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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group’s principal activity is manufacturing and trading garment products for internationally renowned brand names. The Group utilizes its production facilities in Heshan, Mainland China, and engages overseas subcontractors for its manufacturing process.

In addition, the Group has a securities investment business segment that trades securities listed on the Hong Kong Stock Exchange. Concerning the volatile stock market, the Group continues to adopt a conservative investment strategy during the period under review.

RESULTS

For the six months ended 30 June 2021, the Group’s revenue amounted to HK\$166.5 million (2020: HK\$110.0 million), and gross profit totalled HK\$23.9 million (2020: HK\$18.5 million). The increase in revenue and gross profits for the period was mainly due to the rise in customer orders and sales volume. Loss attributable to equity holders was HK\$2.8 million (2020: HK\$3.5 million), and basic and diluted loss per share were both 0.34 HK cents (2020: 0.42 HK cents).

MARKET AND BUSINESS REVIEW

Garment manufacturing and trading segment

During the period under review, the COVID-19 Pandemic (“Pandemic”) continued to dominate the economic outlook. Meanwhile, the gradual lifting of public health measures and fiscal stimulus in many countries have brought positive signs to the real economy. In addition, the vaccine launches have also led to improvement in consumer sentiments.

The US and Europe regions remained the predominant geographical regions of our garment manufacturing and trading business and contributed 85.2% (2020: 84.0%) of segment revenue, which amounted to HK\$141.9 million (2020: HK\$92.7 million).

The trade tensions and political gridlock between the US and Mainland China remain risk factors for our garment business. As a response, we continue to allocate customer orders to subcontracted factories and suppliers in South East Asian countries. As mentioned in our 2020 annual report, the Group has also begun to cooperate with new Indonesia suppliers, and the results were positive. In terms of segment revenue, the contributions from products of overseas countries were 49.9% (2020: 54.7%), and our Heshan Factory contributed the remaining 50.1% (2020: 45.3%).

For last year’s interim period, the reduced production orders and delay of shipment caused by the Pandemic had led to a significant decrease in revenue. The Group has shown resilience in recovering from the impacts of the Pandemic and the segment revenue for the six months ended 30 June 2021 bounced back by 51.0% to HK\$166.5 million (2020: HK\$110.3 million). Due to increased costs of raw materials and freight costs for raw materials sourcing, the gross profit margin has decreased to 14.3% (2020: 17.1%). The segment has recorded a profit of HK\$4.2 million for the period under review (2020: HK\$4.4 million).

Securities investment segment

With the economic recoveries from the Pandemic and rising inflationary expectations, the global stock markets had a stable performance in the first half of 2021. Meanwhile, the economy of Hong Kong was still adversely affected by the ongoing Pandemic. As a result, the Hong Kong Hang Seng Index (“HSI”) fell back from its highs in the first quarter and remained with little change throughout the second quarter. The HSI fluctuated between 27,079 points and 31,183 points, eventually closing at 28,827 points on 30 June 2021 (31 December 2020: 27,231 points).

The Group continued to adopt a conservative investment strategy during the period under review. For the six months ended 30 June 2021, the securities investment business recorded a fair value gain of HK\$12 thousand (2020: fair value loss of HK\$0.3 million), arising solely from the fair value change of a Hong Kong-listed stock that had been held since 2017.

Other businesses

Concerning the Group’s investment in an associate, as disclosed in the Company’s 2020 annual report, the management of the associate processed the dissolution of the associate by members’ voluntary liquidation, and the associate was dissolved in January 2021.

FINANCIAL REVIEW

Administrative and other operating expenses

Administrative and other operating expenses increased 21.5% to HK\$23.2 million (2020: HK\$19.1 million), mainly due to increased staff costs and the newly set up administration office in Cambodia. During the 2020 interim period, the Group streamlined its Heshan Factory operation as a cost-control measure to cope with the Pandemic.

Selling and distribution expenses

The ratio of selling and distribution expenses to garment manufacturing and trading revenue decreased to 2.7% (2020: 3.2%), mainly due improvement in logistical efficiency.

Finance expense

Finance expense increased 160.5% to HK\$0.7 million (2020: HK\$0.3 million). The increase was mainly due to finance charges in relation to factoring arrangement for maintaining a healthy cash flow.

Other income and gains

During the period under review, other income and gains amounted to HK\$1.7 million, which mainly came from compensations from customers for cancelled orders and suppliers for late shipments.

Liquidity and Financial Resources

Adhering to a conservative financial management methodology, the Group continued to maintain a healthy financial position. As of 30 June 2021, the Group's cash and cash equivalents was HK\$50.2 million (31 December 2020: HK\$83.5 million). The pledged bank deposits of approximately HK\$52.7 million (31 December 2020: HK\$3.6 million) represent deposits pledged to banks to secure short term loans and are therefore classified as current assets. Working capital represented by net current assets amounted to HK\$79.6 million (31 December 2020: HK\$78.5 million). The Group's current ratio was 1.5 (31 December 2020: 1.9).

Bank borrowings comprised term loans of HK\$66.1 million (31 December 2020: HK\$20.0 million), which were repayable within one year. The bank loans were denominated in Euro and US Dollars.

Capital Expenditure

For the period under review, the Group incurred a total capital expenditure of HK\$1.8 million (2020: HK\$0.2 million).

To better monitor the increasing production scale in Cambodia, the Group has set up a new administration office nearby its existing key subcontractors via leasing arrangement. As of 30 June 2021, the Group had invested HK\$1.3 million of fixed assets to the new Cambodia office. The remaining capital expenditure of HK\$0.5 million was related to replacing obsolete office equipment and leasehold improvement for the Heshan factory.

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 also has bank loans denominated in Euro and US dollars.

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 other foreign currency exchange rates and, if necessary, enter into foreign currency forward contracts to reduce such fluctuation risks. As at 30 June 2021, the notional amounts of the outstanding forward contracts were 8.4 million in US dollars.

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 period 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 30 June 2021, the Group's land use rights of HK\$9.0 million (31 December 2020: HK\$9.1 million) and buildings of HK\$49.5 million (31 December 2020: HK\$51.9 million) in Heshan, Mainland China were pledged as security for the Group's bank borrowings.

Contingent Liabilities

As at 30 June 2021 and 31 December 2020, 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.

As at 30 June 2021, the Group's had 479 full-time employees (31 December 2020: 487).

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

With the launch of vaccines, the global economic recovery will continue to gain momentum in the second half of 2021. The recent reopening of the economies and fiscal stimulus will likely accelerate the rebound. In the short term, consumer spending spikes may occur in the regions to which our products are exported. Thanks to our staff’s effort, our garment business has gradually recovered from the damage of Pandemic and the production volume is now close to pre-pandemic level.

The second half of 2021 will continue to be challenging for the Group concerning risk factors that affect the global economy. The progress in the pandemic control remains uncertain, especially concerning the variation of the virus may again cause another round of economic shock. The international trade tension between the US and Mainland China is still far from over. Together with other potential political factors, this may further damage our garment business, being an exporter with manufacturing production in Mainland China. The business environment of the apparel industry remains volatile by the prices fluctuations of both raw materials and labour costs.

Based on our internal analysis, the results of our strategic changes in shifting production to Cambodia subcontractors and Indonesia suppliers are satisfactory in terms of gross profit margin and stability. As such, we will continue trying further to expand the production scale in South East Asian countries. This strategy can not only mitigate the risk brought by Sino-US tension but also increase our garment business’ overall production capacity and profitability. Furthermore, since the transactions with our foreign subcontractors and suppliers are dominated in USD, it can also relieve the pressure on RMB appreciation in recent years.

The Hong Kong stock market is expected to improve in the second half of 2021. Gradual economic recovery is noted and the unemployment rate has declined from the peak since February 2021. Furthermore, with the ongoing vaccination plan, the potential lifting of

current travel restrictions between Mainland and Hong Kong may bring a positive sign to the stock market. Meanwhile, the variants of the Pandemic may affect the global economy's recovery progress. Furthermore, the complex Sino-US relationship may result in changes in the associated countries' foreign policies, directly impacting 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: nil).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021**

		Six months ended 30 June	
		2021	2020
	Note	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	166,529	109,955
Cost of sales		<u>(142,701)</u>	<u>(91,447)</u>
Gross profit		23,828	18,508
Other income and gains		1,650	876
Selling and distribution expenses		(4,465)	(3,473)
Administrative and other operating expenses		(23,163)	(19,146)
Finance income		45	36
Finance expense		<u>(667)</u>	<u>(256)</u>
Loss before taxation	4	(2,772)	(3,455)
Income tax expense	5	<u>-</u>	<u>-</u>
Loss for the period attributable to equity holders of the Company		<u>(2,772)</u>	<u>(3,455)</u>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		<u>476</u>	<u>(509)</u>
Other comprehensive income (expense) for the period, net of tax		<u>476</u>	<u>(509)</u>
Total comprehensive expense for the period attributable to equity holders of the Company		<u>(2,296)</u>	<u>(3,964)</u>
LOSS PER SHARE – (HK CENTS)			
- basic and diluted	6	<u>(0.34)</u>	<u>(0.42)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Notes		
NON-CURRENT ASSETS		
Property, plant and equipment	60,499	62,737
Right-of-use assets	10,884	12,123
Investment in an associate	-	-
Investment in a joint venture	-	-
Deposit and other receivables	7 -	724
	71,383	75,584
CURRENT ASSETS		
Inventories	69,980	39,305
Trade and other receivables	7 54,192	41,815
Financial assets at fair value through profit or loss ("FVTPL")	8 1,820	2,454
Pledged bank deposits	52,720	3,630
Cash and bank balances	50,182	83,468
	228,894	170,672
CURRENT LIABILITIES		
Trade and other payables	9 81,068	69,933
Lease liabilities	1,866	2,222
Financial derivatives	206	-
Bank borrowings	66,135	20,013
	149,275	92,168
NET CURRENT ASSETS	79,619	78,504
TOTAL ASSETS LESS CURRENT LIABILITIES	151,002	154,088

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	-	790
Deferred tax liabilities	14,046	14,046
	<u>14,046</u>	<u>14,836</u>
NET ASSETS	<u>136,956</u>	<u>139,252</u>
CAPITAL AND RESERVES		
Share capital	81,804	81,804
Reserves	55,152	57,448
TOTAL EQUITY	<u>139,956</u>	<u>139,252</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal accounting policies

These condensed consolidated financial statements have been prepared on the historical cost basis, except for buildings and financial instruments that are measured at fair values, at the end of each reporting period.

Except as described below, the accounting policies used in these condensed consolidated interim financial statements are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied, for the first time, the following revised and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

3. Revenue and segment information

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Revenue from garment manufacturing and trading*:		
Sale of garment products	166,517	110,263
Revenue from other sources		
Securities investment:		
Fair value gain (loss) on equity investment at FVTPL	<u>12</u>	<u>(308)</u>
	<u>166,529</u>	<u>109,955</u>

*Revenue from garment manufacturing and trading is recognised at a point in time.

Information reported to the board of directors, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on operation nature.

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable operating segments.

For the period ended 30 June 2021

	Garment manufacturing and trading HK\$'000	Securities investment HK\$'000	Total HK\$'000
REVENUES			
Reportable segment revenue- external	<u>166,517</u>	<u>12</u>	<u>166,529</u>
Reportable segment profit (loss)	<u>4,156</u>	<u>(3,094)</u>	1,062
Unallocated other income and gains			375
Corporate administrative expenses			(4,158)
Finance expense			<u>(51)</u>
Loss before tax			<u>(2,772)</u>

For the period ended 30 June 2020

	Garment manufacturing and trading HK\$'000	Securities investment HK\$'000	Total HK\$'000
REVENUES			
Reportable segment revenue- external	<u>110,263</u>	<u>(308)</u>	<u>109,955</u>
Reportable segment profit (loss)	<u>4,440</u>	<u>(3,742)</u>	698
Unallocated other income and gains			573
Corporate administrative expenses			(4,506)
Finance income			36
Finance expense			<u>(256)</u>
Loss before tax			<u>(3,455)</u>

Segment loss represents the loss from each segment without allocation of corporate administrative expenses, certain other income and gains, certain finance income and certain finance expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

	Revenue from external customers		Non-current assets*	
	Six months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
USA	96,757	62,839	-	-
Mainland China	506	-	64,798	66,804
Europe	45,164	29,821	-	-
Hong Kong	6,631	5,321	5,073	8,056
Rest of the World	<u>17,471</u>	<u>11,974</u>	<u>1,512</u>	<u>-</u>
	<u>166,529</u>	<u>109,955</u>	<u>71,383</u>	<u>74,860</u>

*Non-current assets excluded financial instruments.

4. Loss before taxation

Loss before taxation has been arrived at after charging:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of right-of-use assets	<u>1,238</u>	<u>1,229</u>
Depreciation of property, plant and equipment	<u>4,055</u>	<u>3,688</u>

5. Income tax expense

No provision for Hong Kong Profits Tax has been provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the periods ended 30 June 2021 and 2020.

No provision for Enterprise Income Tax of the PRC has been made as the Group did not have any assessable profits subject to tax in the Mainland China for the periods ended 30 June 2021 and 2020.

6. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Loss attributable to equity holders of the Group	<u>(2,772)</u>	<u>(3,455)</u>
	Number of shares (thousands)	Number of shares (thousands)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>818,042</u>	<u>818,042</u>

The number of shares for the purpose of basic and diluted loss per share is the same as the Group has no potential ordinary shares in both periods.

7. Trade and other receivables

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Trade receivables	47,299	35,920
Deposits and other receivables	4,129	5,450
Prepayments	2,764	1,169
	<u>54,192</u>	<u>42,539</u>

The following is an aged analysis of trade receivables presented based on the invoice date, at the end of the reporting period.

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within 30 days	11,436	19,716
31-60 days	26,484	7,780
61-90 days	6,658	5,729
Over 90 days	2,721	2,695
	<u>47,299</u>	<u>35,920</u>

8. Financial assets at fair value through profit or loss

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Equity securities listed in Hong Kong	1,820	1,808
Financial derivative - Foreign currency forward contracts	-	646
	<u>1,820</u>	<u>2,454</u>

9. Trade and other payables

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Trade payables	63,238	41,449
Accruals and other payables	12,871	12,904
Bonus payable	4,959	13,528
Employees' loan advances	-	2,052
	<u>81,068</u>	<u>69,933</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within 30 days	28,578	15,566
31-60 days	26,503	19,393
61-90 days	7,924	4,356
Over 90 days	233	2,134
	<u>63,238</u>	<u>41,449</u>

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 INTERIM RESULTS

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2021. 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 2021 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 2021 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 2021 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, 26 August 2021

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.