,512</u>	<u>17,542</u>	<u>12,245</u>	<u>262</u>	<u>(20,393)</u>	<u>534,482</u>	<u>4,127</u>	<u>729,744</u>	

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





# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
<b>Operating activities</b>		
Cash generated from operations	129,518	48,578
Interest received	6,857	202
Income tax paid	(17,753)	(7,447)
Withholding tax paid	(2,749)	(2,761)
<b>Net cash generated from operating activities</b>	<b>115,873</b>	<b>38,572</b>
<b>Investing activities</b>		
Payment for purchase of property, plant and equipment	(13,313)	(9,033)
Proceeds from disposal of property, plant and equipment	45	58
Payment for purchase of financial assets at fair value through profit or loss	(109,800)	(139,110)
Proceeds from sale of financial assets at fair value through profit or loss	168,393	239,058
Placement of non-pledged fixed bank deposit	(70,000)	(68,000)
Withdrawal of pledged bank deposit	3,000	–
<b>Net cash (used in)/generated from investing activities</b>	<b>(21,675)</b>	<b>22,973</b>
<b>Financing activities</b>		
Dividend paid to owners of the Company	(56,878)	(55,215)
Payment of principal element of lease liabilities	(490)	(389)
Interest paid	(274)	(328)
<b>Net cash used in financing activities</b>	<b>(57,642)</b>	<b>(55,932)</b>
<b>Net increase in cash and cash equivalents</b>	<b>36,556</b>	<b>5,613</b>
<b>Cash and cash equivalents at 1 January</b>	<b>27,160</b>	<b>35,795</b>
<b>Effect of foreign exchange rate changes, net</b>	<b>788</b>	<b>(86)</b>
<b>Cash and cash equivalents at 30 June</b>	<b>64,504</b>	<b>41,322</b>

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. GENERAL INFORMATION

Carpenter Tan Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2006 as an exempted company with limited liability under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Type A Factory Building, Longbao Shuanghekou, Light Industry Park, Wanzhou District, Chongqing, the People’s Republic of China (the “PRC”) respectively.

## 2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

### (A) STATEMENT OF COMPLIANCE

The unaudited interim financial report for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### (B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss which are measured at fair values. The condensed consolidated interim financial statements should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2022. They do not include all the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the consolidated financial statements for the year ended 31 December 2022.

The interim financial report is unaudited, but has been reviewed by the Company’s audit committee. The condensed consolidated interim financial statements were authorised for issue by the Company’s board of directors on 30 August 2023.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

### (C) MATERIAL ACCOUNTING POLICY INFORMATION

Other than new accounting policies resulting from application of new and amendments to HKFRS, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

In the current period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023, for the preparation of the Group's condensed consolidated interim financial statements:

HKFRS 17 and the Related Amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

#### *AMENDMENTS TO HKAS 1 AND HKFRS PRACTICE STATEMENT 2 DISCLOSURE OF ACCOUNTING POLICIES*

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

### (C) MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

#### *AMENDMENTS TO HKAS 1 AND HKFRS PRACTICE STATEMENT 2 DISCLOSURE OF ACCOUNTING POLICIES (Continued)*

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

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

The application of the amendments does not have any significant impact on the Group’s condensed consolidated interim financial statements.

#### *AMENDMENTS TO HKAS 8 DEFINITION OF ACCOUNTING ESTIMATES*

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

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments does not have any significant impact on the Group’s condensed consolidated interim financial statements.

#### *AMENDMENTS TO HKAS 12 DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION*

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 3. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those described in the last annual consolidated financial statements.

## 4. SEGMENT REPORTING

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

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

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

### MAJOR CUSTOMERS

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

## 5. SEASONALITY OF OPERATIONS

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 6. REVENUE AND OTHER INCOME

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. An analysis of the Group’s revenue and other income for the period is as follows:

### (A) REVENUE

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2023 (unaudited) RMB’000	2022 (unaudited) RMB’000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of goods	256,353	167,006
Franchise joining fee income	420	80
	<u>256,773</u>	<u>167,086</u>

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

### (B) OTHER INCOME

	Six months ended 30 June	
	2023 (unaudited) RMB’000	2022 (unaudited) RMB’000
Government grants (note (i))	404	969
Interest income on financial assets measured at amortised cost – bank interest income	6,857	202
Gain from change in fair value of financial assets mandatorily measured at fair value through profit or loss	883	2,698
PRC VAT concession refunds (note 8 (v))	13,772	10,696
Rental income from investment properties	2,529	3,297
Net foreign exchange gain	2	5
Reversal of loss allowance on trade receivables	7	52
Others	628	442
	<u>25,082</u>	<u>18,361</u>

Note

- (i) In 2023, among the government grants, approximately RMB404,000 (2022: approximately RMB969,000) was for the PRC subsidiaries of the Group. It was for funding support from Chongqing Regulatory Bureau, Ministry of Finance and Chongqing Provincial Human Resources and Social Security Department (the “Funds”). The purposes of the Funds are to encourage the involvement in overseas marketing by granting financial assistance to commercial entities who have involved in certain marketing activities outside the PRC; and to promote a stable employment environment and prevent unemployment risks by granting financial assistance to commercial entities whose structure, lay off rate, contributions to unemployment insurance meet certain criteria.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 7. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
Carrying amount of inventories sold	99,837	65,779
Write-down of inventories	2,051	1,111
Cost of inventories (note (i))	101,888	66,890
Depreciation		
– property, plant and equipment	2,416	2,253
– right-of-use assets	1,671	1,895
Expense relating to short-term leases	461	251
Impairment losses recognised on other receivables	42	–
Net loss on disposal of property, plant and equipment	7	64
Staff costs (including directors' emoluments)	47,673	34,622
Provision for sales returns	504	1,091
Gross rental income from investment properties	(2,529)	(3,297)
Less: Direct outgoings incurred for investment properties that generated rental income during the period	630	392
Net rental income	(1,899)	(2,905)

Note:

- i) Cost of inventories includes approximately RMB24,754,000 (2022: RMB20,119,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 8. INCOME TAX

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
<b>Current tax</b>		
PRC Enterprise Income Tax (note (i))	19,898	12,074
Hong Kong profits tax (note (iii))	–	–
Withholding tax on dividends (note (iv))		
– Provision for the period	2,749	2,761
	<u>22,647</u>	<u>14,835</u>
<b>Deferred tax</b>		
Transfer to current tax upon distribution of dividends	(2,749)	(2,761)
Provision for the period (note (iv))	7,388	3,266
	<u>7,388</u>	<u>3,266</u>
<b>Total</b>	<u>27,286</u>	<u>15,340</u>

Income tax expense is recognised in the current period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in the current period may have to be adjusted in a subsequent interim period of the current financial year if the estimate of the annual income tax rate changes.

Notes:

- i) The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries incorporated in the PRC at a statutory income tax rate of 25% (2022: 25%), except for Chongqing Carpenter Tan Handicrafts Co., Ltd ("Carpenter Tan") which is eligible to enjoy concessionary Enterprise Income Tax rate of 15% according to the preferential tax policies.
- ii) The Company is incorporated in the Cayman Islands and is exempted from income tax in the Cayman Islands. The Company's subsidiary established in the British Virgin Islands is exempted from income tax in the British Virgin Islands.
- iii) No provision for Hong Kong profits tax has been made for the period ended 30 June 2023 and 2022 as the subsidiaries did not have assessable profits subject to Hong Kong profits tax for these periods.
- iv) Under the Enterprise Income Tax Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the investee entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation of the PRC (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.





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 8. INCOME TAX (Continued)

Notes: (Continued)

iv) (Continued)

As at the date of the financial statements, the relevant formalities for the reduced tax rate have been completed. The management consulted with PRC lawyers and assessed that the Group is entitled to 5% withholding income tax rate since 2019. During the six months ended 30 June 2023, a provision of approximately RMB2,749,000 (2022: RMB2,761,000) for current tax and approximately RMB7,388,000 (2022: RMB3,266,000) for deferred tax has been made.

As at 30 June 2023, the deferred tax liabilities relating to withholding tax accrued on undistributed profits of the Group's PRC subsidiaries amounted to approximately RMB7,388,000 (At 31 December 2022: RMB2,749,000) which are expected to be distributed in the foreseeable future.

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

The Group recognised the VAT refund in the Group's condensed consolidated statement of profit or loss on an accrual basis. The amounts of the VAT refunded to the Group during the period are detailed in note 6(B).

## 9. EARNINGS PER SHARE

### A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period:

#### i) PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
Earnings used in calculating basic earnings per share	<u>93,880</u>	<u>55,028</u>

#### ii) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	Number of shares Six months ended 30 June	
	2023 (unaudited) '000	2022 (unaudited) '000
Weighted average number of ordinary shares in issue	<u>248,714</u>	<u>248,714</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>248,714</u>	<u>248,714</u>

### B) DILUTED EARNINGS PER SHARE

The diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2023 and 2022 because the exercise price of the outstanding share options granted was higher than the average market price of the Company's shares during the six months ended 30 June 2023 and 2022. Accordingly, the computation of diluted earnings per share does not assume the exercise of the Company's share options.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 10. FIXED ASSETS

### A) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB13,313,000 (six months ended 30 June 2022: RMB9,033,000). Items of property, plant and equipment with a total carrying amount of RMB52,000 (six months ended 30 June 2022: RMB122,000) were disposed of during the six months ended 30 June 2023.

### B) VALUATION

The Group's investment properties were not revalued as at 30 June 2023 by independent valuers. The directors were aware of the possible change in the conditions of the property market. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2022 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the current period. During the Reporting Period, the Group neither acquired nor disposed any investment properties.

## 11. TRADE RECEIVABLES

	At 30 June 2023 (unaudited) RMB'000	At 31 December 2022 (audited) RMB'000
Trade receivables from contracts with customers	5,146	5,401
Less: allowance for credit losses	(45)	(52)
	<u>5,101</u>	<u>5,349</u>

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

	At 30 June 2023 (unaudited) RMB'000	At 31 December 2022 (audited) RMB'000
0 to 30 days	4,100	4,944
31 to 60 days	768	52
61 to 90 days	102	4
91 to 180 days	69	26
181 to 365 days	1	207
Over 1 year	61	116
	<u>5,101</u>	<u>5,349</u>

Customers are generally required to make payments for orders prior to delivery of goods. Credit terms within 30 days are granted to those customers with high credibility.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

	At 30 June 2023 (unaudited) RMB'000	At 31 December 2022 (audited) RMB'000
Principal Guaranteed Wealth Management Products, at fair value (Note)	—	57,710

Note: The amount represents investment in principal guaranteed wealth management products issued by licensed banks in the PRC with expected return at nil per annum (31 December 2022: 2.54% to 3.30% per annum). Financial assets at fair value through profit or loss of RMBnil (31 December 2022: RMB57,710,000) are with maturity of within one year.

## 13. 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:

	At 30 June 2023 (unaudited) RMB'000	At 31 December 2022 (audited) RMB'000
0 to 30 days	7,053	2,979
31 to 60 days	1,134	1,133
61 to 90 days	85	415
91 to 180 days	135	43
181 to 365 days	25	110
Over 1 year	60	84
	<u>8,492</u>	<u>4,764</u>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 14. DIVIDENDS

- i) The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: subsequent to 30 June 2022, the Board resolved to declare an interim dividend of HK12.96 cents per share amounting to approximately HK\$32,233,000 in total).
- ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
Final dividend in respect of the financial year ended 31 December 2022, approved and paid during the current interim period, of HK25.03 cents, equivalent to RMB22.86 cents per ordinary share (2022: in respect of the financial year ended 31 December 2021, approved and paid during the period ended 30 June 2022, of HK27.15 cents, equivalent to RMB22.20 cents per ordinary share)	<u>56,878</u>	<u>55,215</u>

## 15. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount equivalent to RMB
Ordinary shares of HK\$0.01			
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>87,926,000</u>
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>248,714,000</u>	<u>2,487,140</u>	<u>2,189,160</u>

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 29 December 2009 whereby the directors of the Company are authorised, at their discretion, to invite certain employees, directors, consultants, suppliers, customers and shareholders (the "Grantees") of any member of the Group, to take up options with exercise price of HK\$4.896 per share for options granted on 31 August 2018 to subscribe for shares of the Company. The options will be exercisable in three tranches and 30%, 30% and 40% of the options granted vest on one year, two years and three years from the grant date respectively (the "Vesting Dates"). The share option scheme was expired on 28 December 2019.

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

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

The terms and conditions of the grants remaining outstanding are as follows:

	Number of instruments		Vesting period	Exercisable period	Exercise price
	At 30 June 2023 (unaudited)	At 31 December 2022 (audited)			
<b>Options granted to directors</b>					
- On 31 August 2018	60,000	-	1 year from the date of grant	From 1 September 2019 to 30 August 2023	HK\$4.896
- On 31 August 2018	60,000	-	2 years from the date of grant	From 1 September 2020 to 30 August 2023	HK\$4.896
- On 31 August 2018	80,000	-	3 years from the date of grant	From 1 September 2021 to 30 August 2023	HK\$4.896
<b>Options granted to employees</b>					
- On 31 August 2018	60,000	120,000	1 year from the date of grant	From 1 September 2019 to 30 August 2023	HK\$4.896
- On 31 August 2018	60,000	120,000	2 years from the date of grant	From 1 September 2020 to 30 August 2023	HK\$4.896
- On 31 August 2018	80,000	160,000	3 years from the date of grant	From 1 September 2021 to 30 August 2023	HK\$4.896
<b>Total outstanding share options</b>	<u>400,000</u>	<u>400,000</u>			

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

Other than the above-mentioned, there is no movement of share options granted and outstanding during the current period.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### (A) FINANCIAL ASSETS MEASURED AT FAIR VALUE

#### *FAIR VALUE HIERARCHY*

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 is 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 is 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 is measured using significant unobservable inputs.

	Fair value measurements at 30 June 2023 categorised into			
	Fair value at 30 June 2023 (unaudited) RMB'000	Level 1 (unaudited) RMB'000	Level 2 (unaudited) RMB'000	Level 3 (unaudited) RMB'000
<b>Recurring fair value measurement</b>				
Assets				
Financial assets at fair value through profit or loss				
– Principal guaranteed wealth management products	–	–	–	–



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

### (A) FINANCIAL ASSETS MEASURED AT FAIR VALUE *(Continued)*

#### FAIR VALUE HIERARCHY *(Continued)*

	Fair value at 31 December 2022 (audited) RMB'000	Fair value measurements at 31 December 2022 categorised into		
		Level 1 (audited) RMB'000	Level 2 (audited) RMB'000	Level 3 (audited) RMB'000
<b>Recurring fair value measurement</b>				
Assets				
Financial assets at fair value through profit or loss				
– Principal guaranteed wealth management products	57,710	–	–	57,710

During the six months ended 30 June 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy at the end of the reporting period in which they occur.

### (B) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

The fair value of the Group's 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 return which is significant unobservable inputs and is nil at 30 June 2023 (At 31 December 2022: 2.54% to 3.30%). The fair value measurement is positively correlated to the expected returns. There is no change in valuation technique at 30 June 2023 and 31 December 2022.

The movements during the six months ended 30 June 2023 and 2022 in the balance of Level 3 fair value measurements are as follows:

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
At the beginning of the period	57,710	317,580
Purchased	109,800	139,110
Total gains recognised in the condensed consolidated statement of profit or loss included in other income*	883	2,698
Disposals	(168,393)	(239,058)
At the end of the period	–	220,330

\* The total gains recognised in the condensed consolidated statement of profit or loss includes unrealised gains or losses of RMB nil (2022: RMB nil) attributable to balance held at the end of the reporting period.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

### (C) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at 30 June 2023 and 31 December 2022.

## 18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023 and 31 December 2022.

## 19. CAPITAL COMMITMENTS

Contracted but not provided for in the financial statements:  
– acquisition of property, plant and equipment

At 30 June 2023 (unaudited) RMB'000	At 31 December 2022 (audited) RMB'000
<u>50,399</u>	<u>16,279</u>

## 20. RELATED PARTY TRANSACTIONS

### KEY MANAGEMENT PERSONNEL COMPENSATION

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, during the period is as follows:

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
Short-term employee benefits	2,153	2,060
Post-employment benefits	84	74
Termination benefits	–	623
	<u>2,237</u>	<u>2,757</u>

