The board of directors of Carry Wealth Holdings Limited (the "Company") is pleased to present the Interim Report and condensed accounts for the six months ended 30th June, 2004 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, 2004, and the consolidated balance sheet as at 30th June, 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 15 to 24 of this Report. The Interim Report has complied with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in force prior to 31st March, 2004, which remain applicable under the transitional arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

During the six months period ended 30th June, 2004, the US economy rebounded and the Group recorded relatively stable performance. The Group's turnover for the period was HK$477.8 million (2003: HK$463.0 million), and gross profit was HK$76.3 million (2003: HK$76.8 million). Profit attributable to shareholders was HK$5.3 million (2003: HK$6.2 million).

Heavy price pressure resulting from intensifying market competition thinned the Group's profit margin during the period. The overall gross profit margin dropped slightly from 16.6% to 16.0%. The gross profit margin of knit tops, the Group's key products, was successfully maintained. The margin of woven bottoms dropped as orders with lower margin were accepted from new customers. With these new customers, the Group had a widened customer base. The performance of the sweater division has gradually improved after the downsizing and re-engineering exercises.

The Group's production base in Indonesia contributed 51.4% (2003: 59.6%) of the total turnover. The output from El Salvador, Vietnam and Lesotho accounted for 17.3% (2003: 12.4%), 13.3% (2003: 14.2%) and 10.6% (2003: 9.3%) of the total turnover respectively, with the rest from other Asian countries including Cambodia and the Mainland China. The joint venture factory set up in Shandong province, the Mainland China for the knitting, dyeing and finishing of knitted fabrics completed its trial production during the period and will commence bulk production in the second half of the year. Contribution from it is expected to be reflected by then in the Group's turnover.

The percentage to turnover of knit tops, woven bottoms and sweater tops was 61.3%, 35.2% and 3.5% respectively and roughly resembled that of the same period last year (2003: 61.8%, 35.8% and 2.4% respectively).

Selling expenses increased slightly due to the addition of US sales offices and the joint venture factory in Vietnam, which were in full operation during the period.

Administrative expenses were comparable with the same period last year. The increase in finance cost was mainly due to the increase in the average trust receipts balance during the period.

Liquidity and Financial Resources

The Group adopted a conservative financial management system, continuing to maintain a healthy liquidity position. At 30th June, 2004, cash and bank balances amounted to HK$80.4 million (31st December, 2003: HK$84.0 million) while bank loans, in the form of trust receipt loans, amounted to HK$58.0 million (31st December, 2003: HK$109.1 million) and term loan, amounted to HK$31.0 million (31st December, 2003: Nil). The bank loans were denominated in either HK dollars or US dollars. Working capital represented by net current assets amounted to HK$126.2 million (31st December, 2003: HK$117.7 million).

The Group's current ratio was 1.5 (31st December, 2003: 1.4). The gearing ratio of bank loans and overdrafts to shareholders' fund was 34.8% (31st December, 2003: 40.7%).

The debt maturity profile of the Group as at 30th June, 2004 is as follows:

	At 30th June, 2004 (Unaudited) HK$'000	At 31st December, 2003 (Audited) HK$'000
Repayable within one year	**61,867**	109,123
Repayable after 1 year, but within 2 years	**7,750**	–
Repayable after 2 years, but within 5 years	**19,375**	–
Total	**88,992**	109,123

Capital Expenditure

For the period under review, the Group incurred total capital expenditure of HK$30.1 million (2003: HK$13.7 million), funded partly from its own financial resources and partly financed by bank borrowing. Of the total HK$30.1 million, HK$21.1 million was invested in the form of capital expenditure in the new joint venture factory in Shandong province, the Mainland China.

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, 2004, the exchange rates for Indonesian Rupiah, South African Rand and Vietnamese Dong to one US dollar were 9,415 (31st December, 2003: 8,465), 6.2 (31st December, 2003: 6.7) and 15,695 (31st December, 2003: 15,647) respectively. The Group closely monitors currency fluctuations and reduces its exchange risk by hedging with forward exchange contracts from time to time.

The Salvadoran Colones, the local currency of El Salvador, has been pegged to the US dollars since 1st January, 2001 at 8.75 Colones to US$1. The Group does not foresee any currency exposure in El Salvador.

Credit Policy

The Group's credit policy remained unchanged. It accepted orders from customers under letters of credit. Over 88.8% (2003: 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 term was 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 property in Hong Kong with a carrying value of HK$18.9 million (31st December, 2003: HK$19.2 million) has been pledged with a bank to secure trade facilities to the extent of HK$140.2 million (31st December, 2003: HK$140.2 million). At 30th June, 2004, the respective secured bank loans amounted to HK$37.5 million (31st December, 2003: HK$32.7 million).

Contingent Liabilities

As at 30th June, 2004, the Group had no contingent liabilities (31st December, 2003: The Group had bills discounted to banks with recourse amounting to HK$12.8 million).

Human Resources and Remuneration Policies

The Group believes that employees' commitments and a harmonious working atmosphere between management and staff are important to the Group's success. Employees are rewarded on the basis of prevailing market practices, experience and performance. Benefits include medical and accidental insurance coverage as well as a provident fund scheme. In order to attract and retain high caliber employees, the Group also awards its employees discretionary bonuses based on performance evaluation and also maintains share option schemes.

As at 30th June, 2004, the Group employed a total of 7,726 (31st December, 2003: 7,509) full-time employees in the following regions:

Indonesia	4,004
Lesotho	1,323
El Salvador	1,217
Vietnam	681
China (Mainland and Hong Kong)	499
US	2
Total	7,726

Outlook

By 1st January, 2005, quotas will be completely phased out among World Trade Organisation ("WTO") member countries. Without quota restrictions, apparel importers can shift its sourcing activities to those WTO members who can provide low-cost and competitive production bases. The general belief is, in the post quota era, the Mainland China will take apparel manufacturing business away from other countries and become the biggest garment supplier in the world as it is highly competitive in terms of cost, quality and availability of raw materials. However, it is anticipated that protective trade measures may be imposed on Mainland China by different markets to control the influx of its apparel imports. Apparel importers are expected to keep sourcing from countries other than the Mainland China to hedge against the risk of safeguard quotas.

During the second half of this year, apparel importers will be more cautious and conservative to place orders with currently quota-restricted countries so as to avoid possible disruption of product flow. The Group anticipates a drop in the business of its production base in Indonesia in the coming few months.

The African Growth and Opportunity Act, which grants to Lesotho and some other African countries the preferential treatment for apparel articles made of third-country yarn or fabric, is due to expire in September this year. It was not until July 2004 that the US passed the AGOA Acceleration Act of 2004 ("AGOA III") to extend the said preferential treatment to September 2007. The late passing of the AGOA III left apparel importers with little time to place orders on the Group's production base in Lesotho for this year. As such, the performance of the Lesotho production base is expected to be briefly affected in the latter half of the year.

The sales growth in Vietnam slowed down following the imposition of US quotas since 2002. However, the Vietnamese government has been striving to enter into the WTO and once succeeded, Vietnam will be able to realize its great business potential given its competitive edges.

Looking forward, market competition is set to intensify and there will be mounting pressure on the selling price and profit margin. Garment manufacturers have to compete on their productivity, efficiency and product quality. The Group will focus on streamlining its operations, boosting its productivity and imposing more stringent measures to control costs. Information technology will also be continuously applied to strengthen the monitoring and management of the Group's supply chain. The Group will direct major efforts into widening its customer base and strengthening its customer portfolio as well.

To triumph over the challenges ahead, the Group will not miss any potential investment opportunities such as cooperation with market leaders in the Mainland China for synergistic benefits. The potential of further vertical integration will also be explored and exploited.

Where there is a threat, there is also always an opportunity. The Group will keep on working hard to pave the way for its future growth and to enhance its investment return.

INTERIM DIVIDEND

The board of directors has resolved not to declare any interim dividend for the six months ended 30th June, 2004 (2003: 2.5 Hong Kong cents per share).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

SHARE OPTIONS

Under the terms of the share option scheme of the Company adopted on 23rd February, 2000 (the "Old Scheme"), the Company granted options to certain full-time employees (including executive directors) of the Company or its subsidiaries on 31st August, 2001 to subscribe for a total of 36,000,000 shares of HK$0.10 each in the Company at HK$0.906 per share at a consideration of HK$1.00. Although the Old Scheme was subsequently terminated and a new share option scheme (the "New Scheme") was adopted on 8th May, 2002, the provisions of the Old Scheme remain in force and all outstanding options granted prior to the said termination continue to be valid and exercisable in accordance therewith.

No options have been granted under the New Scheme since its adoption and details of the share options granted under the Old Scheme and outstanding as at 30th June, 2004 are as follows:

	Number of options		
	Held at 1st January, 2004	**Lapsed during the period**	**Held at 30th June, 2004**
Director Mr Rusli Hendrawan ("Mr Rusli")	8,000,000	–	8,000,000
Director Mr Lee Sheng Kuang, James ("Mr Lee")	8,000,000	–	8,000,000
Director Mr Oey Tjie Ho ("Mr Oey")	2,000,000	–	2,000,000
Director Mr Tang Chak Lam, Charlie ("Mr Tang")	2,000,000	–	2,000,000
Continuous contract employees	14,016,000	2,400,000	11,616,000

All the above outstanding options are exercisable from 1st September, 2002 to 31st August, 2005 at an exercise price of HK$0.906 per share.

No options were granted, exercised or cancelled during the period.