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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022.

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 2022, the Group’s revenue amounted to HK\$246.1 million, 47.8% higher than the same period in 2021 (2021: HK\$166.5 million). Gross profit reached HK\$34.4 million, a 43.9% increase versus the same period in 2021 (2021: HK\$23.9 million). The increase in revenue and gross profits for the period was mainly due to the rise in customer orders and sales volume. Profit attributable to equity holders was HK\$3.9 million (2021: Loss attributable to equity holders of HK\$2.8 million), and basic and diluted earnings per share were both 0.47 HK cents (2021: basic and diluted loss per share of 0.34 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 together with the hyperinflation in the globe. The Group’s garment manufacturing and trading segment has however overcome these challenges in the business environment and record a positive result.

The US and Europe regions remained the predominant geographical regions of our garment manufacturing and trading business and contributed 85.8% (2021: 85.2%) of segment revenue, which amounted to HK\$211.5 million (2021: HK\$141.9 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 and the results remained positive. In terms of segment revenue, the contributions from products of overseas countries increased to 59.5% (2021: 49.9%), and our Heshan Factory contributed the remaining 40.5% (2021: 50.1%).

Thanks to our staff’s effort, our garment manufacturing and trading business has continued to grow despite the negative impacts of the Pandemic. The segment revenue for the six months ended 30 June 2022 increased by 47.8% to HK\$246.3 million (2021: HK\$166.5 million). Due to increased costs of raw materials and freight costs for raw materials sourcing, the gross profit margin has slightly decreased to 14.0% (2021: 14.3%). The segment has recorded a profit of HK\$10.9 million for the period under review (2021: HK\$4.2 million).

Securities investment segment

The Pandemic, the tightening policies and the crisis between Russia and Ukraine have caused negative factors to the economic and investment market. As a result, the Hong Kong Hang Seng Index (“HSI”) has dropped in the first quarter and reached a six years low in March 2022. The HSI fluctuated between 18,235 points and 25,050 points, eventually closing at 21,859 points on 30 June 2022 (31 December 2021: 23,397 points).

The Group continued to adopt a conservative investment strategy during the period under review. For the six months ended 30 June 2022, the securities investment business recorded a fair value loss of HK\$234 thousand (2021: fair value gain of HK\$12 thousand), arising solely from the fair value change of a Hong Kong-listed stock that had been held since 2017.

FINANCIAL REVIEW

Administrative and other operating expenses

Administrative and other operating expenses increased 17.2% to HK\$27.2 million (2021: HK\$23.2 million), mainly due to additional employees' emoluments arising from the increase in business expansion .

Selling and distribution expenses

The ratio of selling and distribution expenses to garment manufacturing and trading revenue decreased to 2.1% (2021: 2.7%), mainly due to improvement in logistical efficiency.

Finance expense

Finance expense increased 142.9% to HK\$1.7 million (2021: HK\$0.7 million). Such significant increase was in relation to factoring arrangement, with the combined effects of increased factored amount and higher interest rates.

Other income and gains

During the period under review, other income and gains amounted to HK\$3.1 million (2021: HK\$1.7 million). Exchange gains of HK\$2.4 million was recorded mainly due to appreciation in the US dollars.

Liquidity and Financial Resources

Adhering to a conservative financial management methodology, the Group continued to maintain a healthy financial position. As of 30 June 2022, the Group's cash and cash equivalents was HK\$45.9 million (31 December 2021: HK\$97.5 million). The pledged bank deposits of approximately HK\$0.6 million (31 December 2021: HK\$47.8 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\$90.9 million (31 December 2021: HK\$85.6 million). The Group's current ratio was 2.2 (31 December 2021: 1.7).

Bank borrowings comprised term loans of HK\$17.7 million (31 December 2021: HK\$65.0 million), which were repayable within one year. The bank loans were denominated in Euro.

Capital Expenditure

For the period under review, the Group incurred a total capital expenditure of HK\$1.5 million (2021: HK\$1.8 million), mainly related to relocation of the headquarter office in Hong Kong and replacement of obsolete office equipment 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.

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.

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 2022, the Group's land use rights of HK\$8.9 million (31 December 2021: HK\$9.1 million) and buildings of HK\$57.0 million (31 December 2021: HK\$57.7 million) in Heshan, Mainland China were pledged as security for the Group's bank borrowings.

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, 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 to staff members based on performance of the individual as well as the Group.

As at 30 June 2022, the Group's had 519 full-time employees (31 December 2021: 491).

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

Thanks to our staff's effort, the result of our garment business has improved significantly and the sales volume has grown higher than pre-Pandemic level. With the continuing inflation in raw material and logistics costs and uncertainty of the COVID-19 impacts, we expect the business environment of the apparel industry to remain challenging in the second half of 2022. We will continue to focus on the garment manufacturing and trading business, to enhance cost management to mitigate challenges from the increasing input costs, and to expand our capabilities, such as through increase in production capacity and enhancement of manufacturing equipment, in order to strengthen our position to our customers.

Based on our internal analysis, the results of our strategic changes in shifting production to Cambodia and Indonesia subcontractors are satisfactory in terms of gross profit margin and stability. As such, we will look for opportunity to further expand the production scale in these South East Asia 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.

Equity markets are expected to remain volatile if hyperinflation cannot be controlled. The market believes that the rate hike of 75 basis points in mid-June was just a beginning and the Fed will continue to raise rates aggressively. It will cause challenges to businesses and affect investors decisions, worrying about recession. With 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 to declare an interim dividend of HK\$0.2 cents per ordinary share for the six months ended 30 June 2022 (2021: nil) payable to those shareholders of the Company whose names appear on the Company's register of members at the close of business on Wednesday, 14 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 13 September 2022 to Wednesday, 14 September 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 9 September 2022 for registration. The interim dividend is expected to be paid on or about Monday, 26 September 2022.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
	Note	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	246,094	166,529
Cost of sales		<u>(211,722)</u>	<u>(142,701)</u>
Gross profit		34,372	23,828
Other income and gains		3,108	1,650
Selling and distribution expenses		(5,236)	(4,465)
Administrative and other operating expenses		(27,164)	(23,163)
Finance income		525	45
Finance expense		<u>(1,722)</u>	<u>(667)</u>
Profit (loss) before taxation	4	3,883	(2,772)
Income tax expense	5	<u>-</u>	<u>-</u>
Profit (loss) for the period attributable to equity holders of the Company		<u>3,883</u>	<u>(2,772)</u>
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		<u>(70)</u>	<u>476</u>
Other comprehensive (expense) income for the period, net of tax		<u>(70)</u>	<u>476</u>
Total comprehensive income (expense) for the period attributable to equity holders of the Company		<u>3,813</u>	<u>(2,296)</u>
EARNINGS (LOSS) PER SHARE – (HK CENTS)			
- basic and diluted	6	<u>0.47</u>	<u>(0.34)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	At 30 June 2022 (Unaudited) Notes	At 31 December 2021 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	68,502	69,874
Right-of-use assets	10,811	9,886
Investment in a joint venture	-	-
Deposit and other receivables	7 335	-
	<u>79,648</u>	<u>79,760</u>
CURRENT ASSETS		
Inventories	74,153	60,532
Trade and other receivables	7 48,238	49,263
Financial assets at fair value through profit or loss ("FVTPL")	8 1,513	2,124
Cash and bank balances	45,931	97,546
	<u>169,835</u>	<u>209,465</u>
CURRENT LIABILITIES		
Trade and other payables	9 60,522	58,183
Lease liabilities	710	663
Bank borrowings	17,736	64,989
	<u>78,968</u>	<u>123,835</u>
NET CURRENT ASSETS	<u>90,867</u>	<u>85,630</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>170,515</u>	<u>165,390</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	1,312	-
Deferred tax liabilities	17,045	17,045
	<u>18,357</u>	<u>17,045</u>
NET ASSETS	<u>152,158</u>	<u>148,345</u>
CAPITAL AND RESERVES		
Share capital	81,804	81,804
Reserves	70,354	66,541
TOTAL EQUITY	<u>152,158</u>	<u>148,345</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 2022 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 2021.

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 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from contracts with customers		
Revenue from garment manufacturing and trading*:		
Sale of garment products	246,328	166,517
Revenue from other sources		
Securities investment:		
Fair value (loss) gain on equity investment at FVTPL	<u>(234)</u>	<u>12</u>
	<u>246,094</u>	<u>166,529</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 2022

	Garment manufacturing and trading HK\$'000	Securities investment HK\$'000	Total HK\$'000
REVENUES			
Reportable segment revenue-external	<u>246,328</u>	<u>(234)</u>	<u>246,094</u>
Reportable segment profit (loss)	<u>10,899</u>	<u>(2,656)</u>	8,243
Unallocated other income and gains			549
Corporate administrative expenses			(4,884)
Finance expense			<u>(25)</u>
Profit before tax			<u>3,883</u>

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>

Segment profit (loss) represents the profit (loss) from each segment without allocation of corporate administrative expenses, certain other income and gains 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

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets*	
	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
USA	164,411	96,757	-	-
Mainland China	103	506	71,195	73,029
Europe	47,040	45,164	-	-
Hong Kong	10,962	6,631	6,396	4,835
Other regions	<u>23,578</u>	<u>17,471</u>	<u>1,722</u>	<u>1,896</u>
	<u>246,094</u>	<u>166,529</u>	<u>79,313</u>	<u>79,760</u>

*Non-current assets excluded financial instruments.

4. Profit (loss) before taxation

Profit (loss) before taxation has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of right-of-use assets	<u>1,084</u>	<u>1,238</u>
Depreciation of property, plant and equipment	<u>2,511</u>	<u>4,055</u>

At the end of 2021, the estimated useful lives of the buildings owned by the Group ranged between 20 to 30 years. In consideration of the overall status of the buildings and opinions from independent chartered building surveyors, the Group decided to adjust the useful life of the buildings to the range of 40 to 50 years. The Group believes that its financial information will be made more objective with such adjustments.

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 2022 and 2021.

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 2022 and 2021.

6. Earnings (loss) per share

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings (loss) attributable to equity holders of the Group	<u>3,883</u>	<u>(2,772)</u>
	Number of	Number of
	shares	shares
	(thousands)	(thousands)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>818,042</u>	<u>818,042</u>

The number of shares for the purpose of basic and diluted earnings (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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade receivables	40,484	40,356
Deposits and other receivables	5,635	5,377
Prepayments	2,454	3,530
	<u>48,573</u>	<u>49,263</u>

Trade and other receivables analysed for reporting purpose as:

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Non-current assets	335	-
Current assets	48,238	49,263
	<u>48,573</u>	<u>49,263</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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 30 days	25,467	17,815
31-60 days	11,902	8,885
61-90 days	2,406	7,723
Over 90 days	709	5,933
	<u>40,484</u>	<u>40,356</u>

8. Financial assets at fair value through profit or loss

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Equity securities listed in Hong Kong	1,513	1,747
Financial derivative - Foreign currency forward contracts	-	377
	<u>1,513</u>	<u>2,124</u>

9. Trade and other payables

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade payables	44,702	40,962
Accruals and other payables	13,509	11,519
Bonus payables	2,311	5,702
	<u>60,522</u>	<u>58,183</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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 30 days	21,280	21,635
31-60 days	16,624	17,107
61-90 days	6,384	810
Over 90 days	414	1,410
	<u>44,702</u>	<u>40,962</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 2022. The Audit Committee comprises three independent non-executive directors, namely Mr. Yau Wing Yiu (committee chairman), Mr. Yu Ping Ming 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 Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022 except for the following deviation.

According to code provision C.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 2022 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 2022 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 2022

As at the date hereof, the board of directors of the Company comprises Mr. Li Haifeng (Chairman and Chief Executive Officer) and Mr. Tsang Hing Bun being executive directors; Mr. Wang Ke being non-executive director and Mr. Yau Wing Yiu, Mr. Yu Ping Ming and Mr. Wang Shiming, being independent non-executive directors.