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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 2020

The board of directors (the "Board") of Carry Wealth Holdings Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

For the six months ended 30 June 2020, the Group's revenue amounted to HK$110.0 million (2019: HK$173.4 million), and gross profit totalled HK$18.5 million (2019: HK$22.7 million). Loss attributable to equity holders was HK$3.5 million (2019: HK$4.8 million). Basic and diluted loss per share were both 0.42 HK cents (2019: 0.59 HK cents).

During the period, the outbreak of COVID-19 pandemic ("Pandemic") had severely damaged the global environment. Emergency public health measures have been taken by many countries to cope with the Pandemic, and have a significant impact on the real economy as expected. Moreover, the trade tensions and political gridlock between the US and Mainland China and uncertainties surrounding Brexit further hit the global economy's performance. The Group's garment manufacturing and trading business has been adversely affected by these negative factors and the business revenue decreased by HK$63.2 million, or 36.6%, to HK$110.3 million (2019: HK$173.5 million) for the period. Despite this, with the Group's staff's committed efforts and the strategic decision on utilising overseas production sites, the Group managed to secure orders with better profit margins. As a result, the gross profit margin of the Group's garment manufacturing and trading business has increased to 17.1% (2019: 13.1%).

The Pandemic and risk-off sentiment has caused volatility on the global stock markets in the first quarter as there were growing fears of an economic recession. Stock markets gradually rebounded in the second quarter, but have yet recovered due to uncertainties in the global economy. In the first half of 2020, the Hong Kong Hang Seng Index ("HSI") fluctuated between 21,139 points and 29,174 points, eventually closing at 24,427 points on 30 June 2020 (31 December 2019: 28,189 points). For the six months ended 30 June 2020, the Group's securities investment business recorded a negative revenue and gross loss of HK$0.3 million (2019: HK$0.1 million).

In response to the challenging business environment, the Group has implemented several cost control measures, including but not limited to managing excess workforce and retrenchment, reducing discretionary spending, and renegotiating payment terms with suppliers. As a result, administrative expenses decreased by HK$4.0 million to HK$19.1 million (2019: HK$23.1 million). The ratio of selling expenses to garment manufacturing and trading revenue increased to 3.2% (2019: 2.2%), mainly due to more shipping costs incurred for garments produced in Cambodia.

Concerning the Group's investment in an associate, as disclosed in the Company's supplemental announcement dated 5 June 2020, the management of the associate commenced the dissolution of the associate by members' voluntary liquidation and it is expected to be completed before the end of 2020.

Segment Analysis

a) Garment manufacturing and trading segment

During the period under review, the Pandemic had an adverse impact on the Group's garment manufacturing and trading business. In February, the Heshan Factory was suspended from operation for approximately two weeks, due to lockdown and healthcare measures implemented by the Mainland China government. The Heshan Factory was gradually back to production in March and able to catch up on the production schedule. Unfortunately, due to the later spread of European and American Pandemic, many countries in these regions implemented lockdowns policies and import restrictions in April and May, which had caused delays in shipments of the finished goods to our customers within these regions. Although the measures were gradually lifted in late May, shipments of a portion of finished products had yet been scheduled before the end of June. Therefore, the Group's revenue from US and European customers for the period decreased by 38.3% and 40.0%, respectively, compared to the same period last year.

Having said that, the US and Europe regions remained the predominant geographical regions of our garment manufacturing and trading business and contributed 84.0% (2019: 87.3%) of segment revenue, amounted HK$62.8 million (2019: HK$151.5 million).

After considering the production costs and the impact of US tariffs, the Group allocated more production orders to subcontracted factories in Cambodia. For this reason, the contribution from subcontracted factories in Cambodia increased to 54.7% (2019: 24.1%), in terms of segment revenue. With the above-mentioned production allocation and temporary suspension of operation in February, the Heshan Factory's contribution to the garment production decreased to 45.3% (2019: 75.9%).

In summary, the Group's revenue from the garment manufacturing and trading segment for the six months ended 30 June 2020 decreased by 36.4% to HK$110.3 million (2019: HK$173.5 million), mainly due to the reduced production orders and delay of shipment caused by the Pandemic. Even so, with the execution of the cost control measures during the period, the segment result of the period has remained positive with a profit of HK$4.4 million (2019: profit of HK$5.8 million).

b) Securities investment segment

During the period under review, the Hong Kong stock markets got a fluctuation performance. With the negative impacts of the spread of the Pandemic and the worsening political environment, including the tension of the Sino-US relationship, the global economy was highly volatile, which profoundly impacted the Hong Kong stock markets. Consequently, the HSI fell to the lowest level of 21,139 points in mid-March. Following fiscal policies implemented by countries and stimulus measures in many countries, HSI eventually rebounded and had become stabilised, closing at 24,427 points on 30 June 2020 (31 December 2019: 28,189 points).

Because of the volatile stock market caused by the above external macroeconomic factors, the Group continued to adopt a conservative investment strategy during the period under review. For the six months ended 30 June 2020, the securities investment business recorded a fair value loss of HK$0.3 million (2019: HK$0.1 million), arising solely from the fair value change of a Hong Kong listed stock that had been held since 2017.

Liquidity and Financial Resources

Adhering to a conservative financial management methodology, the Group continued to maintain a healthy financial position. As of 30 June 2020, the Group's cash and cash equivalents was HK$53.5 million (31 December 2019: HK$47.6 million). Working capital represented by net current assets amounted to HK$88.4 million (31 December 2019: HK$87.3 million). The Group's current ratio was 2.7 (31 December 2019: 2.4).

The gearing ratio of the Group was calculated as net debt (total borrowings less cash and cash equivalents) divided by capital and reserves attributable to the Company's equity holders. Since the Group maintained a net cash position as of 30 June 2020 and 31 December 2019, the gearing ratio is not applicable.

Capital Expenditure

For the period under review, the Group incurred a total capital expenditure of HK$0.2 million (2019: HK$0.3 million) mainly due to the procurement of computers.

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 settled with Hong Kong dollars, Renminbi, and US dollars. The Group is exposed to Renminbi and US dollars exchange rate risks since a considerable portion of the its business transactions is dominated in these two currencies. As the Hong Kong dollar is pegged to the US dollar, exposure to US dollars foreign exchange risk is minimal.

The Group will closely monitor the fluctuation of the foreign currency exchange rates and, if necessary, enter into forward exchange contracts to reduce such fluctuation risks.

Credit Policy

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

Charges on Assets

As at 30 June 2020 and 31 December 2019, the Group had no charges on assets.

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, 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 critical to the long-term success of its business. The Group offers employees rewarding careers and provides them with a variety of training programs aimed at enhancing their professionalism. It rewards employees according to prevailing market practices, individual experience and performance. To attract and retain high caliber employees, the Group also offers discretionary bonuses and share options to staff members based on performance of the individual as well as the Group.

During the period, as part of the Group's strategic plan and cost control measures, the Group streamlined its Heshan Factory operation. As consequence, total number of full-time employees decreased to 393 as at 30 June 2020 (31 December 2019: 756).

Environmental, Social and Corporate Responsibility

As a responsible corporation, the Group is committed to maintaining the highest environmental and social responsibility standards to ensure sustainable development of its businesses. 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 to 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 the effectiveness of the ESG system and reviewing stakeholders' needs and expectations.

During the reporting period, the Group complied with all relevant laws and regulations in relation to environmental and social aspects as they relate to the Group's business operations. The Group understands that a better future depends on everyone's participation and contribution to improving society. It thus encourages employees, customers, suppliers and other stakeholders to participate in environmental protection and social activities that can benefit the community as a whole. The Group maintains strong relations with employees, constantly enhances cooperation with suppliers, and provides high-quality products and services to customers, all to the end of ensuring sustainable development of its businesses.

Outlook

The second half of the year will be challenging for the Group concerning risk factors that affect the global economy. The spread of the Pandemic is yet to decelerate, and the apparel industry will continue to face demand and supply shocks. The escalating international trade tension between the US and Mainland China may further damage the business environment.

Since March 2020, the Pandemic has led to disruption to North America and Europe's consumer markets, the largest markets of the Group's core business. Consequently, a reduction in customers' orders for the third quarter of 2020 of these regions had caused a decline in our production scale during May and June. Gradually, with the recovery of orders for the fourth quarter of 2020, the factories have resumed activities and have operated with full capacity since early July 2020. Besides, our major customers have committed to settling payment on time for shipped products and making advance payment for products not yet shipped due to the lockdown policies. Therefore, the Group has maintained a favorable cash flow position in the first half of 2020 and remains cautiously optimistic about the recovery momentum of its garment manufacturing and trading business.

On 12 February 2020, the European Commission decided to partially withdraw the preferential tariff arrangements for selected products originating in Cambodia, including certain garment products, effective from 12 August 2020. However, it is expected to have minimal impact on our garment manufacturing and trading business as the Group can allocate the production orders to its Heshan Factory. Sales to the European region from the Cambodia production sites represented approximately 5% of segment revenue for the first half of 2020. On the other hand, the Group will continue to explore production sites in other Southeast Asia countries to increase its flexibility in coping with its customers' demand and global trade tensions.

As for the Hong Kong stock market, the uncertainties of the Pandemic in the future may lead to a longer time for the global economy to recover. Furthermore, the Sino-US relationship's potential deterioration may result in changes in the associated countries' foreign policies, which will have a direct impact on the Hong Kong stock market. With such uncertainties in the stock market, the Group will continue to take a cautious approach to its securities investment business.

With the gradual lifting of lockdowns around the world, the global economy is gradually expected to recover in the second half of the year. We will monitor the external environment and adjust our operating strategy for the established businesses accordingly. Furthermore, the Group will continue to seek opportunities for diversification into other potentially lucrative areas.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June **2020** **(Unaudited)** **HK$'000**	 2019 (Unaudited) HK$'000
Revenue	3	**109,955**	173,375
Cost of sales		**(91,447)**	(150,708)
Gross profit		**18,508**	22,667
Other gains - net		**876**	-
Selling expenses		**(3,473)**	(3,857)
Administrative expenses		**(19,146)**	(23,053)
Operating loss	4	**(3,235)**	(4,243)
Finance income		**36**	103
Finance expense		**(256)**	(697)
Loss before income tax		**(3,455)**	(4,837)
Income tax expense	5	**-**	-
Loss for the period attributable to equity holders of the Company		**(3,455)**	(4,837)
Loss per share attributable to the equity holders of the Company for the period			
- basic (HK cents)	6	**(0.42)**	(0.59)
- diluted (HK cents)	6	**(0.42)**	(0.59)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(3,455)**	(4,837)
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss		
Currency translation differences	**(509)**	43
Total comprehensive loss for the period attributable to equity holders of the Company	**(3,964)**	(4,794)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
ASSETS			
Non-current assets			
Properties, plant and equipment		**61,034**	65,655
Right-of-use asset		**12,574**	14,129
Investment in an associate		**-**	-
Investment in a joint venture		**-**	-
Deposits	7	**724**	724
		74,332	80,508
Current assets			
Inventories		**44,388**	45,356
Trade and other receivables	7	**40,678**	54,299
Financial assets at fair value through profit or loss	8	**1,870**	2,177
Cash and cash equivalents		**53,479**	47,600
		140,415	149,432
Total assets		**214,747**	229,940
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**81,804**	81,804
Other reserves		**221,184**	221,693
Accumulated losses		**(155,647)**	(152,192)
Total equity		**147,341**	151,305

	Note	**At 30 June 2020 (Unaudited) HK$'000**	At 31 December 2019 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**2,088**	3,207
Deferred income tax liabilities		**13,301**	13,301
		15,389	16,508
Current liabilities			
Trade and other payables	9	**43,696**	60,166
Contract liabilities		**6,105**	-
Lease liabilities		**2,216**	1,961
		52,017	62,127
Total liabilities		**67,406**	78,635
Total equity and liabilities		**214,747**	229,940

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 2020 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2019, as described in those annual financial statements, except as mentioned below.

(a) New and amendments to standards adopted by the Group

The following new and amendments to standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of above amendments to existing standards does not have any significant financial effect on this condensed consolidated interim financial information.

(b) New and amended standards not yet adopted

The Group has not early adopted any standard interpretation or amendment that has been issued but is not yet effective. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. 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.

The Group recognises all of its revenue at a point in time for the periods ended 30 June 2020 and 2019.

As at 30 June 2020, the contract liabilities amounting HK$6,105,000 are related to advance consideration received from customers and the full amount is expected to be recognised as revenue within one year. There were no contract assets nor contract liabilities as of 31 December 2019.

Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Garment manufacturing and trading:		
Sale of garment products	**110,263**	173,498
Securities investment:		
Fair value loss on financial assets at fair value through profit or loss	**(308)**	(123)
	109,955	173,375

The unaudited segment information for the period ended 30 June 2020 by business segment is as follows:

	Garment manufacturing and trading segment HK$'000	**Securities investment segment HK$'000**	**Total HK$'000**
Revenue	**110,263**	**(308)**	**109,955**
Reportable segment results	**4,440**	**(3,742)**	**698**
Unallocated other gains - net			**573**
Corporate administrative expenses			**(4,506)**
Operating loss			**(3,235)**
Finance income			**36**
Finance expense			**(256)**
Loss before income tax			**(3,455)**
Income tax expense			**-**
Loss for the period			**(3,455)**

The unaudited segment information for the period ended 30 June 2019 by business segment is as follows:

	Garment manufacturing and trading segment HK$'000	Securities investment segment HK$'000	Total HK$'000
Revenue	173,498	(123)	173,375
Reportable segment results	5,798	(3,422)	2,376
Corporate administrative expenses			(6,619)
Operating loss			(4,243)
Finance income			103
Finance expense			(697)
Loss before income tax			(4,837)
Income tax expense			-
Loss for the period			(4,837)

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 geographical location of the assets.

	Revenue		**Non-current assets**	
	Six months ended 30 June		**At 30 June**	At 31 December
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States of America	**62,839**	101,784	**-**	-
Mainland China	**-**	-	**64,198**	68,777
Europe	**29,821**	49,696	**-**	-
Hong Kong	**5,321**	6,254	**10,134**	11,731
Rest of the World	**11,974**	15,641	**-**	-
	109,955	173,375	**74,332**	80,508

4. Operating loss

Operating loss is stated after charging the following:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation of right-of-use assets	**1,229**	121
Depreciation of properties, plant and equipment	**3,688**	3,814

5. Income tax expense

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits for each of the six months ended 30 June 2020 and 30 June 2019.

6. 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 does not have dilutive potential ordinary shares for the periods ended 30 June 2020 and 30 June 2019, the diluted loss per share equals to the basic loss per share.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss attributable to equity holders of the Company	**(3,455)**	(4,837)
Weighted average number of ordinary shares in issue	**818,042**	818,042
Basic and diluted loss per share (HK cents per share)	**(0.42)**	(0.59)

7. Trade and other receivables

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Trade receivables	**32,946**	47,810
Deposits and other receivables	**2,954**	6,372
Prepayments	**5,502**	841
	41,402	55,023
Less: deposits classified as non-current assets	**(724)**	(724)
	40,678	54,299

Majority of the Group's trade receivables are with credit terms ranging from 30 to 90 days.

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

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Within 30 days	**27,773**	13,756
31-60 days	**3,415**	27,375
61-90 days	**1,413**	6,397
Over 90 days	**345**	282
	32,946	47,810

8. Financial assets at fair value through profit or loss

Equity investments that are held for trading include the following:

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Hong Kong listed equity securities	**1,870**	2,177

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

9. **Trade and other payables**

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Trade payables	**22,635**	31,875
Accruals and other payables	**10,803**	18,033
Bonus payable	**-**	10,258
Employees' loan advances	**10,258**	-
	43,696	60,166

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

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Within 30 days	**3,795**	16,239
31-60 days	**1,916**	12,462
61-90 days	**1,400**	2,244
Over 90 days	**15,524**	930
	22,635	31,875

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 2020. The Audit Committee comprises three independent non-executive directors, namely Mr. Yau Wing Yiu (committee chairman), Mr. Zhang Zhenyi and Mr. Wang Shiming.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020 except for the following deviation.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Haifeng has assumed both the roles of chairman and chief executive officer of the Company since 1 April

2017. The Board is of the view that the balance of power and authority is ensured by its operations which comprises experienced and high caliber individuals with a highly independent element. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to execute business strategies and decisions efficiently.

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 as set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period under review.

PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.carrywealth.com). The interim report for the six months ended 30 June 2020 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.

By order of the Board
Carry Wealth Holdings Limited
Li Haifeng
Chairman and Chief Executive Officer

Hong Kong, 28 August 2020

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; and Mr. Yau Wing Yiu, Mr. Zhang Zhenyi and Mr. Wang Shiming, being independent non-executive directors.