MANAGEMENT'S CHATROOM

Q1: Carry Wealth is a garment manufacturer listed in Hong Kong. However, the garment manufacturing industry is regarded as a sunset industry in Hong Kong. What do you think?

A1: We should take a macro approach to consider this issue. First of all, it is absolutely right to have Hong Kong as a headquarter. The well-developed communication facilities, legal system and expertise of Hong Kong facilitate us to explore and develop production bases with economies of scale. As time passes by, the businessmen of Hong Kong, now as an advanced region, must relocate the production base to the developing region as far as cost is concerned. If we can look at the issue in a relative vision, it is understood why garment manufacturing industry is regarded as a sunset industry in some regions, some countries or to some categories of garment, however, it is just another side of story for other regions, countries or garment categories.

Q2: The dividends paid by Carry Wealth amount to half of the total earnings. Is this the usual practice? Why not consider retaining more earnings for future development?

A2: Carry Wealth indicated in its prospectus issued on 29th February 2000 that, under normal circumstances, the amount of total dividends will be about 45% to 50% of the profit attributable to shareholders, and the interim dividend will be about one-third of the expected total dividends for that year. Before we adopted this dividend policy, the board has been very conservative and cautious about the keeping of enough reserves for future development use.

Q3: Indonesia is now the major production base of Carry Wealth. As far as we know, in view of the US Trade and Development Act of 2000, the Group has invested millions of US dollars in Central America and South Africa. What is the progress in this respect?

A3: It is true. A new law titled Trade and Development Act of 2000 was passed by the US in October last year. The law grants import duty free and quota free benefits in respect of the goods imported to the US by 24 countries of the Caribbean Basin (including countries in Central America) and 48 countries in sub-Saharan Africa. The Group just completed the acquisition of a knit factory stake in El Salvador in Central America for US$2 million. It is expected that the factory can provide an additional 20% production capacity. Furthermore, the Group also invested US$1 million for 70% interest in a joint venture in Lesotho in Africa for the production of knit tops. That joint venture is expected to provide another 10% of production capacity. Currently, Indonesia is still the main production base of the Group, which provides approximately 70% of the garments. However, the Group has planned to raise the production percentage of Central America and Africa to around 50% of the expanded production volume after a couple of years. It is believed that among the local garment manufacturers, Carry Wealth is one at the forefront enterprises that benefit under the new law. The vision of the management will bring opportunities to the Group well ahead of its competition.

Q4: In view of the opportunities of China's accession to the WTO, will Carry Wealth adopt measures to generate additional benefits for the Company?

A4: China's accession to WTO is a must. However, the US will not unilaterally offer too many benefits to China. It is believed that the terms and conditions of China's entry will contain checks and balances. Currently, the related laws and regulations need to be improved and the cost and production technology available in China and Indonesia is more or less the same. Therefore, to Carry Wealth, we believe we do not need to rush or hastily set up a factory in China. Nevertheless, Carry Wealth plans to set up a representative office in Dongguan and explore possible development opportunities in the mainland.

Q5: The US economy has recently slowed down. What is the impact on Carry Wealth?

A5: The slowdown of the US economy initiates the downward trend of the price of garment, and the competition between garment manufacturers is going intense. Some impacts on Carry Wealth are inevitable. However, Carry Wealth is a major supplier of its major customers. Even sales is declining, only non-major suppliers will suffer. At the moment, the number and aggregate value of the order-on-hand of Carry Wealth are more or less the same as in the corresponding period of last year. In addition, with a solid foundation in the garment manufacturing industry, together with our excellent and experienced management personnel, a well-developed operational structure and high production efficiency, the Group will not be severely affected.

Q6: Will Carry Wealth have any plans to develop retail business and build up its own brand name in the foreseeable future?

A6: A thorough understanding of the garment manufacturing business is indeed one of the core resources of Carry Wealth. Under the current environment of the global economy, the management is unable to conclude whether penetration into the retail business and building up a brand name can maximize the investment return of the shareholders. Therefore, the Group will not develop its own brand name at this moment.