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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023.

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 2023, the Group’s revenue amounted to HK\$227.2 million, 7.7% lower than the same period in 2022 (2022: HK\$246.1 million). Gross profit reached HK\$31.1 million, a 9.6% decrease versus 2022 (2022: HK\$34.4 million). The decrease in revenue and gross profits for the period was mainly due to the decrease in customer orders and sales volume. Loss attributable to equity holders of the Company was HK\$4.5 million (2022: profit attributable to equity holders of the Company of HK\$3.9 million), and basic and

diluted loss per share were both HK\$0.52 cents (2022: basic and diluted earning per share of HK\$0.47 cents). Such results were mainly attributable to: (a) the increase in interest expenses on borrowings due to rate hikes; (b) the increase in depreciation expenses due to adjustment of useful life of the buildings owned by the Group; and (c) the decrease of the Group's revenue and gross profit as mentioned above.

MARKET AND BUSINESS REVIEW

Garment manufacturing and trading segment

The high inflation, geopolitical tensions and the monetary tightening policy have led to a tougher business environment despite a gradual return to normality after the COVID-19 Pandemic. The Group's garment manufacturing and trading segment had also suffered from the interest-rate hikes during the period under review.

The US and Europe regions remained the predominant geographical regions of our garment manufacturing and trading business and contributed 83.3% (2022: 85.8%) of segment revenue, which amounted to HK\$189.2 million (2022: HK\$211.5 million) in total.

Due to geopolitical factors and industry trend, our customers had tended to reduce products from China. We have continued allocating more customer orders to our subcontracted factories in South East Asian countries, including Cambodia and Indonesia. The contributions from products manufactured from South East Asian countries increased to 77.0% (2022: 59.5%), and our Heshan factory contributed the remaining 23.0% (2022: 40.5%).

Meanwhile, as limited by production capacity, our existing subcontracted factories could not fully absorb the orders transferred from China. The segment revenue for the six months ended 30 June 2023 decreased by 7.8% to HK\$227.1 million (2022: HK\$246.3 million). The gross profit margin has slightly decreased to 13.7% (2022: 14.0%). The segment has recorded a profit of HK\$3.9 million for the period under review (2022: HK\$10.9 million).

Securities investment segment

The U.S. bank crisis in March 2023 and anxiety around geopolitical uncertainty caused headwind to the economic and investment market. As a result, after a quick rebound during the period from November 2022 to January 2023, the Hong Kong Hang Seng Index ("HSI") dropped again and fluctuated around the range of 18,500 points to 20,000 points. The HSI fluctuated between 18,044 points and 22,700 points, eventually closing at 18,916 points on 30 June 2023 (31 December 2022: 19,781 points).

The Group has sold the last stock that had been held since 2017 during the period under review. For the six months ended 30 June 2023, the securities investment business recorded a fair value gain of HK\$86 thousand (2022: fair value loss of HK\$234 thousand).

FINANCIAL REVIEW

Administrative and other operating expenses

Administrative and other operating expenses increased 5.9% to HK\$28.8 million (2022: HK\$27.2 million), mainly due to increase in depreciation expenses of the buildings in China.

Selling and distribution expenses

The ratio of selling and distribution expenses to garment manufacturing and trading revenue decreased to 1.6% (2022: 2.1%), mainly due to improvement in logistical efficiency.

Finance expense

Finance expense increased 129.4% to HK\$3.9 million (2022: HK\$1.7 million). Such significant increase was mainly due to the rate hikes on interest expenses on borrowings.

Other income and gains

During the period under review, other income and gains amounted to HK\$0.2 million (2022: HK\$3.1 million), mainly represented compensation from customers for cancelled orders.

Liquidity and financial resources

Adhering to a conservative financial management methodology, the Group continued to maintain a healthy financial position. As of 30 June 2023, the Group's cash and cash equivalents was HK\$132.0 million (31 December 2022: HK\$95.7 million). Working capital represented by net current assets amounted to HK\$135.7 million (31 December 2022: HK\$85.3 million). The Group's current ratio was 2.3 (31 December 2022: 1.8).

Bank borrowings comprised term loans of HK\$32.6 million (31 December 2022: HK\$33.3 million), which were repayable within one year. The bank loans were denominated in Renminbi.

Capital expenditure

For the period under review, the Group incurred a total capital expenditure of HK\$1.3 million (2022: HK\$1.5 million), mainly related to purchase of manufacturing equipment for the garment manufacturing business in Cambodia, to cope with its increasing scale.

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 Renminbi.

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 2023, the Group's land use rights of HK\$8.3 million (31 December 2022: HK\$8.0 million) and buildings of HK\$44.0 million (31 December 2022: HK\$47.7 million) in Heshan, Mainland China were pledged as security for the Group's bank borrowings.

EVENTS AFTER THE PERIOD

As at the date of this announcement, the Board is not aware of any other significant events occurred after the period under review.

CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, 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 2023, the Group's had 433 full-time employees (31 December 2022: 488).

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

Since late 2022, there have been indications of a slowdown in the upstream value chain of the apparel industry. The rising inflation as well as depressed customer sentiment across the regions caused a drop in sales in the U.S. and Europe. It has had a negative impact on the major apparel manufacturing and exporting countries including China. There are trends that more global brands are seeking to place orders to other countries with lower manufacturing costs such as Bangladesh, India, Sri Lanka and Turkey. Manufacturers are facing price pressures, including the reduced order prices from retailers and brands and the increased costs from suppliers for raw materials.

To follow the trends of the apparel industry and expectation of our customers, we will continue allocating more production to Cambodian and Indonesian subcontractors. We have invested advanced manufacturing machinery to the subcontracted factories in Cambodia to improve productivity. Correspondingly, it may lead to downsizing in the Group's manufacturing facility at Heshan for reducing unnecessary overhead costs.

Although most mature stock markets had recorded positive performance in first half of 2023, the U.S. Federal's position to continue raising interest rates to cope with hyperinflation is expected to weaken the growth in the second half of 2023. As the Group's securities investment business has been inactive in the past few years, the management is now considering to cease this business and apply the resources to other potential business opportunities when necessary.

We will continue focusing on our existing garment manufacturing and trading business. We will monitor the impacts of the macroenvironment factors and adjust the Group's operation strategies accordingly. The Group is pledged to seek and evaluate every opportunity and will strive to achieve long-term sustainable growth to maximise returns to its shareholders.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: HK\$0.2 cents per ordinary share).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	227,218	246,094
Cost of sales		<u>(196,073)</u>	<u>(211,722)</u>
Gross profit		31,145	34,372
Other income and gains		228	3,108
Selling and distribution expenses		(3,567)	(5,236)
Administrative and other operating expenses		(28,828)	(27,164)
Finance income		423	525
Finance expense		<u>(3,919)</u>	<u>(1,722)</u>
(Loss) profit before taxation	4	(4,518)	3,883
Income tax expense	5	<u>–</u>	<u>–</u>
(Loss) profit for the period attributable to equity holders of the Company		<u>(4,518)</u>	<u>3,883</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>4,144</u>	<u>(70)</u>
Other comprehensive income (expense) for the period, net of tax		<u>4,144</u>	<u>(70)</u>
Total comprehensive (expense) income for the period attributable to equity holders of the Company		<u>(374)</u>	<u>3,813</u>
(LOSS) EARNINGS PER SHARE			
– basic and diluted (<i>HK cents</i>)	6	<u>(0.52)</u>	<u>0.47</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		56,298	59,081
Right-of-use assets		9,510	9,571
Deposit and other receivables	7	335	335
		<u>66,143</u>	<u>68,987</u>
CURRENT ASSETS			
Inventories		62,162	43,791
Trade and other receivables	7	44,732	44,933
Financial assets at fair value through profit or loss (“FVTPL”)	8	–	1,329
Cash and bank balances		132,049	95,686
		<u>238,943</u>	<u>185,739</u>
CURRENT LIABILITIES			
Trade and other payables	9	69,914	66,363
Lease liabilities		724	724
Bank borrowings		32,609	33,333
		<u>103,247</u>	<u>100,420</u>
NET CURRENT ASSETS		<u>135,696</u>	<u>85,319</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>201,839</u>	<u>154,306</u>

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Lease liabilities	588	946
Deferred tax liabilities	16,939	16,939
	<u>17,527</u>	<u>17,885</u>
NET ASSETS	<u>184,312</u>	<u>136,421</u>
CAPITAL AND RESERVES		
Share capital	89,985	81,804
Reserves	94,327	54,617
TOTAL EQUITY	<u>184,312</u>	<u>136,421</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 2023 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 2022.

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 2023.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the new and 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	
	2023 (Unaudited) HK\$’000	2022 (Unaudited) HK\$’000
Revenue from contracts with customers		
Revenue from garment manufacturing and trading*:		
Sale of garment products	227,132	246,328
Revenue from other sources		
Securities investment:		
Fair value gain (loss) on equity investment at FVTPL	86	(234)
	<u>227,218</u>	<u>246,094</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 2023

	Garment manufacturing and trading <i>HK\$’000</i>	Securities investment <i>HK\$’000</i>	Total <i>HK\$’000</i>
REVENUES			
Reportable segment revenue – external	<u>227,132</u>	<u>86</u>	<u>227,218</u>
Reportable segment profit (loss)	<u>3,906</u>	<u>(3,289)</u>	617
Unallocated other losses			(21)
Corporate administrative expenses			(5,142)
Finance income			57
Finance expense			<u>(29)</u>
Loss before tax			<u>(4,518)</u>

For the period ended 30 June 2022

	Garment manufacturing and trading <i>HK\$’000</i>	Securities investment <i>HK\$’000</i>	Total <i>HK\$’000</i>
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>

Segment (loss) profit represents the (loss) profit from each segment without allocation of corporate administrative expenses, certain other losses, income and gains and certain finance income and 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		At	At
	2023	2022	30 June	31 December
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	113,715	164,411	–	–
Mainland China	–	103	58,537	63,280
Europe	75,459	47,040	–	–
Hong Kong	14,485	10,962	4,696	3,780
Other regions	23,559	23,578	2,574	1,592
	<u>227,218</u>	<u>246,094</u>	<u>65,807</u>	<u>68,652</u>

* Non-current assets excluded financial instruments.

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of right-of-use assets	<u>478</u>	<u>1,084</u>
Depreciation of property, plant and equipment	<u>5,397</u>	<u>2,511</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 2023 and 2022.

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 2023 and 2022.

6. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) earnings attributable to equity holders of the Group	(4,518)	3,883
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	872,729	818,042

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

7. TRADE AND OTHER RECEIVABLES

	At	At
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	37,214	38,950
Deposits and other receivables	2,097	3,372
Prepayments	5,756	2,946
	45,067	45,268

Trade and other receivables analysed for reporting purpose as:

	At	At
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets	335	335
Current assets	44,732	44,933
	45,067	45,268

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 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Within 30 days	30,398	32,664
31–60 days	1,739	2,924
61–90 days	1,389	1,705
Over 90 days	3,688	1,657
	<u>37,214</u>	<u>38,950</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Equity securities listed in Hong Kong	<u>–</u>	<u>1,329</u>

9. TRADE AND OTHER PAYABLES

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Trade payables	41,012	29,714
Accruals and other payables	21,355	19,933
Bonus payables	7,547	16,716
	<u>69,914</u>	<u>66,363</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 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Within 30 days	20,815	14,695
31–60 days	13,622	9,541
61–90 days	6,411	5,357
Over 90 days	164	121
	<hr/> 41,012 <hr/>	<hr/> 29,714 <hr/>

10. DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2023 (2022: HK\$0.2 cents per ordinary share).

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 of the Group (the “**Audit Committee**”) has reviewed the Group’s unaudited interim results for the six months ended 30 June 2023. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely Mr. Cheng Wai Hei (Committee Chairman), Mr. Peng Peng and Mr. Wang Fan.

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 2023 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. During the period between 1 January 2023 and 1 February 2023, Mr. Li Haifeng has assumed both the roles of chairman and chief executive officer of the Company. The Board is of the view that the balance of power and authority was ensured by its operations which comprises experienced and high caliber individuals with a highly independent element during such period. Ms. Ma Xiaoqiu was appointed as the chairlady of the Board on 1 February 2023. Since the resignation of Mr. Li Haifeng as, among others, the chief executive officer of the Company on 1 February 2023 and up to the date of this announcement, the position of chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer are taken up by Mr. Tsang Chun Ho Anthony, an executive Director. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

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 2023 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 2023 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
Ma Xiaoqiu
Chairlady

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises Ms. Ma Xiaoqiu, Mr. Tsang Chun Ho Anthony, Mr. Choi Tan Yee, Mr. Jiang Jinbo and Ms. Chen Jun as executive Directors and Mr. Wang Fan, Mr. Cheng Wai Hei, Mr. Peng Peng as independent non-executive Directors.