CARRY
WEALTH HOLDINGS LIMITED
恒 富 控 股 有 限 公 司
(Incorporated in Bermuda with limited liability)
Website: http://www.carrywealth.com
(Stock Code: 643)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of Carry Wealth Holdings Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

For the six months ended 30 June 2011, the Group's revenues amounted to HK$382.1 million (2010: HK$405.0 million) and gross profit was HK$51.2 million (2010: HK$56.5 million). Loss attributable to equity holders was HK$22.9 million (2010: HK$23.2 million) and basic loss per share was 6.16 HK cents (2010: 6.24 HK cents).

During the period under review, the global economic recovery was extremely slow and erratic. Moreover, the ongoing European sovereign debt crisis affected market sentiment. Meanwhile, high unemployment remained a major issue in the US, a key export market of the Group. Turnover of the Group decreased by 5.7% to HK$382.1 million compared with the last corresponding period. Faced with uncertain economic prospects in the US, the Group's US customers stayed cost-conscious and adopted a conservative approach towards placing more smaller orders for stylish items which hindered the production efficiency of the Group's factories in Indonesia and Lesotho. Though partly mitigated by the rise in gross profit derived from the factory in Heshan, Mainland China, the aforementioned conservative purchasing practice, combined with rising production cost due to high fabric prices, increase in minimum wages, severe inflation and ongoing depreciation of the US dollar led to the Group's gross profit dropping from HK$56.5 million to HK$51.2 million. In addition, the Group's gross profit margin dipped to 13.4% (2010: 13.9%).

Losses of HK$3.0 million and HK$4.6 million were the result of disposing a vacant factory building in Indonesia in March 2011 and an impairment loss on interest in ShanDong WeiQiao HengFu Textile Limited ("SWHT") which were included in other losses-net. Selling expenses to revenue ratio returned to a normal level, falling from 5.6% to 3.5% as no substantial airfreight charges were incurred for the period under review.

The Group indirectly holds 40% interest in SWHT, which manufactures knitted fabrics. SWHT reported turnover of HK$43.1 million and a modest profit of HK$0.07 million for the period under review. The Group's share of SWHT's net profit was HK$0.03 million (2010: net loss of HK$0.5 million). As the Group has pursued to sell the interest in SWHT before 30 June 2011, the interest in the associate had been classified as "assets classified as held for sale" and stated at the lower of the carrying amount and the recoverable amount as at 30 June 2011.

Segmental Analysis

The economy in the US was still very weak, which affected consumer confidence and spending. Consequently competition was intense for US orders. Though the US was still the Group's major sales market and accounted for 61.7% of total turnover, this was down by 15.1% compared with the same period last year. The adjusted operating profit for the US segment plummeted by 48.8% to HK$4.2 million (2010: HK$8.2 million) because of the drop in turnover and a rise in raw materials and production costs of the Group's factories in Indonesia and South Africa.

With the Mainland China economy maintaining its growth trend, turnover from the Mainland China segment increased by 41.0% and accounted for 22.2% of the Group's total turnover. The adjusted operating profit for Mainland China was HK$4.8 million (2010: adjusted operating loss of HK$5.2 million). The improvement in performance was due to further enhancement in production efficiency.

Turnover from Europe and Canada accounted for 6.3% and 3.2% of the Group's total turnover respectively, and the corresponding adjusted operating profit for these two segments was HK$0.4 million (2010: HK$0.2 million) and HK$0.1 million (2010: HK$0.6 million).

During the period under review, factories in Indonesia continued to be the Group's major production bases and contributed 68.1% (2010: 68.2%) of the Group's turnover. For the factory in Heshan, Mainland China, the turnover contribution to the Group increased from 22.4% to 28.1% whereas the factory in Lesotho dropped from 8.0% to 3.8%.

Liquidity and Financial Resources

Adhering to a conservative financial management methodology, the Group continued to maintain a healthy financial position. As at 30 June 2011, the Group's cash and bank deposit totalled HK$93.6 million (31 December 2010: HK$105.7 million). Working capital represented by net current assets amounted to HK$88.0 million (31 December 2010: HK$49.0 million). The Group's current ratio was 1.4 (31 December 2010: 1.2).

Bank borrowings, including trust receipt loans, amounted to HK$50.2 million (31 December 2010: HK$73.3 million) and term loan amounted to HK$47.1 million (31 December 2010: HK$71.3 million). The bank loans were denominated either in Hong Kong dollars, Renminbi or US dollars. As at 30 June 2011, the gearing ratio of the Group, which is calculated as net debt (total borrowings less cash and cash equivalents) divided by capital and reserves attributable to the Company's equity holders, was 6.9% (31 December 2010: 29.7%).

The debt maturity profile of the Group as at 30 June 2011 was as follows:

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Repayable within one year	**89,957**	132,731
Repayable after one year, but within two years	**7,333**	9,000
Repayable after two years, but within five years	**–**	2,833
Total	**97,290**	144,564

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Capital Expenditure

For the period under review, the Group incurred a total capital expenditure of HK$1.5 million (2010: HK$2.8 million), which was mainly for additions and replacements of plant and machinery.

Foreign Exchange Exposure

The Group's sales are principally transacted in US dollars and Renminbi. With factories and offices in Hong Kong, Indonesia, Lesotho and Mainland China, operating expenses of the Group are primarily denominated in Hong Kong dollars, Indonesian Rupiah, South African Rand, Renminbi, and in some instances US dollars.

As the Hong Kong dollar is pegged to the US dollar, the Group does not expect to be exposed to any currency risks in the near term. The Group will closely monitor fluctuation of other currencies and, if necessary, will enter into forward exchange contracts to reduce exchange risk.

Credit Policy

Consistent with prevailing industry practice, the Group's business was transacted on an open account basis granted to its long-standing customers. The credit ratings of customers are constantly reviewed and their respective credit limits adjusted, if and when necessary.

Charges on Assets

As at 30 June 2011, the Group's bank deposits of HK$11.6 million and land use rights and buildings of HK$48.4 million located at Heshan, Mainland China were pledged as security for certain of the Group's bank borrowings.

Contingent Liabilities

As at 30 June 2011, the Group had no contingent liabilities.

Human Resources and Remuneration Policies

The Group provides a harmonious working environment to employees whose commitment, it believes, is important to the success of its business. The Group offers employees rewarding careers and provides them with a variety of training programs. It rewards employees according to prevailing market practices and individual experience and performance. To attract and retain high calibre employees, the Group also gives discretionary bonuses and share options to staff members based on performance of the individual as well as the Group.

As at 30 June 2011, the Group had a total of 5,091 (31 December 2010: 5,736) full-time employees in the following regions:

Indonesia	3,131
China (Mainland and Hong Kong)	1,367
Lesotho	593
Total	5,091

Outlook

Despite the implementation of two rounds of quantitative easing in the US, the American economy remained in a delicate state. What is more, the continuously high unemployment rate and declining home values have weighed down on consumer confidence. The recent and unprecedented downgrade of the US credit rating from AAA to AA+ by Standard and Poor's has caused further turmoil among the global markets, and added to fears over the European sovereign debt crises. The move by Standard and Poor's is likely to raise borrowing costs for the US government, companies and consumers, as well as increase pressure on the US dollar's depreciation. Consequently, the road to economic recovery for the US is expected to be rocky and prolonged. Besides, the US customers will remain cost-conscious and keen to look for other regions with the lowest production costs. Accordingly, the Group anticipates that price competition for orders from the US customers will be fierce due to the aforesaid purchasing policies. Amid this challenging business environment, the Group has also seen a drop in US orders on hand in July and August 2011 and expects the trend will continue and the profit margin from the US market will continue to drop. Coupled with rising production costs in Indonesia and Lesotho, the Group's gross profit margin will be further constricted and, hence, the management expects the performance of the factories in the above regions will worsen.

In Mainland China, following confirmation of the 12th Five-Year Plan, which focuses on expanding domestic consumption, the Group is cautiously optimistic about the Mainland China apparel market. With fast pace urbanization and greater disposal income, this should lead to a promising market.

The Group has pursued certain cost-savings measures including re-locating merchandising teams and supporting teams from the Hong Kong office to the Heshan office in the first quarter and streamlined the Group's organizational structure and its production teams. The Group will continue to implement strict cost control measures and apply prudent credit policies in relation to its customers.

Market conditions in the US, in terms of export, are anticipated to remain volatile. To realize long-term growth in business volume and become less dependence to the soft and unstable business environment from the US economies, the Group will focus on the more stable and stronger Mainland China markets and strive to rationalize its resources and enhance the production efficiency of the Heshan factory. Looking ahead, the Group will strive to explore and seize business opportunities with high growth potential in Mainland China with the aim of maximizing the corporate value and creating greater return to the Company's shareholders in the long run.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (2010: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Revenues	3	**382,058**	404,975
Cost of sales		**(330,906)**	(348,490)
Gross profit		**51,152**	56,485
Other losses – net	4	**(7,170)**	(1,501)
Selling expenses		**(13,245)**	(22,544)
Administrative expenses		**(54,547)**	(55,173)
Operating loss	5	**(23,810)**	(22,733)
Finance income		**254**	207
Finance costs		**(2,100)**	(930)
Share of losses of associates		**(109)**	(780)
Loss before income tax		**(25,765)**	(24,236)
Income tax credit	6	**657**	649
Loss for the period		**(25,108)**	(23,587)
Loss attributable to:			
Equity holders of the Company		**(22,924)**	(23,216)
Non-controlling interests		**(2,184)**	(371)
		(25,108)	(23,587)
Loss per share for loss attributable to the equity holders of the Company during the period			
– basic and diluted *(HK cents)*	7	**(6.16)**	(6.24)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(25,108)**	(23,587)
Other comprehensive income		
Reserves transferred upon disposal of land and building, net of tax	**206**	–
Currency translation differences	**8,890**	2,855
Total comprehensive income for the period	**(16,012)**	(20,732)
Total comprehensive income attributable to:		
Equity holders of the Company	**(13,784)**	(20,182)
Non-controlling interests	**(2,228)**	(550)
	(16,012)	(20,732)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**124,918**	140,558
Land use rights		**15,895**	15,282
Interests in associates		**1,767**	42,880
Deferred income tax assets		**5,803**	5,010
		148,383	203,730
Current assets			
Inventories		**71,591**	106,173
Trade and other receivables	9	**112,024**	125,213
Income tax receivable		**3,619**	–
Financial assets at fair value through profit or loss	8	**–**	6,180
Pledged bank deposits		**11,625**	31,099
Cash and cash equivalents		**82,006**	74,554
		280,865	343,219
Assets classified as held for sale		**38,363**	–
		319,228	343,219
Total assets		**467,611**	546,949
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**37,187**	37,187
Other reserves		**57,240**	63,952
Retained earnings		**127,850**	134,922
		222,277	236,061
Non-controlling interests		**3,449**	5,677
Total equity		**225,726**	241,738

	Note	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**10,661**	10,943
		10,661	10,943
Current liabilities			
Derivative financial instruments	10	**35**	147
Trade and other payables	11	**133,899**	146,817
Income tax payable		**–**	2,740
Bank borrowings		**97,290**	144,564
		231,224	294,268
Total liabilities		**241,885**	305,211
Total equity and liabilities		**467,611**	546,949
Net current assets		**88,004**	48,951
Total assets less current liabilities		**236,387**	252,681

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 have 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"). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

In 2011, the Group has adopted the following revised standard and amendment to standard issued by HKICPA, which are mandatory for the first time for the financial year beginning 1 January 2011. The adoption of these revised standards and amendments to standards does not have any significant impact on the Group's results and financial position.

- HKAS 24 (Revised) 'Related Party Disclosures'
- Amendment to HKAS 34 'Interim financial reporting'

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 'Classification of rights issues'
- Amendment to HK(IFRIC) – Int-14 'Prepayments of a minimum funding requirement'
- HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments'
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by HKICPA

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 9 'Financial instruments'
- HKAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets'
- HKFRS 7 (Amendment) 'Disclosures – Transfers of financial assets'

3. Segment information

The Group is principally engaged in garment manufacturing and trading. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Turnover		
Sale of garment products	**382,058**	404,975

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The Group's management considers the business principally from a geographic perspective. Business reportable operating segments by location of the Group's customers are identified in five main geographical areas, namely, the United States of America, Mainland China, Europe, Canada and rest of the world.

The Group's management assesses the performance of the operating segments based on a measure of adjusted operating results. This measurement basis includes results of the operating segments and excludes corporate administrative expenses, finance income, finance cost, share of results of associated companies, tax, material gain or loss which is capital in nature or non-recurring nature such as impairment, and fair value gain/losses arising from financial assets and financial liabilities.

An analysis of the Group's segment information for the period is as follows:

Geographical segments by location of customers

	Turnover		Adjusted operating results for reportable segments	
	Six months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States of America	**235,624**	294,376	**4,178**	8,162
Mainland China	**84,763**	60,121	**4,769**	(5,155)
Europe	**24,001**	19,995	**440**	170
Canada	**12,324**	11,759	**96**	557
Rest of the world	**25,346**	18,724	**59**	146
	382,058	404,975	**9,542**	3,880

A reconciliation of adjusted operating results to loss for the period is as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Adjusted operating results for reportable segments	**9,542**	3,880
Other losses – net	**(7,170)**	(1,501)
Unallocated administrative expenses	**(26,182)**	(25,112)
	(23,810)	(22,733)
Finance income	**254**	207
Finance costs	**(2,100)**	(930)
Share of losses of associates	**(109)**	(780)
Loss before income tax	**(25,765)**	(24,236)
Income tax credit	**657**	649
Loss for the period	**(25,108)**	(23,587)

4. Other losses – net

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net fair value gains/(losses) on financial assets at fair value through profit or loss:		
Listed equity securities		
– on hand	**–**	(675)
– disposed	**311**	–
Foreign currency linked structured note	**–**	100
	311	(575)
Net fair value gains/(losses) on derivative financial instruments:		
Leveraged foreign forward exchange contracts		
– not yet matured	**112**	(656)
– matured	**–**	(270)
	112	(926)
Impairment loss on assets classified as held for sale	**(4,623)**	–
Loss on disposal of land and building	**(2,970)**	–
Total other losses – net	**(7,170)**	(1,501)

5. **Operating loss**

Operating loss is stated after charging the following:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation of land use rights	**151**	153
Depreciation of property, plant and equipment	**10,803**	10,217

6. **Income tax credit**

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the six months ended 30 June 2011. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax credited to the income statement represents:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Deferred income tax credit	**657**	649

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

7. **Loss per share**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company has no dilutive potential ordinary shares during the period ended 30 June 2011 and 2010, the diluted loss per share equals the basic loss per share.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss attributable to equity holders of the Company	**(22,924)**	(23,216)
Weighted average number of ordinary shares in issue (thousands)	**371,874**	371,874
Basic and diluted loss per share (HK cents per share)	**(6.16)**	(6.24)

8. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Listed equity securities		
– securities listed on The Stock Exchange of Hong Kong Limited	**–**	6,180

The fair values of all listed equity securities are based on their current bid prices in an active market.

9. Trade and other receivables

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Trade receivables	**94,147**	95,765
Prepayments, deposits and other receivables	**17,877**	29,448
	112,024	125,213

The majority of the Group's sales to customers are on open account basis, with credit terms ranging from 30 to 45 days. The remaining sales are on letter of credit at sight.

The ageing analysis of trade receivables based on invoice date is as follows:

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Within 30 days	**65,628**	66,467
31-60 days	**22,971**	26,260
61-90 days	**1,558**	2,043
Over 90 days	**3,990**	995
	94,147	95,765

10. Derivative financial instruments

Derivative financial instruments comprise the following:

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Leveraged foreign forward exchange contracts	**35**	147

The Group relies on valuations from the counterparty financial institutions to determine the fair values of the leveraged foreign forward exchange contracts, which in turn are based on the spot foreign exchange rates and forward exchange rates at the balance sheet date.

11. Trade and other payables

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Trade payables	**68,310**	79,874
Other payables and accruals	**65,589**	66,943
	133,899	146,817

The ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Within 30 days	**43,735**	51,450
31-60 days	**13,859**	19,251
61-90 days	**4,274**	6,210
Over 90 days	**6,442**	2,963
	68,310	79,874

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2011. The Audit Committee comprises all of the three independent non-executive directors, namely Messrs Kwok Lam Kwong, Larry, *B.B.S., J.P.,* Yau Wing Yiu and Zhang Feng.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2011 except for the following deviation:

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr Zhang Feng has been appointed as an independent non-executive director of the Company on 7 June 2011 without a fixed term of service, but is subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the bye-laws of the Company. Pursuant to Code Provision A.4.1, Mr Zhang Feng has entered into a service contract with the Company on 24 August 2011 for a term of three years commenced from 7 June 2011, which may be terminated by either party thereto giving to the other party three months' prior notice in writing (subject to retirement by rotation and re-election in accordance with the bye-laws of the Company).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on HKExnews website (www.hkexnews.hk) and the Company's website (www.carrywealth.com). The Interim Report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and available on the same websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises Messrs Li Haifeng *(Chairman)*, Lee Sheng Kuang, James *(Managing Director)*, Huang Xuxian, Flynn, Tang Chak Lam, Charlie and Xiao Yong, being executive directors; and Messrs Kwok Lam Kwong, Larry, *B.B.S., J.P.,* Yau Wing Yiu and Zhang Feng, being independent non-executive directors.

By order of the Board of
Carry Wealth Holdings Limited
Li Haifeng
Chairman

Hong Kong, 29 August 2011