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 2012

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 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

For the six months ended 30 June 2012, the Group's revenue amounted to HK$72.4 million (2011: HK$382.1 million) and gross profit was HK$9.6 million (2011: HK$51.2 million). Loss attributable to equity holders was HK$22.0 million (2011: HK$22.9 million) and basic loss per share was 4.94 HK cents (2011: 6.16 HK cents).

During the period under review, the recovery of the global economy was sluggish and erratic, rocked by the Euro Zone debt crises and with only a slow and unsteady growth in the US. The US unemployment rate remained high at 8.2%. Consumer confidence remained low and depressed, as consumers carefully scrutinised their spending. Meanwhile, Mainland China experienced its sharpest drop in economic growth since the financial crisis in 2008. As a result, domestic spending on apparel products in Mainland China contracted, albeit at a slow pace. The daunting economic environment along with the closure of factories in Indonesia during the last quarter of 2011, caused turnover of the Group to decrease by 81.0% to HK$72.4 million compared with the corresponding period. However, the stringent cost control measures undertaken by the Group meant that the gross profit margin only decreased slightly to 13.2% (2011: 13.4%) in spite of surging production costs in Mainland China. The Group's gross profit was HK$9.6 million (2011: 51.2 million).

An additional loss of HK$0.9 million was incurred as a result of disposal of a vacant warehouse and employee quarters in Indonesia which was included in other losses-net. Through a series of streamlining operations, the selling expenses to revenue ratio fell from 3.5% to 2.1% and administrative expenses decreased by 47.4% to HK$28.7 million (2011: HK$54.5 million).

Segmental Analysis

As a result of the cessation of operations of Indonesian factories and disposal of the Lesotho factory in 2011 which principally supported customers in the US, turnover from the US plummeted 87.9% compared with the same period last year and accounted for 39.4% of the total turnover. Facing fierce competition and weaker consumer demand, the Group's experienced continuous price pressure from its customers within the US. Thus, the US segment recorded an adjusted operating loss of HK$4.5 million (2011: adjusted operating profit of HK$4.2 million).

Affected by decreasing exports to Euro Zone and US markets due to unfavourable consumer sentiment, the world key economic growth engine was slowing down as Mainland China's GDP dropped to 7.6% in the second quarter of 2012. Amidst this unfavourable environment, customers became increasingly price sensitive and the Group saw a squeeze on the selling price of its apparel products. Consequently turnover from the Mainland China decreased by 59.5% and accounted for 47.4% of the Group's total turnover. The adjusted operating loss for the Mainland China segment was HK$0.3 million (2011: adjusted operating profit of HK$4.8 million).

Turnover from Europe and Canada each accounted for 10.6% and 0.2% of the Group's total turnover and the corresponding total adjusted operating loss for these two segments was HK$0.9 million (2011: adjusted operating profit of HK$0.5 million).

Liquidity and Financial Resources

Adhering to a conservative financial management methodology, the Group continued to maintain a healthy financial position. As at 30 June 2012, the Group's cash and bank deposits totalled HK$105.6 million (31 December 2011: HK$123.5 million). Working capital represented by net current assets amounted to HK$118.8 million (31 December 2011: HK$120.4 million). The Group's current ratio was 4.9 (31 December 2011: 2.7).

As at 30 June 2012, the Group had no bank borrowings. As at 31 December 2011, bank borrowings, including trust receipt loans, amounted to HK$4.4 million and term loans amounted to HK$30.8 million.

Capital Expenditure

For the period under review, the Group incurred a total capital expenditure of HK$0.2 million (2011: HK$1.5 million), which was mainly for additions and replacements of office equipment.

Foreign Exchange Exposure

The Group's sales are principally transacted in US dollars and Renminbi. With a factory located in Mainland China and offices in Hong Kong, Indonesia and Mainland China, operating expenses of the Group are primarily denominated in Hong Kong dollars, Indonesian Rupiah and Renminbi with some also in US dollars. The Group is mainly exposed to US dollar exchange risk arising from the sales transaction.

The Group will closely monitor fluctuation of US dollar and, if necessary, will enter into forward exchange contracts to reduce exchange fluctuation risks.

Credit Policy

Consistent with prevailing industry practice, the Group's business was transacted on an open account basis with 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 2012, the Group had no charges on assets.

Contingent Liabilities

As at 30 June 2012, the Group had no contingent liabilities.

Human Resources and Remuneration Policies

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

As at 30 June 2012, the Group had a total of 1,081 (31 December 2011: 1,101) full-time employees in the following regions:

Indonesia	29
China (Mainland and Hong Kong)	1,052
Total	1,081

Outlook

Looking ahead, the global economic outlook is still fraught with uncertainty for the coming years. The prolonged and deepening Euro Zone sovereign debt crisis, the sluggish US market and the recent slowdown of Mainland China's growth cast doubts on the pace of global economic recovery.

Within the Euro Zone, the sovereign debt crisis drags on unresolved. The market is now focusing on Greece's progress in debt reform and potential bailouts for Spain and Italy. In the absence of firm economic recovery data in the near term, an overriding caution will prevail, which will further discourage spending, hiring and investment at all levels. In the US, even after two rounds of quantitative easing and launching of operation twist in an attempt to lower long-term interest rates, second quarter 2012 GDP slowed to 1.5%, down from 2% in the first quarter as consumer spending faltered. The US economic recovery appears to have lost its momentum and there has been no real progress in bringing down the high 8.2% jobless rate. However, as 2012 is a presidential election year, the market in general believes that the US Federal Reserve will take measures to protect the US economy from the contagion of the Euro Zone crisis.

Sustained weak demand from the US and the Euro Zone had an impact on Mainland China's export trade which tumbled to its lowest level since the outbreak of the 2008 global financial crisis. The consumer price index rose by 2.2% in June 2012, its lowest in two and half years. GDP growth dropped to 7.6% in the second quarter of 2012, down from 8.1% in the first quarter and 8.9% in the fourth quarter of 2011. The country's economic rebound has not yet stabilised and domestic consumption is also slowing down. To bolster economic growth, the People's Bank of China cut its benchmark interest rates twice in quick succession in June and July 2012. It is anticipated that the central government in Mainland China will implement further fiscal and monetary policies aimed at expanding domestic demand and restructuring the economy to meet the full year GDP growth target of 7.5%.

To counter these challenges, the Group will continue streamlining operations and undertake measures aimed at enhancing productivity. The Group will focus on the relatively more stable and stronger Mainland China market and capture potential growth business opportunities with the aim of maximising the return to the Group's shareholders.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (2011: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30 June** **2012** **(Unaudited)** **HK$'000**	2011 (Unaudited) HK$'000
Revenues	3	**72,433**	382,058
Cost of sales		**(62,845)**	(330,906)
Gross profit		**9,588**	51,152
Other losses - net	4	**(833)**	(7,170)
Selling expenses		**(1,501)**	(13,245)
Administrative expenses		**(28,673)**	(54,547)
Operating loss	5	**(21,419)**	(23,810)
Finance income		**197**	254
Finance costs		**(435)**	(2,100)
Share of losses of associates		**-**	(109)
Loss before income tax		**(21,657)**	(25,765)
Income tax credit	6	**-**	657
Loss for the period		**(21,657)**	(25,108)
Loss attributable to:			
Equity holders of the Company		**(22,019)**	(22,924)
Non-controlling interests		**362**	(2,184)
		(21,657)	(25,108)
Loss per share for loss attributable to the equity holders of the Company during the period			
- basic and diluted *(HK cents)*	7	**(4.94)**	(6.16)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(21,657)**	(25,108)
Other comprehensive income		
Reserves transferred to retained earnings upon disposal of land and buildings, net of tax	**4,640**	206
Currency translation differences	**(810)**	8,890
Total comprehensive income for the period	**(17,827)**	(16,012)
Total comprehensive income attributable to:		
Equity holders of the Company	**(17,660)**	(13,784)
Non-controlling interests	**(167)**	(2,228)
	(17,827)	(16,012)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2012 (Unaudited) HK$'000	At 31 December 2011 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**102,686**	123,524
Land use rights		**15,756**	15,725
		118,442	139,249
Current assets			
Inventories		**15,927**	20,208
Trade and other receivables	8	**25,977**	42,849
Financial assets at fair value through profit or loss		**-**	26
Income tax receivable		**1,586**	2,812
Bank deposits		**-**	11,718
Cash and cash equivalents		**105,582**	111,748
		149,072	189,361
Total assets		**267,514**	328,610
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**44,617**	44,617
Other reserves		**81,465**	95,667
Retained earnings		**99,915**	103,373
		225,997	243,657
Non-controlling interests		**-**	167
Total equity		**225,997**	243,824

	Note	At 30 June 2012 (Unaudited) HK$'000	At 31 December 2011 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**11,195**	15,865
Current liabilities			
Trade and other payables	9	**30,322**	33,767
Bank borrowings		**-**	35,154
		30,322	68,921
Total liabilities		**41,517**	84,786
Total equity and liabilities		**267,514**	328,610
Net current assets		**118,750**	120,440
Total assets less current liabilities		**237,192**	259,689

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

2. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements except for the application of certain new standards, amendments and improvements to standards issued by the HKICPA that are relevant to the Group's operation and are mandatory for the accounting periods beginning on 1 January 2012. The adoption of these new standards, amendments and improvements to standards does not have a material effect on the Group's results and financial position.

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

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Turnover		
Sale of garment products	**72,433**	382,058

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**	
	2012	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States of America	**28,546**	235,624	**(4,508)**	4,178
Mainland China	**34,312**	84,763	**(307)**	4,769
Europe	**7,681**	24,001	**(898)**	440
Canada	**118**	12,324	**(38)**	96
Rest of the world	**1,776**	25,346	**(115)**	59
	72,433	382,058	**(5,866)**	9,542

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Adjusted operating results for reportable segments	**(5,866)**	9,542
Other losses – net	**(833)**	(7,170)
Unallocated administrative expenses	**(14,720)**	(26,182)
	(21,419)	(23,810)
Finance income	**197**	254
Finance costs	**(435)**	(2,100)
Share of losses of associates	**-**	(109)
Loss before income tax	**(21,657)**	(25,765)
Income tax credit	**-**	657
Loss for the period	**(21,657)**	(25,108)

There are no differences from the last annual financial statements in the basis of measurement of segment profit or loss.

4. Other losses - net

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net fair value (losses)/ gains on derivative financial instruments:		
Leveraged foreign forward exchange contracts		
- not yet matured	**-**	112
- matured	**(26)**	-
	(26)	112
Gain on disposal of listed equity securities	**123**	311
Impairment loss on assets classified as held for sale	**-**	(4,623)
Loss on disposal of properties, plant and equipment	**(930)**	(2,970)
Total other losses – net	**(833)**	(7,170)

5. Operating loss

Operating loss is stated after charging the following:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation of land use rights	**180**	151
Depreciation of property, plant and equipment	**8,083**	10,803

6. Income tax credit

No provision for Hong Kong profits tax has been made as the Company had no estimated assessable profits for the six months ended 30 June 2012. For the six months ended 30 June 2011, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit. 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Deferred income tax credit	**-**	657

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 2012 and 2011, the diluted loss per share equals the basic loss per share.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss attributable to equity holders of the Company	(22,019)	(22,924)
Weighted average number of ordinary shares in issue (thousands)	446,174	371,874
Basic and diluted loss per share (HK cents per share)	(4.94)	(6.16)

8. Trade and other receivables

	At 30 June 2012	At 31 December 2011
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Trade receivables	**20,831**	32,542
Prepayments, deposits and other receivables	**5,146**	10,307
	25,977	42,849

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

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

	At 30 June 2012 (Unaudited) HK$'000	At 31 December 2011 (Audited) HK$'000
Within 30 days	**18,966**	30,032
31-60 days	**1,593**	2,264
61-90 days	**1**	73
Over 90 days	**271**	173
	20,831	32,542

9. Trade and other payables

	At 30 June 2012 (Unaudited) HK$'000	At 31 December 2011 (Audited) HK$'000
Trade payables	**16,594**	16,549
Other payables and accruals	**13,728**	17,218
	30,322	33,767

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

	At 30 June 2012 (Unaudited) HK$'000	At 31 December 2011 (Audited) HK$'000
Within 30 days	**4,711**	5,052
31-60 days	**6,006**	5,027
61-90 days	**3,695**	3,669
Over 90 days	**2,182**	2,801
	16,594	16,549

10. Event occurring after the balance sheet date

On 10 August 2012, PT Caterindo Garment Industri ("the Vendor"), a 95% indirectly owned subsidiary of the Company, and PT Mallicop Indonesia ("the Purchaser") entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser conditionally agreed to acquire a factory building located at Jakarta, Indonesia with a net book value of approximately HK$12,595,000 at an aggregate consideration of Rp23,100,000,000 (equivalent to approximately HK$18,922,000) including 10% Value Added Tax of Rp2,100,000,000(equivalent to approximately HK$1,720,000).

The Purchaser is owned as to 100% by Mr Rusli Hendrawan and his associates. Mr Rusli Hendrawan is a director of the Vendor. Thus, the Purchaser is a connected person of the Company and the transaction constitutes a discloseble and connected transaction in accordance with the Listing Rule. In this regard, an announcement was published on 10 August 2012.

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 2012. The Audit Committee comprises all of the three independent non-executive directors, namely Messrs Chen Zhongfa, Yau Wing Yiu and Zhang Feng.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) 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 2012, except for code provision A.6.7 because an independent non-executive director of the Company, Mr Chen Zhongfa, was unable to attend the annual general meeting of the Company held on 22 May 2012 due to prior business committments.

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 June 2012.

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 Chen Zhongfa, 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, 27 August 2012