

Q1 How will military tensions in the Middle East affect Carry Wealth's business?

**A1 The immediate impacts of the recent military tensions in the Middle East are the weakening of US consumer confidence and the rise in the oil price. Both constrain customer spending and are indirectly hitting the US retail market. Coupled with the slowdown in the US economy, garment importers and buyers are taking a conservative stand and are moving very cautiously in placing orders. Inevitably, all garment vendors, including the Group, face demand for more price concessions and value-added features.**



In fact, the US is a vast market with a steady demand for casual wear. The Group's exports to the US in volume terms keep increasing. Once the military tensions are over and consumer confidence is back on track, the Group's profitability should be enhanced.

Q2 What measures have been taken to combat the unfavorable economic conditions?

**A2 The Group has been taking steps to address the unfavorable economic environment. From the marketing perspective, the Group is planning to stretch its sales and marketing arm to the US to further expand its customer base. The setting up of a US sales force will help to maintain closer contacts with US customers, grasp first hand market information and provide quality services more promptly to meet increasing customers' needs.**

To maintain the Group's competitiveness, a special task force comprising experienced factory managers and merchandising managers has been continuously enhancing the productivity and controlling the costs of the Group's production bases. The Group will also expand its sourcing capabilities in low cost countries and explore new and emerging business potential to strengthen its profitability.

**Q3** In 2002, Carry Wealth set up a representative office in Vietnam. Why? What is the development plan in Vietnam?

**A3** Provisional data for 2002 indicates that Vietnam was the 20th supplier to the EU, holding a 1.1 per cent of total EU textile and clothing imports. Buyers are drawn to Vietnam's low cost and high quality of products. In recent years, the Vietnamese government has been proactive in attracting foreign investment with the granting of tax benefits for products manufactured within export processing zones for export. The US-Vietnam bilateral trade agreement, which came into effect in December 2001, also makes Vietnam a favorable sourcing basis for US importers and buyers.

To capture the opportunities in this market, the Group established an office in Vietnam in August 2002. The office has helped to enhance the Group's sourcing capabilities.

In March 2003, the Group formed a joint venture in Vietnam for the production of knit products. The response from customers has been very encouraging. When suitable opportunities arise, the Group will consider expanding its presence in Vietnam.

**Q4** Do you expect Carry Wealth's existing dividend payout ratio to be sustained on a long-term basis?

**A4** It is our goal to maximize the returns of shareholders and return surplus cash to investors through dividends. We have adhered to our policy that the amount of total dividends should not be less than 45% of profit attributable to shareholders.

Having carefully considered our financial position and the development plans of the Group, the board believes that the dividend payout ratio should be sustained.