The board of directors of Carry Wealth Holdings Limited (the "Company") (Stock Code: 643) is pleased to present the Interim Report and condensed accounts for the six months ended 30th June, 2003 of the Company and its subsidiaries (collectively the "Group"). The consolidated results, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the six months ended 30th June, 2003, and the consolidated balance sheet as at 30th June, 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 14 to 24 of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

During the first half of 2003, the US economy continued to be volatile with weak consumer confidence and the retail market remained sluggish. The Group faced persistent pressures on order prices. Nevertheless, by reallocation of resources and reengineering of the existing production bases as well as the dedication and concerted efforts of its employees, the Group successfully recovered from its unsatisfactory performance of the second half of last year. For the six months ended 30th June, 2003, the Group recorded a profit attributable to shareholders of HK$6.2 million (2002: HK$20.2 million) and a turnover of HK$463.0 million (2002: HK$468.6 million).

Indonesia remained the Group's major production base, with an output representing 59.6% (2002: 66.8%) of the Group's total turnover. As a result of the commencement of the subcontracting business in August 2002 and the establishment of a joint venture factory in April 2003, the output from Vietnam accounted for 14.2% (2002: Nil) of the Group's total turnover. The output from the production bases in El Salvador and Lesotho accounted for 12.4% (2002: 18.7%) and 9.3% (2002: 8.7%) of the total turnover respectively.

Knit tops, the Group's key product, accounted for 61.8% (2002: 60.6%) of the total turnover. Woven bottoms accounted for 35.8% (2002: 31.0%) and the remaining balance of 2.4% (2002: 8.4%) was attributable to sweater tops. In terms of individual turnover value, knit tops remained at the same level while woven bottoms increased by 14.1% and sweater tops plunged by 71.5% as compared to the corresponding period in 2002. In order to enhance the competitiveness of the sweater division in the long term, the Group completed the downsizing of the factory and began to adopt outward processing arrangements during the six months ended 30th June, 2003.

The profit margin fell by 2.1% to 16.6% (2002: 18.7%) owing to the fierce market competition which placed extra pressure on order prices. The inclusion of one-off expenses in connection with the curtailing of the sweater factory also dragged down the overall profit margin. The Group offset the mounting price pressures by generating additional sales volumes and was able to increase its overall shipment quantities by 15.7% during the period. The significant increase in quantities shipped was due to the enhanced productivity and expansion of the subcontracting business.

Selling expenses remained fairly stable over the period under review. Administrative expenses increased mainly due to the additional running costs of the operations in Vietnam. The Group's strong cash position, along with declining interest rates, contributed to a saving in finance costs as compared to the same period in 2002.

Liquidity and Financial Resources

The Group continued to adopt a conservative approach in managing its financial resources. The Group's liquidity position remained strong in meeting its ongoing cash requirements. As at 30th June, 2003, bank balances and cash amounted to HK$77.5 million (31st December, 2002: HK$87.8 million). The Group's current ratio stood at 1.6 (31st December, 2002: 1.7) and the gearing ratio of bank loans and overdrafts to shareholders' funds was 21.7% (31st December, 2002: 22.4%).

Capital Expenditure

For the period under review, the Group incurred total capital expenditures of HK$13.7 million (2002: HK$10.1 million), funded from its own financial resources, mainly for recurring additions and replacements of plant and machinery.

Foreign Exchange Exposure

The Group's sales were principally denominated in US dollars. Operating expenses for the Group's factories and offices were either denominated in US dollars or their respective local currencies. As at 30th June, 2003, the exchange rates for Indonesian Rupiah, South African Rand and Vietnamese Dong to one US dollar were 8,285 (1st January, 2003: 8,940), 7.5 (1st January, 2003: 8.6) and 15,492 (1st January, 2003: 15,401) respectively. The Salvadoran Colones, the local currency for El Salvador, has been pegged to the US dollars at 8.75 Colones to US$1 since 1st January, 2001.

The Group adopts a prudent policy to reduce its currency exchange risk by hedging with forward exchange contracts with large reputable financial institutions.

Credit Policy

The Group's credit policy remained unchanged whereby over 83.9% of the Group's business was transacted under letters of credit, with the balance being on an open account basis.

The open account terms are granted only to existing customers for small orders. Credit limits for open account customers are set on an individual basis. The credit ratings of customers are constantly reviewed and their respective credit limits adjusted, if necessary.

Charges on Fixed Assets

The Group's properties in Hong Kong with a carrying value of HK$19.5 million (2002: HK$19.9 million) have been pledged with a bank to secure trade facilities to the extent of US$18 million (2002: US$18 million). At 30th June, 2003, the respective secured bank loans amounted to HK$16.4 million (2002: HK$22.9 million).

Contingent Liabilities

As at 30th June, 2003, the Group had no contingent liabilities except bills discounted to banks with recourse amounting to HK$2.8 million (2002: HK$23.3 million).

Human Resources and Remuneration Policies

As at 30th June, 2003, the Group employed a total of 7,234 (31st December, 2002: 7,319) full-time employees in the following regions:

Hong Kong and PRC	316
Indonesia	3,874
El Salvador	1,253
Lesotho	1,105
Vietnam	686
Total	7,234

Employees are rewarded based on market practices and performance. Benefits include medical and accidental insurance coverage as well as a provident fund scheme. The Group also maintains a share option scheme to strengthen the loyalty of its employees and attract high caliber professionals.

Outlook

Recovery of the US economy still lacks momentum and no significant rebound is expected for the rest of the year. Though certain signs of economic improvement have emerged, rising unemployment in conjunction with other economic uncertainties have discouraged consumer confidence and spending. The ongoing business environment will remain highly competitive.

Amidst this challenging environment, the Group aims to improve by equipping itself to stay ahead of its competitors. The Group is consolidating and restructuring existing production bases to boost production efficiencies while minimizing costs.

The Group is also committed to sourcing new competitive production capacities in meeting customer demands. The Group has seized the opportunity to move into Vietnam, which contributed a significant portion of the turnover for the first half of the year. However, sales growth in Vietnam is expected to slow down following the recent imposition of US quota requirements. Despite this concern, the Group believes the region has further growth potential in the years ahead, given its strong competitive edge.

The US is a vast market with a steady demand for casual wear. The Group's exports to the US in volume terms are still on an upward trend. The Group's sales office set up in the US during the first half of the year focuses on widening the clientele, which is important to the Group's business growth.

The Group is fully committed to enhancing its competitive edge through quality improvements and the development of its human resources and considers its employees as its most important asset. The Group places every emphasis on teamwork in a bid to further strengthen the collective commitment of its people, an essential element in the successful running of its business.

Capitalizing on its solid foundation and expertise, the management is actively exploring suitable development opportunities to assure the long-term growth of the Group and enhance the investment return of the shareholders.

INTERIM DIVIDEND

The board of directors has declared to pay an interim dividend of 2.5 Hong Kong cents (2002: 2.8 Hong Kong cents) per share totalling HK$9,001,000 (2002: HK$10,080,000) to shareholders whose names appear on the Company's register of members on Wednesday, 17th September, 2003. The interim dividend is expected to be paid to shareholders on Friday, 19th September, 2003.