

譚木匠控股有限公司\*

CARPENTER TAN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 837

譚木匠



2024

INTERIM REPORT

\*For identification purpose only



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Tan Chuan Hua (*Chairman*)  
Mr. Tan Di Fu  
Mr. Luo Hongping

## 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  
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## 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

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9th Floor  
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77 Leighton Road  
Causeway Bay  
Hong Kong

## LEGAL ADVISORS TO THE COMPANY

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11th Floor, 1101  
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15 Queen's Road Central  
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)
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000	
<b>Financial Highlights</b>			
Revenue	263,082	256,773	2.5%
Cost of sales	(100,837)	(101,888)	(1.0)%
Gross profit	162,245	154,885	4.8%
Gross profit margin	61.7%	60.3%	1.4% point
Profit before taxation	119,182	121,234	(1.7)%
Profit for the period	96,288	93,948	2.5%
Profit attributable to owners of the Company	96,288	93,880	2.6%
Basic earnings per share (RMB cents)	38.7	37.7	2.7%
	<b>At 30 June 2024 (unaudited)</b>	<b>At 31 December 2023 (audited)</b>	<b>% Change Increase/ (Decrease)</b>
<b>Liquidity and Gearing</b>			
Current ratio <sup>(1)</sup>	5.24	6.88	(23.8)%
Quick ratio <sup>(2)</sup>	1.81	4.22	(57.1)%
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 2024 and 31 December 2023, 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 2024 (the "Reporting Period") to the shareholders (the "Shareholders") and potential investors for your review.

Faced with the macro environment of continued market sluggishness and weak demand growth both domestically and internationally in the first half of the year 2024, we have remained steadfast in our commitment to building a quality brand, serving customers and the market, operating with integrity, and forging ahead undaunted. Although we haven't replicated the exceptional results of the previous year in the wake of the novel coronavirus (COVID-19) (the "Pandemic"), we have managed to achieve a modest growth building on the solid market sales performance of the same period last year. Yet, we still fall short of our annual growth objectives. In second half of the year 2024, we must keep up the hard work, and I'd invite all of you to offer your advice and support to help propel us onward.

Notwithstanding the adverse conditions of steep depreciation of Renminbi, increasingly scarce market resource allocation, spiking import costs resulted from inelastic demand for raw materials, and escalating global trade conflicts, we remain firm in our belief that China's rise as a great power has become an unstoppable trend. As a result, Carpenter Tan will not be deterred by the immediate and short-term difficulties. Instead, we will build up our confidence and thoroughly carry out the fundamental work of internal governance and external market expansion. This will position us well to capture the upcoming market opportunities.

Surviving in an ever-changing market is like sifting sand on rolling waves. The 31-year journey of Carpenter Tan has imparted the lesson that our core mission of cultivating a strong brand and serving the customers well shall not be compromised; our culture rooted in "integrity, hard work, and happiness" must be preserved without wavering. With humble hearts, we strive to do every piece of work, every single process and every small detail at our best with honesty and diligence. In doing so, we are sure to blossom and bear beautiful fruit.

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

Hong Kong, 30 August 2024



# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

## MANAGEMENT REVIEW

At the beginning of the year 2024, the Group clearly put forward, among others, the main directions of work, key tasks and business objectives for the whole year, including corporate governance, performance targets, governance policies, domestic and international market expansion, specialty store cleanliness, clarity and value-added services, new product development and hot item creation, technology research and development and efficiency enhancement, adherence to values, brand building, manpower policy, market rectification, safe production, material guarantee, financial service supervision, charity activities, new factory construction in Wanzhou, compensation and performance policy, employment support and security for people with disabilities, and other multi-dimensional work, with distinctly defined objectives and specific implementation measures.

Domestic market strategies focused on continuously improving the quality of established stores and new store openings, as well as entering prime commercial districts (tourist hubs, transportation nodes), leading shopping malls, and favorable retail locations; successful launch of offline marketing and promotional campaigns for “Garden of Combs” comb-making experiential activities; effectively executing the ‘Combing Hair for Customers’; constantly supporting the establishment of brand image stores in new first-tier cities; continuously implementing market development policy support for the revitalization of the Northeast Region; consistently engaging in brand image maintenance and development with a focus on cleanliness and clarity.

International market strategies focused on prioritizing the development of offline market from the perspective of sustainable and healthy brand cultivation and development, developing quality offline channels, platforms and premium franchise resources, while concurrently conducting pilot works for online overseas agency business; persistently and boldly exploring, implementing, adjusting, and making necessary corrections to identify a successful model suitable for the Group’s international business.





## MANAGEMENT DISCUSSION AND ANALYSIS

The Group provides full support for business expansion, human resource security, compensation and performance incentives, while adhering to the principles of learning from mistakes, taking bold initiatives, having work planning and implementation measures; conducting effective offline brand image building in overseas markets; carrying out effective brand promotion through “Garden of Combs” pop-up events and other activities.

Online business focused on enhancing the overall service quality and value-added services of the stores; optimizing the storefront layout and product detail pages; continuously collaborating with top-tier influencers to secure opportunities for exposure and sales-driven activities, consistently promoting the brand; expanding marketing activities targeted towards our members, ensuring the maintenance and sustaining long-term interactive engagement of online members; carrying out effective product categorization, inventory control, and further strengthening on-site management; vigilantly monitoring and detecting illegal online sales and counterfeit information on online platforms, promptly contacting platforms to remove links, and liaising with administrative and risk control center to pursue litigation for safeguarding rights.

During the Reporting Period, the Group set clear objectives and implemented effective measures. All departments performed their duties and cooperated closely. The Company made progress in various aspects such as corporate governance. The market space was better expanded and the number and quality of specialty stores were significantly increased and improved. Despite the current macro-environment of weak demand and sluggish growth, the market retail segment still managed to achieve a certain degree of growth. In the second half of 2024, we need to conduct thorough market analysis and make proactive plans. Through collective efforts, we have to diligently carry out all the concrete work to serve our customers and the market, striving to fully achieve marketing performance goals and other work objectives of the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### I. OFFLINE BUSINESS

For the six months ended 30 June 2024, POS sales for our offline business reached 130.3% of the half-year planned target of 2024, compared to the same period in 2023 marking a year-on-year increase of 4.7%. During the first half of 2024, our offline business continued their solid growth momentum. Alongside ramping up our store opening pace, we also intensified our efforts in store management and service quality enhancement, with the aim of providing consumers with more convenient shopping venues where they can better enjoy Carpenter Tan's "family-like" service approach. The active exploration of new channels and new retail business models began to yield positive results, providing more development opportunities for the traditional offline retail market. We ramped up our offline advertising efforts around our stores to help drive in-store sales. Facing challenges to our development posed by the evolving overall environmental and consumer market, our offline business remained unwavering in its strategic commitment to "strengthening our fundamentals", enabling us to successfully weather risk brought by the sales declines experienced by some stores compared to the same period in 2023 due to weakening consumer demand, playing the role of a "stabilizing ballast" during this challenging time.

#### 1. SPECIALTY STORES OVERVIEW

For the six months ended 30 June 2024, Carpenter Tan had a total of 1,190 franchised stores and 1 self-operated store in Mainland China, 5 franchised stores in other countries and regions, and 3 self-operated stores in Hong Kong. The total number of stores was 1,199. There was an increased by 29 stores as compared to 1,170 stores as of 31 December 2023. Among them, shopping mall stores, image stores of the third generation, and Morandi image stores accounted for 68.1%, 60.1% and 36.6%, respectively.

#### Number of franchised stores, overseas stores and counters as at 30 June 2024:

	30 June 2024		31 December 2023	
	Franchised stores	Self-operated stores	Franchised stores	Self-operated stores
Mainland China	1,190	1	1,161	1
Hong Kong	–	3	–	3
Other countries and regions	5	–	5	–
Total	<u>1,195</u>	<u>4</u>	<u>1,166</u>	<u>4</u>

#### Number of franchised stores distribution in mainland China as at 30 June 2024:

Type of stores	30 June 2024		31 December 2023	
	Number of franchised stores	%	Number of franchised stores	%
Shopping mall	810	68.1%	774	66.7%
Street shop	244	20.5%	248	21.3%
Department store	61	5.1%	63	5.4%
Supermarket	16	1.3%	17	1.5%
Scenic spot	43	3.6%	44	3.8%
Transportation hub	9	0.8%	7	0.6%
Hotel	1	0.1%	2	0.2%
Others	6	0.5%	6	0.5%
Total	<u>1,190</u>	<u>100.0%</u>	<u>1,161</u>	<u>100.0%</u>



# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. CHANNEL DEVELOPMENT

In terms of the development of store channel:

During the Reporting Period, the Company divided the national market into 14 regional segments to uncover untapped markets. By deepening our collaborations with various business systems and implementing support policies at the national, regional, and specific market levels, the Company has fully backed our franchisees in expanding their store network, with the number of new stores reaching 102, marking a record high. Shopping malls accounted for 98.0% of our store locations, with a collaborative network of over 40 partners. Guangdong, Shanghai, Beijing, and Jiangsu held the leading position in terms of store openings at the national level, while we have achieved breakthroughs in the provincial capitals and lower-tier markets of Hubei, Sichuan, Henan, and Jiangxi. The Northeast region (Hejiliao), which was previously an under-performing market, has now transformed into a high-growth contributor to our national performance. The continuous expansion of our store network has laid a solid foundation to achieve our performance growth targets.

During the Reporting Period, in line with the comprehensive requirements of “clean and tidy store environments”, “meticulous and in-depth combing services”, “treating customers as family” and “making friends with a comb”, the offline business team intensified the training, inspection, and assessment of store environments and services, enhanced the professionalism of the sales staff, ensuring that every consumer can experience Carpenter Tan’s “family-like” service in a clean and well-organized environment.

## 3. OFFLINE ACTIVITIES

During the Reporting Period, the offline business team carried out 256 promotional campaigns at DP points, large screens and light boxes, targeting the customer base of shopping malls. The team held 3 offline brand exhibitions with the theme of experiencing the joy of comb making and appreciating the brand’s culture. The team also ran 6 advertisements in the main metro passages near our stores and key tourist attractions, featuring the tagline “guarding you and ‘her’ for a lifetime,” highlighting Carpenter Tan’s lifetime free repair service. “Every woman deserves a quality comb” expresses the brand’s continuous pursuit of a quality lifestyle, while our service philosophy and development vision also lie in “soothing the heart while combing the hair brings comfortable living”, “love is in the details” and “making the comb of the world.”

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. MEMBERSHIP SERVICE

During the Reporting Period, the number of new members was more than 120,000 and the total number of members exceeded one million. We have developed and designed 7 image promotional products based on the lovable image of our own IP “Panda Tantan (熊貓譚譚)”. A total of 113,223 member redemption orders were processed, representing an increase of 128.0% for the corresponding period of last year. The number and activity of “Tan fan” have been further enhanced, which at the same time have also put forward higher requirements for offline business team’s insight analysis and interactive operation of members.

## 5. NEW PRODUCT LAUNCH

During the Reporting Period, a total of 3 new product distribution events were carried out, with a total of 25 new products, including 5 new products for Mother’s Day, 13 new summer products, 2 new online channel products and 5 new portable comb products. Among the new products for Mother’s Day, 2 hair care combs used Carpenter Tan’s patented anti-tangling technique, preserving the classic comb shape to create a parent-child matching set, fostering a joyful interactive experience of hair combing. Among 13 new summer products, most of them were limited editions. Designers drew inspiration from the elements of traditional Chinese culture, including auspicious golden tortoise beetle, green bamboo, auspicious cloud, auspicious patterns, and then combined wood with gold, silver and stones in their design to create new products of Fu Jia Yi Fang (富甲一方) series, Green Bamboo (青竹) series, Fu Lu (福祿) series, which ingeniously integrated traditional culture and modern fashion. To address the market gap for light and easy-to-carry combing products, we developed and launched portable comb series, and released 3 scraping massage comb, 1 small-sized inserted comb and 1 small-sized wood comb respectively. The products not only provide a comfortable combing and massaging experience but are also small in size. Whether for business trips or daily commute, these combs can be easily packed in a bag, enabling enjoyable combing experience brought by Carpenter Tan’s products anytime, anywhere. At the same time, adhering to taking traditional Chinese culture as the core source, we launched 1 new product for Qixi Festival (Meng Xi Zhou (夢西洲)) as well as 2 new products for Teacher’s Day (Yi Fan Feng Shun (一帆風順) and Tao Li Fen Fang (桃李芬芳)).





## MANAGEMENT DISCUSSION AND ANALYSIS

### 6. *IMPROVING STORE IMAGE*

During the Reporting Period, 149 stores were renovated, including 121 new stores, 9 relocated stores and 19 refurbished stores. A total of 113 Morandi-styled stores located in shopping malls, accounting for 77.0% of the completed number. The image enhancement work of Carpenter Tan's third generation-styled stores has entered the material confirmation stage. We plan to take the lead to renovate and upgrade a self-operated store in mainland China in the second half of the year. The three experience stores equipped with mini-sized comb-making equipment in China are operating well, while the layout improvement and module enrichment of the experience stores need to be strengthened.

### 7. *OFFLINE BUSINESS FOCUS IN THE SECOND HALF OF 2024*

- (i). We will develop new channels while maintaining the basic operating number of stores, and at the same time focus on the survival and sustainable profitability of stores, ensuring the healthy operation of the system. In doing so, we will fully put into practice the development philosophy of “not striving to be a top 500 company, but rather lasting for 500 years”.
- (ii). Centered around the store environment and services, we will perform a solid job in “cleanliness and clarity” and “hair combing experience”. We will strictly follow the standard of specialty stores to conduct daily inspection and spot check, with a focus on the in-store environment and service attitude, and carry out nationwide supervision and evaluation. We will develop “Carpenter Tan” hair combing standards, formulating a full set of hair combing standards for specialty stores – from the moment of entry to the point of departure. These standards will be regulated and assessed. Additionally, we will dedicate efforts towards, brand promotion and establishing credibility.
- (iii). While operating the information of our physical stores across various platforms under a unified brand, we will also pay attention to securing online resources. We will invite online resources to participate in store activities and experience “family-style” services.
- (iv). We will optimize product layout, with a focus on defining differentiated selling points and developing supporting promotional graphics, text and videos in order to maintain the professionalism of the Company's design and marketing. We will develop corresponding marketing activities for newly launched products, ensuring that the design philosophy and use value can reach more consumer groups through multi-platform and multi-channel promotion.

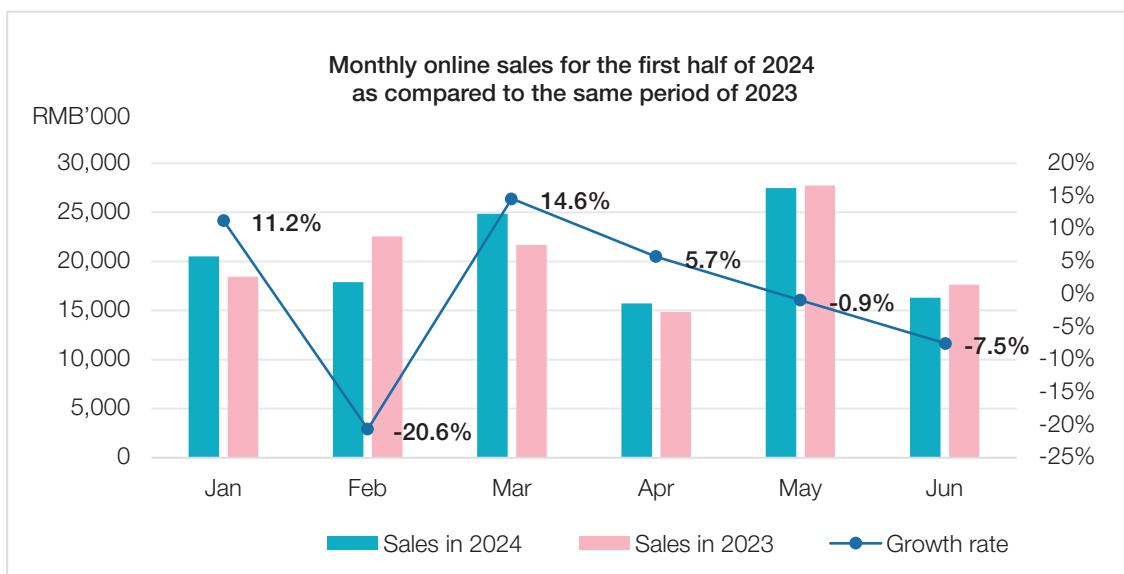


# MANAGEMENT DISCUSSION AND ANALYSIS

## II. ONLINE BUSINESS

During the Reporting Period, the e-commerce team completed sales of RMB122.7 million or 104.0% of the first half-yearly target, representing a year-on-year decrease of 0.2% when compared to same period of 2023, and 53.4% of annual sales progress has been completed.

Online consumption was significantly downgraded. The share of traditional e-commerce (Tmall, JD.com) was constantly being eroded by Pinduoduo and Douyin, which were increasingly pressuring merchants to offer low-price promotions, significantly increasing the subsidies of tens of billions along with substantial traffic support. However, we insist on not doing price-based marketing. According to Tmall back-end data analysis in the first half of the year, among the top 20 brands in comb category, the sales of almost all brands saw a general decline. However, we managed to stabilise our position in the market and our brand's market share slightly increased compared with last year.



During the Reporting Period, our e-commerce business already spanned 8 platform channels, which covered almost all mainstream traditional e-commerce platforms and new e-commerce platforms. Therefore, it was difficult to expand new platforms. We could only keep up with the development trend of the platforms, actively open up new platform modules and operate new promotion methods so as to enable refined platform operations. In the first half of the year, we mainly launched and operated Tmall Quan Dian Zhi Tou promotion, Douyin Giant QianChuan, Douyin first order bonus, JD.com recommended advertisements and JD.com new user operation scenario promotion. In the first half of the year, sales from new promotion modules accounted for approximately 11.8% of the total back-end sales.

In terms of Douyin channel promotion, we focused on promoting brand culture, and continued to adopt a simultaneous promotion model with our own account operation + talent account creative video promotion + topic promotion without live streaming to accumulate fan base, increase brand tonality, and expand brand influence.

In terms of on-site and off-site content promotion, we continued to output content through platform on-site content channels and off-site Xiaohongshu channel to promote brand culture and strengthen emotional marketing, adhering to the two-pronged approach of "expanding crowd assets + on-site conversion and harvesting". During the Reporting Period, off-site Xiaohongshu published 120 pieces of content, generated more than 1.48 million readership and more than 24,000 interaction. On-site content promotion channel published a total of 530 pieces of talent content, generated more than 913,000 readership and more than 544,000 interaction. In the first half of the year, sales from content-driven marketing increased by 27.7% compared to the same period of last year, and the sale growth rate of driven by content based approach far exceeded the growth rate of platform sales. Under the strong pricing power model on the platform this year, we relied on content-driven approach to stabilize the overall market performance and maintain a generally flat position.



## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of improving store services, we used intelligent AI software to add new scenarios such as express delivery automatic interception and logistics exception tracking, which improved the logistics service capability and played a vital role in coping with the platform's refund-only tool and the increasing service level. Utilizing the Banniu invoice system, the 24-hour automatic invoicing on some platforms was completed, which saved manpower and improved efficiency, enabling our stores to maintain strong competitiveness in platform assessment, enhancing overall service capability and allowing us to better satisfy customers' needs.

In terms of creating popular products, during the Reporting Period, the online business team focused on 4 potential popular products, namely "lacquer comb Xiong You Cheng Zhu (熊有成竹)", "lacquer comb Jie Jie Gao (節節高)", "Long Yan Da Yue (龍顏大悅)" and "hair care comb Cui Ping (翠屏)". After the operation and promotion, resources inclination and other means in the first half of the year, as of the end of June, "hair care comb Cui Ping (翠屏)" and "lacquer comb Xiong You Cheng Zhu (熊有成竹)" emerged as the most promising products.

In terms of Tmall live streaming, during the Reporting Period, the online business team conducted living streaming for a total of 182 hours on Tmall platform, with a year-on-year increase of 32% in transaction amount generated from streaming. The penetration rate reached 10.9%. There were 16,000 new fans and the number of members reached 19,000. Although the number of new fans decreased, the number of membership continued to increase. Most of the viewers were already part of the fan base, making the target audience more precise. The brand's self-hosted streaming consistently maintained the first position of the industry live streaming in Tmall category.

### *1. ONLINE BUSINESS FOCUS IN THE SECOND HALF OF 2024*

- (i). We will strengthen communication and connection among various platforms and leverage the strengths of each platform. We will use new methods and new technologies to explore business potential horizontally and vertically, adhere to Carpenter Tan's brand tone, while staying focused on our own track. These efforts will ultimately boost the brand's standing. Our key tasks in the second half of the year will be planned and carried out under the general strategy of "adhering to the basic idea of channel diversification". We will organise and implement key marketing activities, cooperate with on-site content channels, off-site Xiaohongshu channel, Douyin channel and other publicity channels to carry out promotion simultaneously. We will actively contact and maintain cooperation with reputable top streamers and accounts to expand the topicality and exposure of our brand.
- (ii). We will optimize and improve store customers' review responses and establish a data analysis model for customer evaluations to improve service capability. Subsequently, we will introduce VOC review tools to improve content quality and establish large language models and text analysis tags. Regarding negative reviews, we will adopt a closed-loop service process. The system will generate service tickets that are submitted to corresponding management personnels. They then verify the reasons for negative reviews and address the issues to handle customer complaints in a timely manner. Finally, we will generate a BI billboard based on various data, so that customers' opinions and experiences with the products can be clearly seen. This can provide data support for product optimization.
- (iii). We will optimize and update the visual presentation of online store page and product videos and other materials. We will simplify the color matching of the page and enhance the brand tone. Currently, the design of the e-commerce homepages, detail pages and brand secondary pages have been completed, and the homepage design for mobile phone is in progress. Subsequently, the homepage improvement will be released and the detail pages of all products in the store will be revised to ensure unified tone.
- (iv). We will construct an online membership system, develop private domain traffic pool, which will be the entrance of fission marketing, and establish the brand's own free traffic network to support our sales. We will transform customers from traffic operation to members retention to bring room for sales increase for the brand, truly accumulating the online crowd assets and creating long term value of the brand.

# MANAGEMENT DISCUSSION AND ANALYSIS



## III. OVERSEAS BUSINESS

During the Reporting Period, our offline overseas business recorded a total shipment of approximately RMB1,793,000, representing a year-on-year decrease of 19.6%. The sales of cross-border e-commerce platform amounted to approximately RMB441,000 with a year-on-year increase of 26.0%. The sales of self-operated stores in Hong Kong was approximately HK\$2,115,000, representing a year-on-year decrease of 1.2%. In accordance with the strategic direction of “one country, one policy” (一國一策), overseas business gave full play to the complementary strengths of online and offline business, and pursued a synchronized development to drive market expansion.

We launched regional products in Hong Kong to attract or retain local customers with differentiated and featured products, developed promotion plans for such products, and used local KOLs and their channels to accurately locate target groups. We used online mainstream social media for promoting products and attracting traffic to offline stores to boost brand exposure and increase store sales.

In terms of overseas exhibition activities, we participated in the Las Vegas Consumer Goods and Gifts Fair (ASD Market Week) in March 2024 and won the Best Exhibitor Award, gaining a high reputation in brand communication. In terms of exhibition activity plans for the second half of the year, in August, we will be participating in the Malaysia Exhibition, where we will be hosting a painting workshop experience, so as to continuously carry out effective promotion work for the brand of Carpenter Tan. In September, we will be participating in the Tokyo Gift Show again, which will also be the first time to bring our new “Antique combing beauty” (梳房顏究院) to Japan. We believe that the wooden comb making experience and painting activities will enable more people to learn about Carpenter Tan brand.

The Group continued to strengthen the style positioning of our brand in overseas markets, and comprehensively upgraded the web pages of overseas online platforms by fully considering the aesthetic style, consumer logic and purchasing habits of the local market population. At present, we have determined the design direction and style positioning with external design companies, and have scheduled to complete the web page upgrade in August this year. Meanwhile, we will strengthen the planning of overseas festival and holiday marketing campaigns, focusing particularly on Black Friday and Christmas to increase sales.

We collaborated with renowned Hong Kong designer Tommy Li (李永銓) and his team to design a new store image for overseas markets. In the second half of the year 2024, we will put effort in the site selection and display of model stores with a new brand image, which paves way for building an international brand presence.



# MANAGEMENT DISCUSSION AND ANALYSIS

## IV. INNOVATIVE RESEARCH AND DEVELOPMENT

During the Reporting Period, in terms of product structure and category innovation, the creative R&D team completed the design and development of 9 projects for new products, launched a total of 28 new products and transferred 17 trial-marketed and evaluated products to 6 regular products by gaining deep insights into the potential pain points of the market, exploring new product structures, strengthening market research and analysis, and taking into account the unused materials at the factory and the new trends in the consumer goods market.

Key projects carried out by the creative R&D team include:

1. anti-tangling hair-care comb with new comb teeth structure: the project obtained a utility model patent and provided a smoother hair combing experience. It resolved the issue of hair getting entangled at the root of comb teeth to avoid pain associated with hair being pulled, enhancing the smoothness of combing. Two new products were rolled out.
2. Portable comb product development project: we made adjustment to the size and design of the existing wood comb, inserted comb, massage comb and tendon comb. Building upon the strengths of the above four comb products, we reduced the size and optimized the comb shape. In addition to the combing or massage function, the new version also fulfilled the need for on-the-go portability. Five new products were launched.
3. Wrist accessory improvement design and development project: through on-site visits to the accessories market, we gained a comprehensive understanding of the competitive landscape and explored the feasibility of integrating different materials. By incorporating gold, silver and garnet into the design of hand beads and bracelets, we aimed to create a refreshing and distinctive look. Five new products were launched.

Innovative research and development outlook:

1. We will explore the application of new materials, new techniques and new structures, and deeply explore the application of traditional techniques in actual projects. Meanwhile, we will optimize the existing design to effectively control costs or increase the added value of products without sacrificing quality and innovation, so as to improve the overall gross profit margin of new products/products.
2. We will adhere to the principle of “taking traditional Chinese culture as the core source”, design and develop our own cultural IP products.
3. We will introduce advanced design software and technologies, such as AI-aided design, to improve design efficiency and quality, and accelerate the pace of product innovation.

# MANAGEMENT DISCUSSION AND ANALYSIS



## V. PRODUCTION TECHNOLOGY

During the Reporting Period, the production organization followed the main theme of “increasing production capacity and ensuring supply”. Under the principle of “making full use of our human resources”, the production organization effectively ensured the supply of market orders through a variety of measures such as changing the craftsmanship process, enhancing process technology, implementing one post with multiple skills and improving eight-hour work efficiency. In the first half of the year, the number of products delivered was 2,860,000, representing a year-on-year increase of 570,000.

The project initiation of precise blanking for the production lines in the new factory has been completed, and the preliminary processing standards have been formed to fully replace the original processing methods, resulting in significant material saving and process optimization. The drying processes and benchmarks have been refined to improve drying quality. And the production method of kiln loading and unloading by forklift trucks outside the drying kiln has been fully implemented, improving the operating conditions and increased the loading and unloading efficiency by approximately 30%.

The technical feasibility demonstration for the project of automated combination of wood combs has been completed. The prototype equipment has been improved and passed the verification of small-scale processing, and has initially achieved the goals of shorter combination time, easy picking and placing of blanks and meeting the requirements of combination quality. The next step will be to enter the trial scale production and verification.

The automatic processing project of inserted comb teeth has entered the trial production and verification, and the processing efficiency of the equipment has been increased from 223 pieces/hour to 315 pieces/hour.

The development of automatic profile milling technology for combs has achieved the feasibility verification of the first prototype for product processing, meeting the objective of ensuring operational safety. However, due to the excessively long operation assistance time, the overall production efficiency is not high. We will start to improve the tooling and fixture to enhance the overall production efficiency.

As of 30 June 2024, the Group had 107 effective patents, including 15 invention patents, 57 utility model patents and 35 design patents.

The Company testing laboratory has passed the capability review and verification of China National Accreditation Service for Conformity Assessment (CNAS) again, and has been authorized to perform testing in 7 areas for comb products.

## MANAGEMENT DISCUSSION AND ANALYSIS



### VI. LOGISTICS AND DISTRIBUTION

During the Reporting Period, the logistics and distribution team paid close attention to the market needs and effectively ensured that market order deliveries and appropriate safety inventories were met through measures such as coordinating production capacity, timely and accurately released production and procurement plans, and implemented one post with multiple skills to increase the production capacity of bottleneck processes. During the Reporting Period, the total production and distribution amounted to 2.7632 million units, representing a year-on-year increase of 143,200 units. At the same time, we strengthened quality control and warehouse management. Apart from daily inspection, we increased the frequency of random inspections in warehouses, and identified and solved abnormalities in a timely manner to guarantee products are in good condition and ensure that the unqualified products will not be shipped out of the warehouses. In terms of the procurement of packaging and supplementary materials, the principle of price quoting and price comparison was strictly implemented, effectively reducing the procurement cost while ensuring that the quality was up to standard.

During the Reporting Period, a total of 28 maintenance stations operated efficiently nationwide, and completed 148,325 maintenance products in total throughout the first half of the year, which was recognized by our users. Maintenance service is an important task of the Group. Under the mission of providing users with lifetime services and guarantee, the Group will continue to perform maintenance workflow optimization, maintenance system upgrade, maintenance personnel skill enhancement, after-sale services improvement and other works.

# MANAGEMENT DISCUSSION AND ANALYSIS

## VII. BRAND BUILDING

During the Reporting Period, the Ministry of Culture and Tourism announced a new batch of National-level Cultural Industry Demonstration Base List. Chongqing Carpenter Tan Handicrafts Company Limited was honorably listed, becoming a National-level Cultural Industry Demonstration Base. This did not only serve as a recognition of Carpenter Tan’s achievements in the cultural industry, but also an affirmation of the overall strength of the Carpenter Tan brand. In the future, Carpenter Tan will continue to make greater contributions in promoting the prosperity and development of China’s cultural industry.

During the Reporting Period, as one of the first batch of “Beauty Workshop” institutions, we participated in the “Striving for a New Era Beautiful Dream Chasers” exhibition of cultural and creative works by women with disabilities held by the National Palace Museum and “the 12th China (Shenzhen) International Cultural Industry Fair-Beauty Workshop Special Exhibition”. The exhibitions focused on displaying the embroidery, weaving, wooden art and other exquisite works created by disabled women from “Beauty Workshops” across the country, with the purpose of promoting their resilience and conveying the warmth of social care through the display of exquisite handicrafts created by disabled women. We also brought the beautiful combs made by the disabled women at the Wanzhou factory to the National Palace and the Shenzhen International Cultural Industry Fair for display.

On 16 April 2024, under the joint witness of Cheng Kai, Chairman of the China Disabled Persons’ Federation and Lin Mao, President of the Central Academy of Fine Arts (CAFA), Mr. Tan Chuan Hua, Chairman of Carpenter Tan, and Mr. Hao Ning Hui, Dean of the CAFA Design School, signed an agreement of intent to cooperate. Both parties will adopt the innovative model of industry-academia-research integration to realize the seamless connection between academic exploration and market demand through in-depth cooperation and promote the innovative development of the cultural industry. The two parties plan to bring more than 300 disabled employees of Carpenter Tan from Wanzhou to Beijing in the fall of this year, and CAFA will provide them with professional art training and guidance to help them explore their inner artistic potential and realize their self-worth. At the same time, a comb-making experience activity will also be held at CAFA, so that the teachers and students of CAFA can make a comb by themselves and experience the beauty of the wooden-comb.



## MANAGEMENT DISCUSSION AND ANALYSIS

In June 2024, the second Belt and Road International Skills Competition “Silk Road – Craftsmanship Inheritance” themed exhibition was held at the Chongqing International Expo Center, and our Carpenter Tan booth attracted the attention of many visitors: There were detailed inserted carved combs, and also wooden combs that combined traditional techniques such as painting, lacquer, mother-of-pearl and carving, as well as creative modern combs that emerged from previous Carpenter Tan Design Competitions.

This exhibition featured a wooden comb experience session, where the public could not only enjoy the comfort of having their hair massaged with a wooden comb during the hair combing service, but also, under the guidance of a master carpenter, transform small wooden piles into a fine wooden comb, immersing themselves in the artisanal “masterpiece” skills.

By fully displaying its brand culture, interacting with skilled talents and enterprises from all over the world, Carpenter Tan built a bridge for international cultural exchange and the sharing of craftsmanship, further broadening our international vision and injecting new blood in our future development.





# MANAGEMENT DISCUSSION AND ANALYSIS

## VIII. HUMAN RESOURCES AND COMPREHENSIVE GOVERNANCE

The Group has placed the adherence and implementation of the core values of “honesty, hard work, and happiness” in the top priority, and has deeply implemented the work principles of “honesty and integrity, happy work, selflessness, incorruptibility and compliance, kindness and humbleness, moral and uprightness” proposed at the Company’s 30th anniversary celebration last year. These principles were displayed and emphasized at the Company’s main office sites.

This year, encouraging employees at all levels to propose reasonable improvement suggestions and promote change and innovation has been an important measure to drive the Company’s development towards higher and better goals. Led by the Human Cultural Center and the Administrative and Risk Control Center, employees from various departments and levels enthusiastically participated, playing a good promotion role and making substantial contributions. In the first half of the year, the Company received a total of 301 reasonable improvement suggestions, of which 123 were adopted and 80 were implemented. 14 people participated in the voting and approved the excellent and reasonable improvement suggestions. A total of 14 changes and innovation projects were proposed, and 8 of these projects were voted and approved to proceed with such changes and innovations.

In addition to doing a good job in market expansion and order maintenance, the Company has also increased its efforts to investigate and crack down on counterfeiting and illegal online sales. In the first half of 2024, the Company collected 40 cases of violations and illegal acts, completed the collection of solid evidence for all 40 cases and entered the litigation stage. 4 cases have been concluded, with a total compensation amount of RMB79,000. In the first half of 2024, a total of 10 litigation cases from 2021 to 2023 were settled by court through mediation (rulings, compulsory enforcement), resulting in the recoverable compensation amount of RMB366,500. Among them, in the fourth quarter of 2023, in response to the counterfeiting of the Company’s appearance-patented product “Meng Xiong” (萌熊), the Company carried out patent protection. Three cases were confirmed with solid evidence and under litigation. One of these cases was settled in the first half of 2024, with the defendant ordered by the court to pay RMB200,000 in compensation through mediation. Along with the strengthening of the Company’s efforts to rectify the market both internally and externally, based upon the foundation of ensuring that the offline franchise system operates in compliance with rules and regulations, and with honesty and legality, the Company will continue to increase the crackdown on illegal online sales, the sale of counterfeit, shoddy products as well as trademark infringement, in order to further safeguard the market operating environment and brand reputation.

The Group 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 continued to be committed to promoting and safeguarding the employment of the disabled, improved and enhanced the conditions of venues and equipment for the rehabilitation of the disabled. While constructing and utilizing the community for disabled individuals, the Company further improved the barrier-free production and living facilities in a more people-oriented and humane manner, so that more people with disabilities could come to the Company. This act has fully demonstrated the Company’s humanitarian care and social responsibility. During the Reporting Period, there were 27 new employees with disabilities and 12 retired persons with disabilities, resulting in a net increase of 15 persons with disabilities in employment.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Company has continued to intensify its efforts in the construction of the new factory in Wanzhou, as well as in the technological upgrades and research and development of process equipment. With the completion and operation of the southern area of the new factory in Wanzhou, longstanding bottlenecks in material processing and drying have been resolved. This has enabled the establishment and implementation of an optimized craftsmanship that involved processing of raw timber using saws instead of planers, leading gradual improvement and effective enhancement in material utilization and product quality. The construction of phase one of the northern area of the new factory in Wanzhou is being accelerated, with plans to relocate the logistics center by the end this year or early next year. This move aims to fundamentally address the long-standing “three-in-one” risk issue associated with the current location of the department. Significant progress has been made in craftsmanship improvement, autonomous technological research and development, and the introduction of external technologies. While effectively reducing the difficulty of required skills and the intensity of operations, the Company has seen an improvement in production efficiency, a further enhancement of market supply capabilities, and a gradual realization of perfect integration of advanced processing technology and manual craftsmanship.

Looking back at the work in the first half of this year 2024, the Company’s current order and production were still in a high-pressure operational state, and there were still shortcomings in terms of labor protection such as employee leave and rest. The Company will continue to improve operation efficiency and reduce working hours through upgrading process equipment, technology and improving operating methods. The design and launch of the Tommy Li’s new store tailored for the international market were slightly delayed. The newly established compensation and performance system was insufficient in terms of employee awareness, personal growth, development direction and value contribution. Changes to the regulations governing online platforms have brought about growth impediment challenges for the Company, which required us to overcome through proactive approach. In terms of offline specialty store image building, value-added experience services, and new ideas for expanding into overseas markets, there were many areas that had not been well executed or were lacking, which required the Company to work harder in the second half of the year. The construction of single-product costs accounting system that dynamically and sensitively reflects single-product costs, and provides decision-making support for design and marketing, has effectively solved the most complex and difficult materials factory. However, the overall progress has already fallen significantly behind the contractual plan. In the process of deeply encouraging employees to provide more improvement suggestions and innovative work, there was a tendency for the management to become rigid in the recommendation and application of excellent suggestions. Insufficient attention was paid to the suggestions from frontline employees which, though modest, could potentially yield a relatively large impact when applied to their respective roles. There was no positive guidance from the evaluation mechanism, and given that the Company’s spirit of “small suggestions with big rewards, big suggestions with small rewards” has not been sufficiently reflected, we will need to make adjustments and enhancements in the second half of the year. The Company needs to maximize the encouragement and protection of frontline employees’ proactiveness in putting forth improvement suggestions, which is also a domain that requires more effective improvements to be made in the second half of the year.

In respect of trademark management, the Group held a total of 962 valid trademarks as at 30 June 2024. Among them, Carpenter Tan (including Chong Tan (重譚) and Xiang Tan (香譚)) owned 386 registered trademarks in China, as well as 133 registered trademarks in Hong Kong, Macau, Taiwan and overseas. Mujianggu (木匠谷) owned 422 registered trademarks in China and 21 registered trademarks in Hong Kong, Macau, Taiwan and overseas.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 1. REVENUE

The Group recorded revenue of approximately RMB263,082,000 for the six months ended 30 June 2024, representing an increase of approximately RMB6,309,000 or 2.5% as compared to approximately RMB256,773,000 for the six months ended 30 June 2023. 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 2023.

	For the six months ended 30 June			
	2024		2023	
	(unaudited) (RMB'000)	%	(unaudited) (RMB'000)	%
Sales				
– Combs	20,201	7.7	25,284	9.8
– Mirrors	267	0.1	306	0.1
– Box sets	240,437	91.3	228,692	89.1
– Other accessories*	1,715	0.7	2,072	0.8
Franchise joining fee income	462	0.2	420	0.2
Total	<u>263,082</u>	<u>100.0</u>	<u>256,773</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 RMB100,837,000 for the six months ended 30 June 2024, representing a decrease of approximately RMB1,051,000 or 1.0% as compared to approximately RMB101,888,000 for the six months ended 30 June 2023. The decrease in cost of sales was mainly due to the change in product mix and the decrease in average manufacturing cost per unit for the Reporting Period.

### 3. GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2024, gross profit of the Group was approximately RMB162,245,000, representing an increase of approximately RMB7,360,000 or 4.8% as compared to approximately RMB154,885,000 for the six months ended 30 June 2023. The gross profit margin increased from approximately 60.3% in 2023 to 61.7% in 2024. 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 RMB21,520,000 for the six months ended 30 June 2024, representing a decrease of approximately RMB3,562,000 or 14.2% as compared to approximately RMB25,082,000 for the six months ended 30 June 2023. The decrease was mainly due to a decrease in PRC VAT concession refunds, bank interest income and 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 RMB43,386,000 for the six months ended 30 June 2024, representing an increase of approximately RMB3,671,000 or 9.2% as compared to RMB39,715,000 for the six months ended 30 June 2023. This increase was mainly a result of the increase in advertising expenses, transportation fee and travelling expenses for the Reporting Period.

## 6. ADMINISTRATIVE EXPENSES

The administrative expenses of the Group were approximately RMB18,170,000 for the six months ended 30 June 2024, representing an increase of approximately RMB2,627,000 or 16.9% as compared to approximately RMB15,543,000 for the six months ended 30 June 2023. 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 2024, profit from operations for the Group amounted to approximately RMB119,491,000, decreased by approximately RMB2,017,000 or 1.7% when compared to approximately RMB121,508,000 for the six months ended 30 June 2023. Decrease in profit from operations was mainly due to the increase in selling and distribution expenses of approximately RMB3,671,000, increase in administrative expenses of approximately RMB2,627,000 and decrease in other income of approximately RMB3,562,000, while partially offset by the increase in gross profit of approximately RMB7,360,000 for the six months ended 30 June 2024.

## 8. FINANCE EXPENSES

For the six months ended 30 June 2024 and 2023, the Group did not have any interest expenses, respectively as there was no bank borrowings during both periods. The finance expenses of approximately RMB309,000 and RMB274,000 for the Reporting Period and for the six months ended 30 June 2023 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 2024, profit before taxation for the Group amounted to approximately RMB119,182,000, decreased by approximately RMB2,052,000 or 1.7% when compared to approximately RMB121,234,000 for the six months ended 30 June 2023. Decrease in profit before taxation was mainly due to the decrease in profit from operations of approximately RMB2,017,000 for the Reporting Period.

## 10. INCOME TAX EXPENSES

For the six months ended 30 June 2024, income tax expenses for the Group amounted to approximately RMB22,894,000, decreased by approximately RMB4,392,000 or 16.1% when compared to approximately RMB27,286,000 for the six months ended 30 June 2023. This decrease was mainly due to the decrease in profit before taxation and provision for deferred tax for the Reporting Period.

The effective tax rate for the Reporting Period was 19.2% which was lower than 22.5% for the six months ended 30 June 2023 by 3.3 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 2024 was approximately RMB96,288,000, representing an increase of approximately RMB2,340,000 or 2.5% as compared to approximately RMB93,948,000 in the corresponding period of 2023.

# 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 2024, the Group had cash and bank balances of RMB104,304,000 (as at 31 December 2023: approximately RMB67,381,000) 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 RMB36,923,000, which mainly comprised the net cash generated from operating activities with the amount of approximately RMB53,543,000, net cash generated from investing activities with the amount of approximately RMB77,705,000, net cash used in financing activities with the amount of approximately RMB92,418,000, and the negative effect of foreign exchange of approximately RMB1,907,000. The cash flow details of the Group are set out in page 40 under "Condensed Consolidated Statement of Cash Flows" in this report.

## 14. CAPITAL STRUCTURE

### *INDEBTEDNESS*

As at 30 June 2024 and during the Reporting Period, the Group did not have any bank loan.

### *GEARING RATIO*

As at 30 June 2024 and 31 December 2023, 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 2024, the Group did not have any pledged assets to the bank (as at 31 December 2023: RMB nil).

### *CAPITAL EXPENDITURE*

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and motor vehicles. The Group's capital expenditures amounted to RMB22,320,000 and RMB13,433,000 for the Reporting Period and the six months ended 30 June 2023 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 RMB24,032,000 as at 30 June 2024. 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 2024, 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 2024, 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 2024, 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 2024, the Group's investment properties had a carrying value of approximately RMB91,570,000 (31 December 2023: approximately RMB91,570,000). The Group's investment properties were not revalued as at 30 June 2024 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 2023 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

### KEY FOCUS AREAS FOR THE SECOND HALF OF 2024

1. Deeply uphold and practice the Company's core values of "honesty, labor, and happiness", strive to realize the Company's purpose: (i) safeguard the foundation of "ethics, legality, and craftsmanship", preserve the original intention of "integrity, benevolence, and humility". Do not be driven solely by profits, nor pursue short-term performance at the expense of the Company's long-term interests, allowing the Company to advance further; (ii) revere nature and cherish resources; uncover rare artisanal skills, inherit and promote national culture; design timeless classics, meticulously craft; seamlessly combine advanced processing methods and traditional handcrafting techniques, steadfastly maintain the industry-leading edge, and truly make a good comb; (iii) provide customers with satisfactory products and services, create more employment opportunities for people, improve their quality of life and enrich their living experiences, and create greater value for investors; (iv) diligently fulfill duties, be selfless and incorruptible; develop a learning-oriented organization, cultivate diligent and capable employees, provide fair competition and promotion opportunities, and offer relatively stable lives for dedicated, responsible and professional staff; and (v) establish Carpenter Tan as a globally renowned and socially respected enterprise.
2. Marketing Works: (i) continuously deepen the entry and optimization and adjustment of channels, platforms, and core business circles (transportation ports and scenic spots) in the domestic market; fully leverage the Company's supporting policies, build and display brand image stores to enhance the Company's brand image and improve its market competitiveness; persistently provide offline value-added services such as comb maintenance and repair; (ii) proceed with exploring and expanding new approaches in the overseas market, extend the efforts for overseas exhibitions and brand exposure, steadily consolidate the foundation for expanding into the overseas market; properly select the location and showcase the new image store for Hong Kong designer Tommy Li, to open up channels and align with the goal of building an international brand image; and (iii) on the online front, in response to changes in platform rules, the Company should prioritize refunds, platform ratings, and delivering professional and attentive services, while respecting customers' choices for refunds and returns. Without getting embroiled or creating disruption, approach it from the standpoint of the brand's future development and genuine service delivery, so as to enhance the platform rating and excel in our own efforts.
3. Continuously accomplish the purging of market environment, optimize the marketing environment, enhance the Group's credibility, and continuously improve the confidence in the franchise system.
4. Optimize and adjust the roles and responsibilities of raw material procurement. While empowering and delegating authority to functional departments, ensure the execution of safety strategic planning, price fluctuation management and monitoring. Develop new material varieties and new suppliers to secure the Company's sustainable raw material supply.
5. In product research and development, continuously implement IP collaboration, co-branded products, and independently develop hot items; complete joint development and promotion of packaging and product aesthetics with Tommy Li team to cater to overseas markets; finalize the Company's VI system design and promote its application; optimize the design of traditional handicrafts such as product enhancement of mother-of-pearl inlay technique, lacquer technique and cloisonné enamel so as to achieve the goal of mass production and product launch.





## MANAGEMENT DISCUSSION AND ANALYSIS

6. Strengthen the independent development and external introduction of craftsmanship, equipment and technology, and enhance the implementation of transformation; optimize the processing and operating methods, promote and apply mutual complementation and mutual learning among different procedures in the same factory and among different factories. The key focus are: (i) develop an all-around lacquer craftsmanship, equipment and technology solutions, where the brightness, hardness and other factors meet the requirements of pilot production, with the cost and selling price reaching the target. Focus on the implementation of the spray coating craftsmanship, equipment and technology solutions, with the aim of eliminating paint particles, dust, and the requirement of multiple rework; (ii) scale up the promotion of automatic polishing of wood comb teeth grinding, further promote the one-operator-multiple-machine milling and shaping process, deeply research and develop the intelligent robotic simulation production and processing, and develop the integrated comb grinding technology; (iii) Further optimize the material preparation method and precise processing on the craftsmanship, equipment and technology; and (iv) undertake strategic technical development to enhance the functionality of fast-growing materials, and implement wood balancing and conditioning processes in order to improve product size consistency and reduce quality-related product returns.
7. Persist with the principle of tightening the personnel usage. For the retired and resigned positions in non-marketing, product development and technology research and development, the Company will adopt a downsizing and efficiency improvement approach instead of refilling roles. By further focusing on employee development channels, position value, employment conditions, salary incentives and other aspect, the Company will provide employees with clear progression path and personal development, activate its human resources and secure substantive contributions, so as to form a good competition and incentive mechanism and atmosphere, propelling the sustainable and healthy development of the Company's human resources.
8. Advance the phase one core and auxiliary project construction for the new factory located in the northern area, in order to achieve the optimization of the factory production and operation layouts and the relocation of the logistics center.

## HUMAN RESOURCES AND TRAINING

As at 30 June 2024, the Group had a total of 1,000 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 2024, the Group's total remuneration paid to employees was approximately RMB51,346,000 (2023: approximately RMB47,673,000).



# 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 2024, 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 2024, 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 2024, 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.

## OTHER INFORMATION

### CAPITAL COMMITMENT

As at 30 June 2024, the Group had capital commitments contracted but not provided for acquisition of property, plant and equipment of approximately RMB25,540,000 (as at 31 December 2023: RMB44,433,000).

### 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.

### 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 2024, the Group had utilised approximately RMB116,800,000 of all the net proceeds. Details of which are set out in the table below:

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



## 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 2024. 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 2024 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

### DIVIDENDS

Pursuant to a resolution passed by the shareholders of the Company on 23 May 2024, the Company declared a final dividend of HK\$38.64 cents per share for the year ended 31 December 2023 amounting to an aggregate of approximately HK\$96,103,000 (equivalent to approximately RMB87,000,000) to the shareholders of the Company. The final dividend was paid on 30 June 2024 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 2024 (six months ended 30 June 2023: nil)

### 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 2024 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 2024



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
Notes		2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
<b>Revenue</b>	6(a)	263,082	256,773
Cost of sales		(100,837)	(101,888)
<b>Gross profit</b>		162,245	154,885
Other income	6(b)	21,520	25,082
Selling and distribution expenses		(43,386)	(39,715)
Administrative expenses		(18,170)	(15,543)
Other operating expenses		(2,718)	(3,201)
<b>Profit from operations</b>		119,491	121,508
Finance costs		(309)	(274)
<b>Profit before taxation</b>	7	119,182	121,234
Income tax	8	(22,894)	(27,286)
<b>Profit for the period</b>		96,288	93,948
<b>Attributable to</b>			
Owners of the Company		96,288	93,880
Non-controlling interests		-	68
<b>Profit for the period</b>		96,288	93,948
<b>Earnings per share</b>	9		
Basic		RMB38.7 cents	RMB37.7 cents
Diluted		N/A	RMB37.7 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 2024

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
<b>Profit for the period</b>	<b>96,288</b>	93,948
<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	5,787	3,429
<i>Item that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(7,692)	(2,634)
Other comprehensive (loss)/income for the period, net of nil income tax	(1,905)	795
<b>Total comprehensive income for the period</b>	<b>94,383</b>	94,743
<b>Attributable to</b>		
Owners of the Company	94,383	94,675
Non-controlling interests	–	68
<b>Total comprehensive income for the period</b>	<b>94,383</b>	94,743

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10(a)	125,682	105,925
Right-of-use assets		36,597	38,362
Investment properties	10(b)	91,570	91,570
Intangible assets		–	–
Non-pledged fixed bank deposit		263,000	53,000
Other receivables, deposits and prepayments		617	601
		<u>517,466</u>	<u>289,458</u>
<b>Current assets</b>			
Inventories		264,078	248,136
Trade receivables	11	5,000	6,808
Other receivables, deposits and prepayments		30,243	8,994
Financial assets at fair value through profit or loss	12	–	10,000
Non-pledged fixed bank deposit (maturity over 3 months but within 1 year)		–	300,000
Cash and cash equivalents		104,304	67,381
		<u>403,625</u>	<u>641,319</u>
<b>Current liabilities</b>			
Trade payables	13	6,918	6,856
Other payables and accruals		39,920	50,435
Income tax payable		28,385	33,724
Lease liabilities		1,853	2,179
		<u>(77,076)</u>	<u>(93,194)</u>
<b>Net current assets</b>		<u>326,549</u>	<u>548,125</u>
<b>Total assets less current liabilities</b>		<u>844,015</u>	<u>837,583</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		21,702	17,943
Deferred income		508	518
Lease liabilities		10,382	10,638
		<u>(32,592)</u>	<u>(29,099)</u>
<b>NET ASSETS</b>		<u>811,423</u>	<u>808,484</u>
<b>Capital and reserves</b>			
Share capital	15	2,189	2,189
Reserves		809,234	802,196
<b>Equity attributable to owners of the Company</b>		<u>811,423</u>	<u>804,385</u>
<b>Non-controlling interests</b>		<u>–</u>	<u>4,099</u>
<b>TOTAL EQUITY</b>		<u>811,423</u>	<u>808,484</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 2024

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 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>	
At 1 January 2024	2,189	110,503	10,275	58,658	17,542	12,245	–	(21,479)	614,452	4,099	808,484	
Profit for the period	–	–	–	–	–	–	–	–	96,288	–	96,288	
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	5,787	–	–	5,787	
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(7,692)	–	–	(7,692)	
Total comprehensive income for the period	–	–	–	–	–	–	–	(1,905)	96,288	–	94,383	
Dividends	14	–	–	–	–	–	–	–	(87,000)	–	(87,000)	
Acquisition of additional interest in subsidiary	–	–	–	–	–	–	–	–	(345)	(4,099)	(4,444)	
At 30 June 2024	<u>2,189</u>	<u>110,503</u>	<u>10,275</u>	<u>58,658</u>	<u>17,542</u>	<u>12,245</u>	<u>–</u>	<u>(23,384)</u>	<u>623,395</u>	<u>–</u>	<u>811,423</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 2024

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
<b>Operating activities</b>		
Cash generated from operations	77,506	129,518
Interest received	5,336	6,857
Income tax paid	(24,474)	(17,753)
Withholding tax paid	(4,838)	(2,749)
<b>Net cash generated from operating activities</b>	<b>53,530</b>	<b>115,873</b>
<b>Investing activities</b>		
Payment for purchase of property, plant and equipment	(22,320)	(13,313)
Proceeds from disposal of property, plant and equipment	14	45
Payment for purchase of financial assets at fair value through profit or loss	–	(109,800)
Proceeds from sale of financial assets at fair value through profit or loss	10,025	168,393
Placement of non-pledged fixed bank deposit	(60,000)	(70,000)
Withdrawal of non-pledged fixed bank deposit	150,000	–
Withdrawal of pledged bank deposit	–	3,000
<b>Net cash generated from/(used in) investing activities</b>	<b>77,719</b>	<b>(21,675)</b>
<b>Financing activities</b>		
Dividend paid to owners of the Company	(87,000)	(56,878)
Payment of principal element of lease liabilities	(665)	(490)
Interest paid	(309)	(274)
Payment to non-controlling interests for additional interests in existing subsidiary	(4,444)	–
<b>Net cash used in financing activities</b>	<b>(92,418)</b>	<b>(57,642)</b>
<b>Net increase in cash and cash equivalents</b>	<b>38,831</b>	<b>36,556</b>
<b>Cash and cash equivalents at 1 January</b>	<b>67,381</b>	<b>27,160</b>
<b>Effect of foreign exchange rate changes, net</b>	<b>(1,908)</b>	<b>788</b>
<b>Cash and cash equivalents at 30 June</b>	<b>104,304</b>	<b>64,504</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 2024

## 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 2024 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 2023. 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 2023.

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 2024.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

### (C) MATERIAL ACCOUNTING POLICY INFORMATION

Other than new accounting policies resulting from application of 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 2024 are the same as those presented in the Group's consolidated financial statements for the year ended 31 December 2023.

In the current period, the Group has applied the following 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 2024, for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The Group has not applied any new standard or amendment that is not yet effective for the current accounting period. Except as described below, the application of the 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 CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND RELATED AMENDMENTS TO HONG KONG INTERPRETATION 5 AND NON-CURRENT LIABILITIES WITH COVENANTS***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that;
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within twelve months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date. Only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting period. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

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

#### *AMENDMENTS TO HKAS 1 CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND RELATED AMENDMENTS TO HONG KONG INTERPRETATION 5 AND NON-CURRENT LIABILITIES WITH COVENANTS (Continued)*

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation* ("HKAS 32").

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments have no impact on the condensed consolidated interim financial statements for the current period and no retrospective impact on the comparative consolidated statement of financial position at 31 December 2023.

#### *AMENDMENTS TO HKAS 7 AND HKFRS 7 SUPPLIER FINANCE ARRANGEMENTS*

The amendments add a disclosure objective to HKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial statements for the current period.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

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

#### *HKICPA GUIDANCE (THE "GUIDANCE") ON THE ACCOUNTING IMPLICATIONS OF THE ABOLITION OF THE MPF-LSP OFFSETTING MECHANISM (THE "ABOLITION")*

The Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") was gazetted in June 2022 and will take effect on 1 May 2025 (the "Transition Date"). The Amendment Ordinance has two effects: (i) the accrued benefits derived from an employer's mandatory provident fund ("MPF") contributions can no longer be used to offset long service payment ("LSP") in respect of the employment period after the Transition Date (post-transition LSP); and (ii) the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date (pre-transition LSP).

As the LSP is a defined benefit plan, the Amendment Ordinance changes the employer's legal obligation which is considered as a plan amendment under HKAS 19 *Employee Benefits* ("HKAS 19"). In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance for the accounting for the impact arising from the Abolition.

The Guidance illustrates that an entity may account for the accrued benefits arising from its MPF contributions that have been vested with an employee and which would be used to offset the employee's LSP benefits (offsettable accrued benefits) as a deemed contribution by the employee towards the LSP in accordance with paragraph 93(a) of HKAS 19. However, upon the enactment of the Amendment Ordinance, the accrued benefits derived from an entity's MPF contributions cannot be used to offset an employee's post-transition LSP obligation so that it can no longer apply the practical expedient of recognising the deemed contribution as a reduction of service cost under paragraph 93(b) of HKAS 19. Accordingly, it resulted a catch-up adjustment for past service cost, in accordance with paragraph 94(a) of HKAS 19, and a corresponding increase in the LSP obligation since the MPF-LSP offsetting mechanism was not contemplated in the original LSP legislation.

To reflect the Abolition, the Group has changed its accounting policy in connection with its LSP liability and has applied such change retrospectively. Such change in accounting policy did not have any material impact on the consolidated financial statements for the year ended 31 December 2023.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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 2024

## 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	
	2024 (unaudited) RMB’000	2023 (unaudited) RMB’000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of goods	262,620	256,353
Franchise joining fee income	462	420
	<b>263,082</b>	<b>256,773</b>

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	
	2024 (unaudited) RMB’000	2023 (unaudited) RMB’000
Government grants (note (i))	–	404
Interest income on financial assets measured at amortised cost – bank interest income	5,336	6,857
Gain from change in fair value of financial assets mandatorily measured at fair value through profit or loss	25	883
PRC VAT concession refunds (note 8 (v))	12,298	13,772
Rental income from investment properties	2,267	2,529
Net foreign exchange gain	52	2
Reversal of loss allowance on trade receivables	–	7
Others	1,542	628
	<b>21,520</b>	<b>25,082</b>

Note

- (i) In 2024, among the government grants, approximately nil (2023: approximately RMB404,000) 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 2024

## 7. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Carrying amount of inventories sold	101,430	99,837
(Reversal of write-down)/Write-down of inventories	(593)	2,051
Cost of inventories (note (i))	100,837	101,888
Depreciation		
– property, plant and equipment	2,515	2,416
– right-of-use assets	1,847	1,671
Expense relating to short-term leases	400	461
Impairment losses recognised on trade receivables	12	–
Impairment losses recognised on other receivables	–	42
Net loss on disposal of property, plant and equipment	34	7
Staff costs (including directors' emoluments)	51,346	47,673
Provision for sales returns	82	504
Gross rental income from investment properties	(2,267)	(2,529)
Less: Direct outgoings incurred for investment properties that generated rental income during the period	327	630
Net rental income	(1,940)	(1,899)

Note:

- (i) Cost of inventories includes approximately RMB33,380,000 (2023: RMB24,754,000) 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 2024

## 8. INCOME TAX

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
<b>Current tax</b>		
PRC Enterprise Income Tax (note (i))	19,135	19,898
Hong Kong profits tax (note (iii))	–	–
Withholding tax on dividends (note (iv))		
– Provision for the period	–	2,749
	<b>19,135</b>	<b>22,647</b>
<b>Deferred tax</b>		
Transfer to current tax upon distribution of dividends	–	(2,749)
Provision for the period (note (iv))	3,759	7,388
<b>Total</b>	<b>22,894</b>	<b>27,286</b>

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% (2023: 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 2024 and 2023 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 2024

## 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.

(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	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Earnings used in calculating basic earnings per share	<u>96,288</u>	<u>93,880</u>

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

	Number of shares Six months ended 30 June	
	2024 (unaudited) '000	2023 (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

No diluted earnings per share for the six months ended 30 June 2024 is presented as there was no potential ordinary share in issue for the period.

For the six months ended 30 June 2023, the diluted earnings per share is the same as the basic earnings per share during the six months ended 30 June 2023 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. 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 2024

## 10. FIXED ASSETS

### A) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of RMB22,320,000 (six months ended 30 June 2023: RMB13,313,000). Items of property, plant and equipment with a total carrying amount of RMB48,000 (six months ended 30 June 2023: RMB52,000) were disposed of during the six months ended 30 June 2024.

### B) VALUATION

The Group's investment properties were not revalued as at 30 June 2024 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 2023 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 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
Trade receivables from contracts with customers	5,058	6,854
Less: allowance for credit losses	(58)	(46)
	<u>5,000</u>	<u>6,808</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 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
0 to 30 days	4,023	3,662
31 to 60 days	457	1,939
61 to 90 days	94	672
91 to 180 days	126	323
181 to 365 days	141	169
Over 1 year	159	43
	<u>5,000</u>	<u>6,808</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 2024

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

	At 30 June 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
Principal Guaranteed Wealth Management Products, at fair value (Note)	–	10,000

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 2023: 1.50% to 2.90% per annum). Financial assets at fair value through profit or loss of RMB nil (31 December 2023: RMB10,000,000) 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 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
0 to 30 days	6,108	5,016
31 to 60 days	358	1,511
61 to 90 days	74	119
91 to 180 days	160	22
181 to 365 days	58	109
Over 1 year	160	79
	<b>6,918</b>	<b>6,856</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 14. DIVIDENDS

- i) The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).
- 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	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Final dividend in respect of the financial year ended 31 December 2023, approved and paid during the current interim period, of HK38.64 cents, equivalent to RMB34.98 cents per ordinary share (2023: in respect of the financial year ended 31 December 2022, approved and paid during the period ended 30 June 2023, of HK25.03 cents, equivalent to RMB22.86 cents per ordinary share)	<u>87,000</u>	<u>56,878</u>

## 15. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount equivalent to RMB
Ordinary shares of HK\$0.01			
Authorised:			
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>87,926,000</u>
Issued and fully paid:			
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	<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 2024

## 16. 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 2024 categorised into			
	Fair value at 30 June 2024 (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 2024

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

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

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

	Fair value at 31 December 2023 (audited) RMB'000	Fair value measurements at 31 December 2023 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	10,000	–	–	10,000

During the six months ended 30 June 2024 and 2023, 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 2024 (At 31 December 2023: 1.50% to 2.90%). The fair value measurement is positively correlated to the expected returns. There is no change in valuation technique at 30 June 2024 and 31 December 2023.

The movements during the six months ended 30 June 2024 and 2023 in the balance of Level 3 fair value measurements are as follows:

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
At the beginning of the period	10,000	57,710
Purchased	–	109,800
Total gains recognised in the condensed consolidated statement of profit or loss included in other income*	25	883
Disposals	(10,025)	(168,393)
At the end of the period	–	–

\* The total gains recognised in the condensed consolidated statement of profit or loss includes unrealised gains or losses of RMB nil (2023: 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 2024

## 16. 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 2024 and 31 December 2023.

## 17 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY

During the current period, the Group acquired additional 5% equity interest in Jiangsu Mujiangu Tourism Development Company Limited, increasing its equity interest to 100%, for a cash consideration of RMB4,444,000. The effect on the equity attributable to owners of the Company is as follows:

	RMB'000
Consideration	4,444
Carrying amount of non-controlling interests acquired	<u>(4,099)</u>
Difference debited to retained profits	<u>345</u>

## 18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2024 and 31 December 2023.

## 19. CAPITAL COMMITMENTS

	At 30 June 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
Contracted but not provided for in the financial statements: – acquisition of property, plant and equipment	<u>25,540</u>	<u>44,433</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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:

Short-term employee benefits  
Post-employment benefits

#### Six months ended 30 June

2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
2,367	2,153
89	84
<u>2,456</u>	<u>2,237</u>