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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board") of Carry Wealth Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

For the year ended 31 December 2017, the Group's revenue amounted to HK$244.6 million (2016: HK$123.1 million) and gross profit was HK$40.1 million (2016: gross loss HK$0.2 million). Loss attributable to equity holders was HK$30.0 million (2016: HK$49.7 million). The basic and diluted loss per share were both 3.66 HK cents (2016: both 6.08 HK cents).

During the year under review, the US economy continued to strengthen with unemployment rate hitting 17-year low. Corporate earnings in the US were stronger than expected and some companies promised their employees bonus and salary increment. In Mainland China, although the GDP growth rate in 2017 was slightly higher than government projection, issues such as excessive leverage, local government debts, as well as structural problems including an aging population and shrinking labour supply prevailed. While in the Eurozone, stimulated by monetary policy, its 19-country economy was the strongest in close to seven years. Seizing rising business opportunities in the West, the Group's revenue from garment manufacturing and trading business increased by 72.2% to HK$229.3 million (2016: HK$133.1 million). Gross profit margin of the business increased by 3.4% to 10.8% (2016: 7.4%) and the gross profit surged to HK$24.8 million (2016: HK$9.8 million).

Stimulated by strong corporate earnings, gradual interest rate hikes and the tax reform in the US as well as improved global economic data, leading stock markets rebounded with value hitting record high during the year under review. The Hang Seng Index climbed 7,919 points and closed at 29,919 points in 2017 (2016: 22,000 points). For the year ended 31 December 2017, the Group's securities investment business recorded positive revenue and gross profit of HK$15.3 million (2016: negative revenue and gross loss of HK$10.0 million).

During the year under review, as a result of the Group's effort to trim costs and benefiting from boosted economy of scale in production, the ratio of selling expenses to revenue from garment manufacturing and trading dropped to 2.0% (2016: 2.2%) and administrative expenses slightly increased to HK$42.3 million (2016: HK$42.1 million). The Group shared an operating loss of HK$5.3 million (2016: HK$3.6 million) from its investment in a joint venture. The joint venture sells and develops smart card application products used for non-cash payments in Mainland China. After similar Applications were launched by WeChat pay and Alipay in major Mainland China cities in the second half of 2017 and the fierce competition from other market participants, the business environment became extremely difficult for the joint venture. As at 31 December 2017, in view of significant decline in operating results compared with budget, deteriorating liquidity condition, continuous net operating cash outflow and the net liabilities of the joint venture, an impairment loss provision of HK$15.6 million was made by the Group to reduce the Group's investment in the joint venture to the recoverable amount.

Segmental Analysis

a) Garment manufacturing and trading segment

In the year under review, the Group's factory in Heshan, Mainland China accounted for its entire garment production.

During the year under review, macroeconomic data in the US were positive. Consumer spending, which accounts for more than two-thirds of US economic activity, increased by 3.8% in the fourth quarter of 2017, the fastest since 2014. Seeing solid signs of continuous economic growth in the US, the Group adjusted its business strategy and actively sought to capture business opportunities from the US market. During the year under review, revenue from US customers increased by 85.5% to HK$139.7 million (2016: HK$75.3 million), accounting for 60.9% (2016: 56.6%) of the segment revenue.

As for Mainland China, the economy was generally stable in the review year. However, with tight financial policies implemented, customer demands had cool down. With customers highly price sensitive and competition fierce among domestic players, the Group faced challenge in negotiating for reasonable prices with customers so as to maintain its margins. Given the growing opportunities in the West, the Group has shifted its focus and efforts to overseas markets. During the year under review, there was no revenue generated from Mainland China customers (2016: HK$19.1 million).

In the Euro-zone, the fear of populist leaders winning key elections subsided and economic recovery in the region continued during the year under review. Furthermore, with the European Central Bank extending its asset purchase programme till September 2018 to stimulate the regional economy, both consumption and business sentiments continued to improve. As a result, revenue from European customers increased by HK$36.3 million to HK$64.0 million (2016: HK$27.7 million) which accounted for 27.9% (2016: 20.8%) of the segmental revenue.

Thanks to the prompt response of the Group to market conditions and the concerned efforts of its staff, revenue from the garment manufacturing and trading segment recorded a significant 72.2% increase to HK$229.3 million (2016: HK$133.1 million) and the segment profit amounted to HK$0.6 million (2016: loss of HK$12.1 million).

b) *Securities investment segment*

The Hang Seng Index rose by 36.0% compared with year 2016 and closed at 29,919 points in 2017 (2016: 22,000 points). The significant gain in 2017 was owed to a number of factors. Improved corporate earnings and solid global economic growth saw leading stock markets including that in Hong Kong advanced to higher levels. That plus increasing mainland funds streaming southbound into the Hong Kong stock market via the Stock Connect schemes and the stabilised Mainland China economy, the Hang Seng Index had climbed and briefly reached above 30,000 points in 2017, the first time in a decade. Taking advantage of the better Hong Kong stock market conditions, the Group realised most of its holding in the year under review. The Group's securities investment recorded a fair value gain of HK$15.0 million (2016: loss of HK$11.7 million) and a segment profit of HK$6.8 million (2016: loss of HK$20.8 million) during the review year.

As at 31 December 2017, the Group's financial assets at fair value through profit or loss amounted to HK$3.5 million (31 December 2016: HK$108.2 million) which comprised one (31 December 2016: 23) Hong Kong listed corporation. The details as at 31 December 2017 are as follows:

Stock Code	**Listed Company**	**Industry classification**	**Number of shares** Thousands	**Investment cost** HK$'000	**Market value** HK$'000	**% of the Group's total assets**
01359	China Cinda Asset Management Co., Ltd.	Financials – investment and asset management	1,230	3,821	3,518	1.3

Details of the top five (loss)/gains of listed equity securities held by the Group for the year ended 31 December 2017 are as follows:

Stock code	Listed company	Industry classification	Fair value (loss)/gain HK$'000	Dividends received HK$'000
00940	China Animal Healthcare Ltd.	Consumer goods – pharmaceuticals	(4,576)	–
00700	Tencent Holdings Limited	Information technology – E-commerce and internet services	3,633	19
01918	Sunac China Holdings Limited	Properties and construction – property development	3,607	–
00966	China Taiping Insurance Holdings Company Limited	Financials – insurance	2,396	–
00570	China Traditional Chinese Medicine Holdings Co. Limited	Consumer goods – pharmaceuticals	1,426	–
			6,486	19

In June 2017, in line with its business diversification strategy, the Group entered into a share subscription agreement to subscribe 6,480,000 new shares of United Security Solutions International Limited ("USS"). USS is a newly established global risk management company that delivers comprehensive, tailored and industry-leading risk management, advisory, crisis management and cyber security services. USS subsequently completed the acquisition of a security and crisis management subsidiary, as such it now has a solid platform to offer security and crisis management services to including customers in Mainland China and the Asia Pacific region. Focusing on security and crisis management business is in favour of USS in this early stage of development when compared with setting up a risk advisory and cyber security platform and providing related services. Heeding this new business focus and related capital requirement, the Group signed a Supplemental Agreement on 12 January 2018 reducing its subscription of new shares from 6,480,000 to 4,101,615 for a consideration of US$4,101,615 (equivalent to HK$31,992,597) using internal resources. With the transaction completed, the Group now holds approximately 41.45% interest in its associate USS. As USS was at the initial start-up stage of business development, the Group shared a loss of HK$5.7 million related to USS's operation for the year ended 31 December 2017.

Liquidity and Financial Resources

Adopting a conservative financial management approach, the Group continues to maintain a healthy financial position. As at 31 December 2017, the Group's cash and cash equivalents was HK$67.5 million (31 December 2016: HK$21.5 million). Working capital represented by net current assets amounted to HK$107.5 million (31 December 2016: HK$150.7 million) of which HK$3.5 million (31 December 2016: HK$108.2 million) were Hong Kong listed equity stocks. The Group's current ratio was 2.6 (31 December 2016: 5.6).

Bank borrowing comprised term loans of HK$6.0 million (31 December 2016: no bank borrowing) which were repayable within one year. The bank loans were denominated in Renminbi. As at 31 December 2017, the gearing ratio of the Group, which is calculated as net debt (total borrowing less cash and cash equivalents) divided by capital and reserves attributable to the Company's equity holders, was -30.4% (31 December 2016: Not applicable).

Capital Expenditure

For the year under review, the Group incurred a total capital expenditure of HK$0.6 million (2016: HK$3.7 million), which was mainly for additions to machinery and office equipment.

Foreign Exchange Exposure

The Group's sales are principally transacted in US dollars. With a factory in Mainland China and offices in Hong Kong and Mainland China, operating expenses of the Group are primarily denominated in Hong Kong dollars and Renminbi with some expenses in US dollars. The Group is mainly exposed to US dollar exchange risk arising from sales transactions of its garments. As the Hong Kong dollar is pegged to the US dollar, exposure of the Group to foreign exchange risk is minimal.

The Group will closely monitor fluctuation of US dollar exchange rates and, if necessary, will enter into forward exchange contracts to reduce currency 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 during the year under review. The credit ratings of customers are constantly reviewed and their respective credit limits will be adjusted, as and when necessary.

Charges on Assets

As at 31 December 2017, the Group's land use rights of HK$5.8 million and buildings of HK$23.4 million in Heshan, Mainland China were pledged as security for the Group's bank borrowing. As at 31 December 2016, the Group had no charges on assets.

Contingent Liabilities

As at 31 December 2017 and 2016, the Group had no contingent liabilities.

Human Resources and Remuneration Policies

The Group provides a harmonious and professional working environment to employees as their commitment and expertise are critical to the long-term success of its business. It also offers employees rewarding careers and provides them with a variety of training programmes aimed at enhancing their professionalism. The Group remunerates employees according to prevailing market practices, individual experience and performance. To attract and retain high calibre employees, it also offers discretionary bonuses and share options to staff members based on performance of the individual as well as the Group.

As at 31 December 2017, the Group had a total of 881 (31 December 2016: 875) full-time employees in Mainland China and Hong Kong.

Environmental, Social and Corporate Governance

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Board has overall responsibility for the Group's environmental, social and governance ("ESG") strategy. The Board is responsible for ensuring that there are appropriate and effective risk management and internal control systems in place to mitigate ESG-related risks and meet stakeholders' needs and expectations. The Group's ESG management team is assigned key responsibilities including monitoring the implementation of ESG strategic plans, alerting the Board of any potential ESG-related risks, reporting to the Board about ESG system effectiveness and reviewing stakeholders' needs and expectations.

The Group operates two business segments: garment manufacturing and trading, and securities investment. The Group's factory in Heshan city, Guangdong Province, Mainland China accounted for the entire garment manufacturing and trading business with 863 employees as at 31 December 2017 and the Hong Kong office had 18 employees who were mainly responsible for the securities investment business and providing supporting services to the Group. The two business segments as well as the Hong Kong office had complied with all relevant laws and regulations in relation to its business in the environmental and social aspects for the year ended 31 December 2017. The Group understands a better future for the society depends on everyone's participation and contribution. It encourages employees, customers, suppliers and other stakeholders to participate in environmental protection and social activities which can benefit the community as a whole.

The Group maintains strong relationships with its employees, has kept enhancing cooperation with suppliers and providing high quality products and services to customers, which have helped ensure sustainable development of its business.

Having considered stakeholders' major concerns and materiality, the Group decided to include the garment manufacturing and trading business as carried out at its Heshan factory in ESG reporting for year ended 31 December 2017. The Group's Heshan factory needs to undergo stringent environmental audit and continuous monitoring by local government departments. An annual inspection on the Heshan manufacturing plant is performed by Heshan Environmental Protection Bureau. In the reporting year, the Heshan manufacturing plant complied with all relevant environmental laws and regulations. All Heshan factory employees are recruited under employment agreements with terms in compliance with the relevant laws and regulations. It complied with all relevant occupational health and safety laws and regulations imposed by Mainland China authorities. With a safe working environment and regular occupational safety trainings held for all employees, there were no work-related fatalities at the production facilities for the year ended 31 December 2017. A full 2017 ESG report is being prepared with reference to Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and will be published on the websites of the Company and the Stock Exchange around the end of May 2018.

Outlook

2017 was a positive and encouraging year for the economy and capital markets. Global economic confidence, economic growth and stock markets continued to improve. Looking ahead, we expect global economic activities to continue to thrive.

Given the encouraging business conditions in overseas markets, the Group will continue to focus on growing the US and European markets for its garment manufacturing and trading business. In the US, multi-national corporations have started repatriating funds following the passing of the tax reform bills on December 2017. With more capital going back into businesses in the US, the US economy is expected to keep improving and create favourable spill-over for its trading partners. However, some countries may experience severe capital outflows which in turn may trigger a race to slash taxes to compete for capital. In addition, in view of Trump's "America first" protectionist strategy, black swan events may emerge to change the optimism of economies in 2017 and dampen global growth momentum in 2018, a possible impact that cannot be underestimated.

While in the Euro-zone, as long as there is a smooth Brexit negotiation and the European Central Bank maintains its expansionary monetary policy, economies there are expected to see their growth rates climb further in 2018.

As for the Hong Kong stock market, the Hang Seng Index reached record high since the 2008 financial crisis. As valuations soar with volatility index alongside, the possibility of correction has grown. In addition, such factors as the geopolitical tension on the Korean peninsula and in the Middle East, anti-globalisation initiatives of the US government and concerns about the increase in frequency and magnitude of US interest rate hikes are all adding to stock market volatility. During year 2017, the Group disposed of most of its listed stocks to secure gains and boost its financial resources for, when opportunities arise, investing in businesses that promise long-term stable returns or in Hong Kong listed equities of reasonable fundamental value.

As always, the Group pledges to seek opportunities to broaden its income sources. The subscription of shares in USS has given the Group an opportunity to explore extra income by deploying resources to closely monitor the business development of this rapidly growing company in a fast developing industry. Looking ahead, we will continue to execute set business strategies and at the same time explore diversification into other potentially lucrative areas. It is the intention of the Group to strive for long-term sustainable growth of its business so as to maximise returns to shareholders.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("AGM") is scheduled to be held on Wednesday, 16 May 2018. The notice of AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

The register of members of the Company will be closed from Friday, 11 May 2018 to Wednesday, 16 May 2018, both days inclusive, during which period no transfer of shares will be effected.

In order to be entitled to attend and vote at the 2018 AGM of the Company to be held on Wednesday, 16 May 2018, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 10 May 2018.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	2	**244,590**	123,105
Cost of sales	4	**(204,512)**	(123,334)
Gross profit/(loss)		**40,078**	(229)
Other losses – net	3	**(11,960)**	(42)
Selling expenses	4	**(4,550)**	(2,972)
Administrative expenses	4	**(42,339)**	(42,103)
Operating loss		**(18,771)**	(45,346)
Finance income	5	**44**	108
Finance expense	5	**(175)**	–
Finance (expense)/income – net		**(131)**	108
Share of result of an associate		**(5,723)**	–
Share of result of a joint venture		**(5,331)**	(3,628)
Loss before income tax		**(29,956)**	(48,866)
Income tax expenses	6	**–**	(853)
Loss for the year attributable to equity holders of the Company		**(29,956)**	(49,719)
Loss per share attributable to the equity holders of the Company for the year			
– basic (HK cents)	7	**(3.66)**	(6.08)
– diluted (HK cents)	7	**(3.66)**	(6.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000
Loss for the year	**(29,956)**	(49,719)
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Fair value gain, net of tax:		
– properties, plant and equipment	**3,072**	502
Item that may be reclassified to profit or loss		
Currency translation differences	**1,135**	(3,218)
Other comprehensive income/(loss) for the year, net of tax	**4,207**	(2,716)
Total comprehensive loss for the year attributable to equity holders of the Company	**(25,749)**	(52,435)

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Properties, plant and equipment		**51,890**	50,263
Investment in an associate		**26,065**	–
Investment in a joint venture		**–**	20,978
Land use rights		**9,881**	12,849
Deposits and other receivable	8	**15,406**	655
		103,242	84,745
Current assets			
Inventories		**50,260**	25,127
Trade and other receivables	8	**52,077**	28,657
Financial assets at fair value through profit or loss	9	**3,518**	108,242
Cash and cash equivalents		**67,456**	21,534
		173,311	183,560
Total assets		**276,553**	268,305
EQUITY			
Capital and reserves attributable to the Company's equity holder			
Share capital		**81,804**	81,804
Other reserves		**207,392**	203,185
Accumulated losses		**(86,752)**	(56,796)
Total equity		**202,444**	228,193
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**8,319**	7,294
Current liabilities			
Trade and other payables	10	**59,838**	29,450
Borrowing		**5,952**	–
Income tax payable		**–**	3,368
		65,790	32,818
Total liabilities		**74,109**	40,112
Total equity and liabilities		**276,553**	268,305

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

1.1 Changes in accounting policy and disclosures

(a) *Amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Amendments to HKAS 7, "Statement of cash flows"
- Amendments to HKAS 12, "Income taxes"
- Amendments to HKFRSs, "Annual improvements 2014 – 2016 cycle"

The adoption of these amendments did not have any impact on the current year or any prior period.

(b) *New and amended standards that have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted*

- Amendments to HKAS 28, "Investment in associates and joint ventures"[1]
- Amendments to HKAS 40, "Transfer of investment property"[1]
- Amendments to HKFRS 1, "First adoption of HKFRS"[1]
- Amendments to HKFRS 2, "Classification and measurement of share-based payment transactions"[1]
- Amendments to HKFRS 4, "Insurance contract "[1]
- HKFRS 9, "Financial instruments"[1]
- Amendments to HKFRS 10 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"[3]
- HKFRS 15, "Revenue from contracts with customers"[1]
- HKFRS 16, "Leases"[2]

- HK (IFRIC) 22, "Foreign currency transactions and advance consideration"[1]
- HK (IFRIC) 23, "Uncertainty over income tax treatments"[2]

[1] *effective for annual period beginning on or after 1 January 2018*
[2] *effective for annual period beginning on or after 1 January 2019*
[3] *to be determined*

(i) HKFRS 9, "Financial instruments"

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in FVOCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in FVOCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in FVOCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

Based on an analysis of the Group's consolidated financial instruments as at 31 December 2017, the directors do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage approach', which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The historical credit losses are immaterial.

Based on the historical experience of the Group, the default rates of the outstanding balances with customers are low. Hence, the directors of the Company do not expect that the application of HKFRS 9 would result in a significant impact on the Group's impairment provisions.

In the opinion of the directors of the Company, the application of HKFRS 9 would not have a material impact on the Group' financial position and results of operations. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) HKFRS 15, "Revenue from contracts with customers"

HKFRS 15, "Revenue from contracts with customers", establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 "Revenue", which covers revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction contracts", which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its consolidated financial statements. Based on the preliminary assessment, the Group has identified the following area which is likely to be affected:

Timing of revenue recognition

Currently, revenue arising from the sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:
(1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management has performed a preliminary assessment and expects that the application of HKFRS 15 would not result in significant impact on the Group's financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption.

(iii) HKFRS 16, "Leases"

The Group is a lessee of its buildings and motor vehicles which are currently classified as operating leases. As at 31 December 2017, the Group has aggregate minimum lease payments, which are not reflected in the consolidated balance sheet, under non-cancellable operating lease of approximately HK$3,519,000.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated balance sheet. Instead, all long-term leases must be recognised in the consolidated balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated balance sheet. In the consolidated income statement, rental expenses will be replaced with depreciation and interest expense. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase.

The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019.

Other than the need to account for the above mentioned operating leases on the consolidated balance sheet, the directors do not anticipate that the application of other new and revised HKFRSs will have material impact in the consolidated balance sheet.

2 Revenue and segment information

The Group is principally engaged in garment manufacturing and trading and securities investment.

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors.

The chief operating decision-maker has been identified as the board of directors of the Group. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to assess performance and allocate resources. The chief operating decision-maker considers the business principally from the operations nature, with two segments identified: garment manufacturing and trading segment and securities investment segment.

The board of directors assesses the performance of the operating segments based on a measure of adjusted operating results. This measurement basis represented operating loss excluding material gain or loss which is capital in nature or of non-recurring nature such as impairment.

Revenue recognised during the year is as follows:

	2017	2016
	HK$'000	HK$'000
Garment manufacturing and trading:		
Sale of garment products	**229,069**	126,371
Processing income	**–**	6,207
Sale of scrap materials	**230**	552
	229,299	133,130
Securities investment:		
Fair value gains/(loss) on financial assets at fair value through profit or loss	**15,044**	(11,715)
Dividend income from listed equity securities	**247**	1,690
	15,291	(10,025)
	244,590	123,105

The segment information for the year ended and as at 31 December 2017 by business segment is as follows:

	Garment manufacturing and trading segment HK$'000	Securities investment segment HK$'000	Total HK$'000
Revenue	**229,299**	**15,291**	**244,590**
Reportable segment results	**599**	**6,826**	**7,425**
Other losses – net			**(11,960)**
Corporate administrative expenses			**(14,236)**
Operating loss			**(18,771)**
Finance income			**44**
Finance expense			**(175)**
Share of result of an associate			**(5,723)**
Share of result of a joint venture			**(5,331)**
Loss before income tax			**(29,956)**
Income tax expenses			**–**
Loss for the year			**(29,956)**

	Garment manufacturing and trading segment HK$'000	Securities investment segment HK$'000	Total HK$'000
Reportable segment assets	**172,543**	**8,196**	**180,739**
Unallocated corporate assets			**95,814**
Total assets			**276,553**

The segment information for the year ended and as at 31 December 2016 by business segment is as follows:

	Garment manufacturing and trading segment HK$'000	Securities investment segment HK$'000	Total HK$'000
Revenue	133,130	(10,025)	123,105
Reportable segment results	(12,107)	(20,847)	(32,954)
Other losses – net			(42)
Corporate administrative expenses			(12,350)
Operating loss			(45,346)
Finance income			108
Share of results of a joint venture			(3,628)
Loss before income tax			(48,866)
Income tax expenses			(853)
Loss for the year			(49,719)

	Garment manufacturing and trading segment HK$'000	Securities investment segment HK$'000	Total HK$'000
Reportable segment assets	125,839	112,417	238,256
Unallocated corporate assets			30,049
Total assets			268,305

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

The following table sets out information about the geographical location of the Group's revenue and non-current assets. In presenting the geographical information, segment revenue is based on the geographical location of external customers and segment non-current assets are based on the geographical location of the assets.

	Revenue		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States of America	**139,688**	75,321	**–**	–
Mainland China	**–**	19,072	**61,013**	80,412
Europe	**63,966**	27,652	**–**	–
Hong Kong	**23,813**	(6,962)	**42,229**	4,333
Rest of World	**17,123**	8,022	**–**	–
	244,590	123,105	**103,242**	84,745

3 Other losses – net

	2017	2016
	HK$'000	HK$'000
Losses on disposal of properties, plant and equipment	**(104)**	(42)
Gain on disposal of a land use right	**3,685**	–
Government subsidy	**111**	–
Impairment loss on investment in a joint venture	**(15,647)**	–
Others	**(5)**	–
	(11,960)	(42)

During the year ended 31 December 2017, the Group shared a loss of from its joint venture amounted to HK$5,331,000. Such loss was incurred as a result of an unsuccessful launch of joint venture's new product resulting in significant write-off of inventories in 2017. Management of the joint venture has tried but was not able to develop a feasible alternative business plan to pursue following the unsuccessful product launch, which resulted in a significant reduction in its operations by the end of the year. In light of the above, following a careful operation review considering the joint venture's business prospect and the market expectation conducted by management, the Directors have decided to make a full impairment provision amounted to HK$15,647,000 against its investment in a joint venture for the year ended 31 December 2017.

4 Expenses by nature

Operating loss is stated after charging the following:

	2017 HK$'000	2016 HK$'000
Raw materials used	**105,073**	57,732
Changes in inventories of finished goods and work in progress	**15,483**	2,855
Depreciation of properties, plant and equipment	**4,815**	4,690
Amortisation of land use rights	**309**	330
Employee benefit expense (excluding directors' emoluments)	**74,602**	60,810
Directors' emoluments	**5,357**	6,011
Operating lease rentals – land and buildings	**3,046**	3,524
Auditors' remuneration		
– Audit services	**1,473**	1,294
– Non-audit services	**135**	135
Securities management and performance fees	**833**	1,472
Securities brokerage and transaction fees	**539**	429
Others	**39,736**	29,127
Total cost of sales, selling expenses and administrative expenses	**251,401**	168,409

5 Finance (expense)/income – net

	2017 HK$'000	2016 HK$'000
Finance income:		
Interest income on short-term bank deposits	**44**	108
Finance expense:		
Interest expense on bank borrowing	**(175)**	–
Finance (expense)/income – net	**(131)**	108

6 Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. The operation in Mainland China is subject to PRC corporate income tax at the rate of 25% for the year ended 31 December 2017 (2016: 25%).

The amount of income tax charged to the consolidated income statement represents:

	2017 HK$'000	2016 HK$'000
Underprovision in prior years	**–**	(853)

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 year. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As there is no dilutive potential ordinary shares for the year ended 31 December 2017 and 2016, the diluted loss per share equals the basic loss per share.

	2017 **HK$'000**	2016 HK$'000
Loss attributable to equity holders of the Company	**(29,956)**	(49,719)
Weighted average number of ordinary shares in issue (thousands)	**818,042**	818,042
Basic and diluted loss per share (HK cents per share)	**(3.66)**	(6.08)

8 Trade and other receivables

	2017			2016		
	Current **HK$'000**	**Non-current** **HK$'000**	**Total** **HK$'000**	Current HK$'000	Non-current HK$'000	Total HK$'000
Trade receivables	**42,142**	**–**	**42,142**	22,664	–	22,664
Other receivables	**7,839**	**–**	**7,839**	4,097	–	4,097
Other loan	**–**	**11,423**	**11,423**	–	–	–
Deposits	**121**	**655**	**776**	450	655	1,105
Financial assets at amortised cost	**7,960**	**12,078**	**20,038**	4,547	655	5,202
Prepayments	**1,975**	**3,328**	**5,303**	1,446	–	1,446
Total trade and other receivables	**52,077**	**15,406**	**67,483**	28,657	655	29,312

The carrying amounts of the trade receivables, other loan, deposits and other receivables approximate to their fair values.

The majority of the Group's sales to customers were on open account basis, with credit terms ranging from 30 to 60 days. The ageing of trade receivables based on invoice date, is as follows:

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**28,284**	21,428
31-60 days	**10,233**	1,214
61-90 days	**2,848**	22
More than 90 days	**777**	–
	42,142	22,664

9 Financial assets at fair value through profit or loss

	2017	2016
	HK$'000	HK$'000
Hong Kong listed equity securities	**3,518**	108,242

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

10 Trade and other payables

	2017	2016
	HK$'000	HK$'000
Trade payables	**39,550**	15,596
Consideration payable for acquisition of an associate	**1,004**	–
Accruals	**13,220**	11,033
Other payables	**6,064**	2,821
	59,838	29,450

The ageing of the trade payables, based on invoice date, was as follows:

	2017	2016
	HK$'000	HK$'000
Within 30 days	**23,063**	5,560
31-60 days	**14,000**	9,784
61-90 days	**1,369**	233
Over 90 days	**1,118**	19
	39,550	15,596

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 year.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2017. The Audit Committee comprises the three independent non-executive directors, namely Mr. Yau Wing Yiu, Mr. Zhang Zhenyi and Ms. Zheng Xianzhi.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2017 except for the code provision A.2.1 which requires the split of role of chairman and chief executive and the segregation of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Board considers such arrangement can facilitate the implementation of business strategies and decisions as well as the daily operation.

SECURITIES TRANSACTIONS OF DIRECTORS

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 year.

PUBLICATION OF 2017 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.carrywealth.com) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2017, containing all the information required by the Listing Rules will be despatched to the shareholders and available on the aforesaid websites in due course.

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

Hong Kong, 22 March 2018

As at the date of this announcement, the Board of the Company comprises Mr. Li Haifeng (Chairman and Chief Executive Officer) and Mr. Wang Ke (Vice President), being executive directors; Mr. Lee Sheng Kuang, James being non-executive director; and Mr. Yau Wing Yiu, Mr. Zhang Zhenyi and Ms. Zheng Xianzhi, being independent non-executive directors.