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, 2005 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, 2005, and the consolidated balance sheet as at 30th June, 2005 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 24 of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

For the first half of 2005, the Group reported a turnover of HK$512.9 million. This represented an increase of 7.3% over the turnover of HK$477.8 million recorded in the same period of 2004. Having accounted for the change in fair value of investment properties of HK$4.1 million, profit attributable to equity holders amounted to HK$30.5 million as compared to HK$5.2 million in the corresponding period last year.

The Group's production base in Indonesia contributed 56.7% (2004: 51.4%) of the total turnover. The output from El Salvador, Vietnam and Lesotho accounted for 20.1% (2004: 17.3%), 3.2% (2004: 13.3%) and 10.4% (2004: 10.6%) of the total turnover respectively, and the balance was from other Asian regions including Cambodia and the Mainland China.

Though the business environment had been challenging during the review period, the Group achieved a sales volume growth of 25.5%. The growth was the fruit of the Group's efforts to win new customers and orders of products that match and best utilize the Group's production techniques and capacity. The exceptional shift of part of the 2004 shipments to 2005 by the Group's Indonesia arm fuelled the sales growth further. As stated in the Company's 2004 Annual Report, the shipments were postponed to avoid possible disruption to delivery of orders to customers amid uncertainties caused by the end of quota system in 2004. The increase in turnover due to sales volume growth could have been higher if not for an overall downward adjustment of order price. The Group recorded an increase of 7.3% in turnover as compared with the corresponding period last year. In terms of product category, knit tops and woven bottoms accounted for 77.4% and 22.6% of the Group's turnover (2004: 61.3% and 35.2%) respectively.

During the six months ended 30th June, 2005, quota cost was totally eliminated following the phase-out of the quota system among WTO members. The total production cost to turnover ratio was reduced thanks to improvement in production efficiency and economies of scale. Gross profit margin improved from 16.0% of the six months ended 30th June, 2004 to 19.1% in the first half of 2005.

The increase in turnover during the period did not create additional operating expenses. The Group managed to keep its total operating expenses for the six months period similar to that of the same period last year.

Selling expenses to turnover ratio was reduced from 3.2% in 2004 to 3.1% in the period under review, evidencing more effective budgeting. Administrative expenses dropped following the closure of a sweater factory in Indonesia and tightening of cost control. Whereas, finance cost increased mainly due to the increase in interest rate and average bank loans balance during the period.

As announced by the Company on 19th May, 2005, the Group's interests in ShanDong WeiQiao HengFu Textile Limited ("SWHT") was diluted from 60% to 40%. The dilution is expected to help boost management efficiency and improve the financial performance of SWHT. For further details, please refer to Note 10 to the condensed accounts for the six months ended 30th June, 2005.

Liquidity and Financial Resources

Adopting a conservative financial management system, the Group continued to maintain a healthy liquidity position. At 30th June, 2005, cash and bank balances amounted to HK$61.4 million (31st December, 2004: HK$76.9 million).

The Group's current ratio was 1.4 (31st December, 2004: 1.3). The gearing ratio of total bank loans to shareholders' fund was 46.8% (31st December, 2004: 52.6%).

The debt maturity profile of the Group was as follows:

	At 30th June, 2005 (Unaudited) HK$'000	At 31st December, 2004 (Audited) HK$'000
Repayable within one year	**84,054**	80,825
Repayable after 1 year, but within 2 years	**7,800**	7,800
Repayable after 2 years, but within 5 years	**13,650**	15,600
Total	**105,504**	104,225

As at 30th June, 2005, the Group's borrowings were primarily denominated in US dollars with interest charging on floating-rate basis.

Capital Expenditure

For the period under review, the Group incurred a total capital expenditure of HK$14.5 million (2004: HK$30.1 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, 2005, the exchange rates of Indonesian Rupiah, South African Rand and Vietnamese Dong to one US dollar were 9,713 (31st December, 2004: 9,355), 6.7 (31st December, 2004: 5.7) and 15,846 (31st December, 2004: 15,737) respectively. The Group closely monitors currency fluctuations and reduces related risks by using forward exchange contracts as the hedge from time to time, as required.

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 exposure to currency fluctuation risks in El Salvador.

Credit Policy

Trading terms with customers are normally on letter of credit at sight to 90 days, except for several well-established customers. During the review period, over 75.7% (2004: 88.8%) of the Group's business was transacted under letters of credit, with the balances being on an open account basis, where credit terms ranging from 30 to 90 days were granted on individual basis. The credit ratings of customers are constantly reviewed and their respective credit limits adjusted, if necessary.

Charges on Investment Properties

The Group's properties in Hong Kong with a carrying value of HK$22.3 million (31st December, 2004: HK$18.6 million) have been pledged with a bank to secure trade facilities to the extent of HK$140.2 million (31st December, 2004: HK$140.2 million). At 30th June, 2005, the respective secured bank loans amounted to HK$52.1 million (31st December, 2004: HK$56.9 million).

Contingent Liabilities

As at 30th June, 2005, the Group had no contingent liabilities. The bills discounted with recourse of HK$8,953,000 as at 30th June, 2005 was recorded as bank loans in accordance with HKAS 39 (31st December, 2004: the Group had bills discounted to bank with recourse amounting to HK$11,981,000).

Human Resources and Remuneration Policies

The Group believes that employees' commitments and a harmonious working atmosphere are important to its 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 individual and group performance evaluation. It also maintains share option schemes.

As at 30th June, 2005, the Group employed a total of 7,469 (31st December, 2004: 7,664) full-time employees in the following regions:

Indonesia	3,802
Lesotho	1,280
El Salvador	1,331
Vietnam	703
China (Mainland and Hong Kong)	353
Total	7,469

Outlook

Since the quota system was abolished on 1st January, 2005, the global apparel market has seen unprecedented changes. Quick response is demanded of all players along the supply chain in the new era. Undoubtedly, without quota, unit apparel price has come down, and buyers free from quota limitations are expected to adjust their buying pattern over the next few years, leading to consolidation of their vendor portfolios. Vendors with multinational manufacturing facilities, which can provide a wider range of apparel products and other value added services to meet buyers' requirements, would have competitive advantage.

The recent imposition of safeguards by the United States on China to curb the flood of Chinese textile imports has added uncertainties and challenges to the market. The measures taken by the United States might prompt buyers to divert sourcing to other countries. As far as the Group is concerned, we saw an opportunity for Indonesia to expand its market share. The Group will increase the output from Indonesia by boosting production capacity and building closer ties with local reputable sub-contractors. By doing so, it can increase sales volume without having to make substantial capital investment.

The Group will continue to re-engineer its manufacturing facilities in all regions and strive to strengthen human resources quality.

The performance of the Group for the first half of 2005 was encouraging and the management expects to deliver satisfactory result for the whole financial year of 2005. Looking ahead, the Group will continue to respond innovatively to the rapidly changing market while fulfilling its commitments to customers. The Group aims to capitalize on any strategic opportunities that may help it realize its corporate vision and hence achieve long-term growth for the shareholders.

INTERIM DIVIDEND

The board of directors has declared to pay an interim dividend of 2.0 Hong Kong cents (2004: Nil) per share totalling HK$7,201,000 (2004: Nil) to shareholders whose names appear on the Company's register of members on Tuesday, 27th September, 2005. The interim dividend is expected to be paid to shareholders on Tuesday, 4th October, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 26th September, 2005 and Tuesday, 27th September, 2005, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 23rd September, 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period under review. 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, 2005 are as follows:

	Number of options		
	Held at 1st January, 2005	Lapsed during the period	Held at 30th June, 2005
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	11,616,000	1,966,000	9,650,000

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.

INTERESTS OF DIRECTORS

As at 30th June, 2005, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(a) Ordinary shares of HK$0.10 each in the Company

Name of director	Capacity	Number of ordinary shares	Percentage of issued share capital
Mr Rusli	Interest of a controlled corporation	162,000,000	45.00
Mr Lee	Interest of a controlled corporation	162,000,000	45.00

Note:

The above shares were held by Respected International Limited ("RIL"), which was ultimately owned as to 37.50% and 45.83% by Mr Rusli and Mr Lee respectively through their respective wholly-owned companies.

(b) Derivatives to ordinary shares of HK$0.10 each in the Company

Name of director	Capacity	Unlisted options (physically settled equity derivatives) held	Percentage of issued share capital
Mr Rusli	Beneficial owner	8,000,000	2.22
Mr Lee	Beneficial owner	8,000,000	2.22
Mr Oey	Beneficial owner	2,000,000	0.56
Mr Tang	Beneficial owner	2,000,000	0.56

Note:

The above share options were granted to directors under the Old Scheme as defined in the section headed "Share Options" above. None of the share options has been exercised.

All the interests stated above represent long positions. Save as disclosed above, as at 30th June, 2005, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, the interests of the substantial shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), other than directors or chief executives, of the Company in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholder	Capacity	Number of shares	Percentage of issued share capital
RIL *(Note 1)*	Beneficial owner	162,000,000	45.00
Greatwood Investment Trading Limited *(Note 2)*	Beneficial owner	61,900,000	17.19
Mr Susanto *(Note 2)*	Interest of a controlled corporation	61,900,000	17.19

Notes:

1. 162,000,000 shares in the Company were held by RIL, a company in which Mr Rusli and Mr Lee held 37.50% and 45.83% equity interests respectively. Accordingly, both Mr Rusli and Mr Lee were deemed to be interested in 162,000,000 shares in the Company. These interests were the same interests of Mr Rusli and Mr Lee as disclosed in the section headed "Interests of Directors".

2. These shares were held by Greatwood Investment Trading Limited, which was wholly-owned by Mr Susanto.

All the interests stated above represent long positions. Save as disclosed above, as at 30th June, 2005, none of the substantial shareholders, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

INTERESTS OF OTHER PERSONS

Save as disclosed in the sections headed "Interests of Directors" and "Interests of Substantial Shareholders" above, the register required to be kept under section 336 of the SFO shows that as at 30th June, 2005, the Company had not been notified of any other person who had an interest or short position in shares and underlying shares of the Company.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30th June, 2005.

CORPORATE GOVERNANCE

Compliance with Code on Corporate Governance Practices

Throughout the six months ended 30th June, 2005, the Company has complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, with the exception of Code Provision C.2 on internal controls which is only applicable to accounting periods commencing on or after 1st July, 2005.

Compliance with Model Code for Securities Transactions by Directors of Listed Issuers

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 contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period under review.