

**CARRY WEALTH HOLDINGS LTD :
CHRISTMAS COMING EARLY TO THE HKSAR**

It would appear that, in the eyes of the Inland Revenue Department of the Government of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the latest candidate for a listing on The Stock Exchange of Hongkong Ltd has been more than a little bit naughty.

In fact, the Inland Revenue Department slapped a fine of some \$HK14,614,000 on Carry Wealth Holdings Ltd as a very definite sign of its displeasure.

This is shown on Page 90 of the Prospectus of Carry Wealth, in the Accountants' Report, which reads: *'The Group's offshore income claims for the six months ended 31st December, 1998 had been subjected to review by the Hong Kong Inland Revenue (IRD) which was completed in October 1999. As a result, the Group reached an agreement with the IRD to settle the case by making an additional tax payment for compound penalty totalling approximately \$14.6 million.'*

One wonders whether or not had not Carry Wealth considered going public in the HKSAR, this matter would ever have arisen (future listing candidates, beware?).

But, other than this one hiccough, Carry Wealth appears to be a reasonably well run, basically Indonesian garment maker, with a very good track record for the past 43 months.

Carry Wealth is Placing a total of 72 million, 10-cent shares and is offering an additional 18 million shares at a Premium over the Par Value of 90 cents per share.

The Company describes itself as being a manufacturer and trader in knit tops -- polo shirts, casual shirts, T-shirts and blouses. In addition, the Company manufactures, exports and trades in woven bottoms -- pants and jeans -- and sweater tops, such as pullovers and cardigans.

Carry Wealth manufactures for such well-known popular brands as *GAP* and *TOMMY HILFIGER*.

Its trading record for the past 43 months, to July 31, 1999, appears to be more than reasonable although one must bear in mind that this is, after all, a *'bread and butter'* company, the type of enterprise which has been in existence since the Year Dot, and will be in existence until man decides to climb back into the trees to join his simian cousins, which have no need for clothing.

One may lift one's eyebrows, however, at the fact that there is a great deal of reliance, placed on just 4 major customers, with one customer, taking about 44.30 percent of the Total Turnover for the 7 months to July 31, 1999, while the 4 most important customers, in aggregate, accounted for about 92.20 percent for this 7-month period.

It seems clear that the major customers must be in the US since, according to the Prospectus, for the 7 months to July 31, 1999, about 84.20 percent of the Total Turnover was sold to US customers.

However, for a company, having been in business since 1992 and presently employing about 5,800 workers, one has to come to the obvious conclusion that Management knows what it is doing.

Taken from the Accountants' Report at Page 89 of the Carry Wealth Prospectus, the following is the story over the past 43 months:

| | Financial Year Ended December 31 | | | |
|-----------------------------------------|------------------------------------------------|-----------|-----------|-------------------------------|
| | 1996 | 1997 | 1998 | Seven Months to 31 July, 1999 |
| | <i>All Figures Are Denominated in \$HK'000</i> | | | |
| Turnover | 692,550 | 905,086 | 811,287 | 468,744 |
| Cost of Sales | (533,407) | (701,295) | (577,933) | (351,475) |
| Gross Profit | 159,143 | 203,791 | 233,354 | 117,269 |
| Other Revenue | 747 | 3,578 | 2,738 | 1,310 |
| Selling Expenses | (31,094) | (27,453) | (27,683) | (12,850) |
| Administrative Expenses | (52,676) | (54,044) | (58,352) | (36,346) |
| Profit from Operations | 76,120 | 125,872 | 150,057 | 69,383 |
| Tax Penalty | Nil | Nil | Nil | (14,416) |
| Provision for Investment * | Nil | Nil | (23,500) | Nil |
| Finance Expenses | (21,934) | (20,526) | (18,358) | (9,415) |
| Profit Before Taxation | 54,186 | 105,346 | 108,199 | 45,354 |
| Taxation | (6,891) | (4,905) | (7,690) | (10,275) |
| Net Profit Attributable to Shareholders | 47,237 | 102,798 | 100,072 | 34,052 |

* This relates to an abortive retail joint venture in the PRC, subsequently disposed of at \$HK9,000.

For the Financial Year, ended December 31, 1999, the Company is forecasting a Net Profit of not less than \$HK100 million.

This would indicate that the 1999 Year was a flat Year in terms of earnings.

As for dividends, for the 3 Financial Years, to December 31, 1998, it had been the policy of the Company to distribute about 50 percent of the Net Profits.

While there is no indication as to what is likely to be the dividends, paid to shareholders in future Years, there is an indication that, should ... [CLICK TO ORDER FULL ARTICLE](#)