

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited accounts for the year ended 31st December 2000.

Group reorganisation

The Company was incorporated in Bermuda on 18th September 1997 as an exempted company with limited liability in the name of Topwell Holdings Limited under the Companies Act 1981 of Bermuda (as amended).

By a special resolution passed on 7th January 2000, the name of the Company was changed to Carry Wealth Holdings Limited.

On 26th February 2000, pursuant to a group reorganisation to rationalise the structure of the Company and its subsidiaries (the “Group”) in preparation for the listing of the Company’s shares on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Topwell Group Development Ltd. (“TGDL”) through a share swap and became the holding company of TGDL and its subsidiaries listed in note 26 to the accounts. The Company’s shares were listed on the Stock Exchange on 13th March 2000.

Details of the group reorganisation referred to above (the “Group Reorganisation”) are set out in the paragraph headed “Corporate reorganisation” in appendix V of the prospectus issued by the Company dated 29th February 2000.

The Group Reorganisation has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation for these accounts is set out in notes 1 and 2 to the accounts.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 26 to the accounts.

An analysis of the Group’s turnover and contribution to operating profit for the year by principal activity and market is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 30.

The directors have declared an interim dividend of 5.6 Hong Kong cents per ordinary share, totalling HK\$20,160,000.

The directors recommended the payment of a final dividend of 11.2 Hong Kong cents per ordinary share, totalling HK\$40,320,000.

Reserves

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31st December 2000, the Company had distributable reserves amounting to HK\$166,577,000 (1999: Nil), including contributed surplus of HK\$165,739,000 (1999: Nil) which is distributable subject to conditions as set out above.

Movements in the reserves of the Group and the Company during the year are set out in notes 20 and 21 to the accounts.

Donations

Charitable donations made by the Group during the year amounted to HK\$395,750.

Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the accounts.

Share capital

Details of the movements in the share capital are set out in note 19 to the accounts.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 26 to the accounts.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group are set out in note 18 to the accounts.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 and 4.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares from 13th March 2000 (date of listing of the Company's shares on the Stock Exchange) up to 31st December 2000.

Directors

The directors of the Company during the year and up to the date of this report were:

Mr Rusli Hendrawan (*Chairman*)

Mr Lee Sheng Kuang, James (*Managing director*)

Mr Oey Tjie Ho

Mr Tang Chak Lam, Charlie (appointed on 23rd February 2000)

Mr Cheng Wing Chung* (appointed on 23rd February 2000 and resigned on 3rd April 2001)

Ms Choy Hok Man, Constance* (appointed on 23rd February 2000)

Ms Ho Main Wai, Amy** (appointed on 23rd February 2000)

Mr Lam Chi Kuen, Frank** (appointed on 3rd April 2001)

Mr Yu Hon To, David** (appointed on 23rd February 2000)

* *Non-executive director*

** *Independent non-executive director*

In accordance with Bye-law 86(2) of the Company's Bye-Laws, Mr Lam Chi Kuen, Frank shall retire from office at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Bye-law 87(1) of the Company's Bye-Laws, Ms Choy Hok Man, Constance shall retire and, being eligible, offer herself for re-election.

Biographical details of directors

Biographical details of directors are set out on pages 16 and 17.

Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing 1st January 2000, which may be terminated by either party thereto giving to the other party six months' prior notice in writing.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

Save as disclosed in note 25 to the accounts, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

During the year, the Group had the following connected transactions. Details of such connected transactions are set out below:

- (1) The related party transaction set out in note 25 to the accounts, which also constitutes a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") is the subcontracting fees paid to Charter, S.A. de C.V. ("Charter") for garment manufacturing, which is disclosed herein in accordance with a waiver previously granted

by the Listing Division of the Stock Exchange. In the opinion of the independent non-executive directors of the Company, these transactions were carried out:

- (a) (i) in the ordinary and usual course of business;
 - (ii) on normal commercial terms;
 - (iii) in accordance with the terms of the agreement governing such transactions or where there is no such agreement, on terms no less favourable than terms available to or from independent third parties; and
- (b) the aggregate amount of the subcontracting fees for the year ended 31st December 2000 did not exceed the amount of 8% of the audited consolidated turnover of the Group during the year.

The auditors of the Company has reviewed the transactions between Charter and the Group and confirmed to the board of directors of the Company in writing that in relation to such transactions occurring during the year ended 31st December 2000, (i) the transactions have been approved by the board of directors of the Company; (ii) the transactions have been conducted in accordance with the pricing policies as stated in the Group's accounts; (iii) the transactions have been entered into in accordance with the relevant agreement governing the transactions or where there is no such agreement, on terms no less favourable than terms available to or from independent third parties; and (iv) the aggregate subcontracting fees paid by the Group to Charter have not exceeded 8% of the Group's audited consolidated turnover for that year.

- (2) On 29th November 2000, Times King Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Mrs Wang Lee Ching-Hsien and Mr Tao Tieh-Lian, the owners of Charter, to acquire all the issued share capital of Charter for a consideration of US\$2 million (HK\$15,600,000). Mrs Wang Lee Ching-Hsien and Mr Tao Tieh-Lian, are a sister and brother-in-law respectively of Mr Lee Sheng Kuang, James, the managing director of the Company. The acquisition was approved by the shareholders on 5th January 2001 and completed on 9th January 2001.

Mr Lee Sheng Kuang, James holds approximately 45.83% interest in Respected International Limited (“RIL”), a substantial shareholder of the Company holding 45% of the issued share capital of the Company.

The above transaction has been disclosed in accordance with Chapter 14 of the Listing Rules.

Directors’ interests in equity or debt securities

As at 31st December 2000, the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register kept by the Company under Section 29 of SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) are as follows:

The Company

Name of director	Number of ordinary shares				Total interests
	Corporate interests <i>(Note)</i>	Personal interests	Family interests	Other interests	
Mr Rusli Hendrawan (“Mr Rusli”)	162,000,000	–	–	–	162,000,000
Mr Lee Sheng Kuang, James (“Mr Lee”)	162,000,000	–	–	–	162,000,000
Mr Oey Tjie Ho (“Mr Oey”)	162,000,000	–	–	–	162,000,000

Note:

These shares are held by RIL, which is ultimately owned as to 37.50%, 45.83% and 16.67%, by Mr Rusli, Mr Lee and Mr Oey respectively through their respective wholly-owned companies.

In addition, Mr Rusli, Mr Lee and Mr Oey are deemed to be interested in the share capital of all of the subsidiary and associated corporations of the Company by virtue of their interests in the Company.

Save as disclosed above, as at 31st December 2000, none of the directors or chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be recorded in the register kept under Section 29 of the SDI Ordinance or which were required to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debt securities

Under the terms of the Company's share option scheme (the "Scheme"), the directors of the Company are authorised to grant options to full-time employees (including executive directors) of the Company or its subsidiaries to subscribe for shares in the Company at prices to be determined in accordance with the terms of the Scheme. No options have been granted to any of the directors or employees of the Company or its subsidiaries under the Scheme during the year.

Save as disclosed above, at no time during the year, the directors or chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

As at 31st December 2000, according to the register of substantial shareholders kept under Section 16(1) of the SDI Ordinance, those shareholders having an interest of 10% or more of the issued share capital of the Company are as follows:

Name of shareholder	Number of ordinary shares	Percentage of issued share capital
RIL (<i>Note 1</i>)	162,000,000	45
Greatwood Investment Trading Limited (<i>Note 2</i>)	108,000,000	30
Mr Susanto (<i>Note 2</i>)	108,000,000	30

Notes:

1. RIL is ultimately owned by Mr Rusli and Mr Lee as to 37.50% and 45.83% respectively. Accordingly, the effective voting power of Mr Rusli and Mr Lee in the Company are deemed to be 16.88% and 20.62% respectively. These interests are the same interests of Mr Rusli and Mr Lee as disclosed in the section headed "Directors' interests in equity or debt securities".
2. These shares are held by Greatwood Investment Trading Limited which is wholly-owned by Mr Susanto.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- | | |
|-----------------------------------|-----|
| – the largest supplier | 25% |
| – five largest suppliers combined | 47% |

Sales

- | | |
|-----------------------------------|-----|
| – the largest customer | 49% |
| – five largest customers combined | 90% |

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above at any time in the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda.

Audit committee

The Company established an audit committee on 10th April 2000 and currently comprises Mr Yu Hon To, David, Ms Ho Main Wai, Amy and Mr Lam Chi Kuen, Frank, the independent non-executive directors.

Compliance with Code of the Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period except that the independent non-executive directors are not appointed for a specific term. The independent non-executive directors are subject to retirement by rotation in accordance with the provisions of the Company's Bye-Laws. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Sheng Kuang, James

Managing director

Hong Kong, 3rd April 2001