



Notes to the Financial Statements

For the year ended March 31, 2003

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s ultimate holding company is Cafoong Limited, a company which is incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The Group is principally engaged in the purchasing, processing, assembling, merchandising, wholesale and retail distribution of pearls and jewelry products.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Further details of the effect on adopting these new and revised standards are as follows:

Foreign Currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, dividends received and interest paid which were previously presented under a separate heading, are classified as investing and operating cash flows, respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee Benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefits plans. Because the Group participates only in defined contribution retirement benefits schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.



Notes to the Financial Statements

For the year ended March 31, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and certain investment in securities, and in accordance with the accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after April 1, 2001 is capitalised and amortised on a straight-line basis over its useful economic life and is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Turnover

Turnover represents the net amounts received and receivable in respect of goods sold, less returns and allowances, by the Group to outside customers during the year.



Notes to the Financial Statements

For the year ended March 31, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rental invoiced in advance, from properties under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the shareholders' right to receive payments has been established.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is credited to the income statement.



Notes to the Financial Statements

For the year ended March 31, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Investment properties – Continued

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation less depreciation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the other property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 50 years
Leasehold improvements	25% – 33%
Plant and machinery	20% – 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

The cost of land use rights is amortised over the terms of the rights using the straight-line method.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.



3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Property, plant and equipment – Continued

Construction in progress is stated at cost which includes all construction costs and other direct costs, including borrowing costs capitalised, attributable to such projects. Construction in progress is not depreciated until the completion of construction. The cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.



3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as an expense as they fall due.



Notes to the Financial Statements

For the year ended March 31, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating segments – pearls and property investment. These following segments are the basis on which the Group reports its primary segment information:

Pearls – Purchasing, processing, assembling, merchandising, wholesale and retail distribution of pearls and jewelry products

Property investment – Leasing of properties

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended March 31, 2003

	Pearls HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
REVENUE			
External sales or rentals	323,082	7,455	330,537
RESULT			
Segment results	37,286	2,188	39,474
Unallocated other operating income			5,095
Unallocated corporate expenses			(11,649)
Profit from operations			32,920
Loss on disposal of subsidiaries	(438)	–	(438)
Finance costs			(1,629)
Share of results of an associate			(60)
Profit before taxation			30,793
Taxation			(4,528)
Profit after taxation			26,265



Notes to the Financial Statements

For the year ended March 31, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

BALANCE SHEET

At March 31, 2003

	Pearls HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	<u>252,779</u>	<u>112,400</u>	365,179
Unallocated corporate assets			<u>114,796</u>
Consolidated total assets			<u>479,975</u>
LIABILITIES			
Segment liabilities	<u>18,843</u>	<u>2,658</u>	21,501
Unallocated corporate liabilities			<u>37,560</u>
Consolidated total liabilities			<u>59,061</u>

OTHER INFORMATION

For the year ended March 31, 2003

	Pearls HK\$'000	Property investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Capital additions	8,963	2,053	167	11,183
Depreciation and amortisation	6,168	–	803	6,971
Allowance for bad and doubtful debts	440	–	–	440
Revaluation decrease on leasehold land and buildings	–	–	1,390	1,390
Net unrealised loss on listed other investments	–	–	3,606	3,606



Notes to the Financial Statements

For the year ended March 31, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

INCOME STATEMENT

For the year ended March 31, 2002

	Pearls	Property	Consolidated
	HK\$'000	investment	HK\$'000
		HK\$'000	
REVENUE			
External sales or rentals	282,715	7,526	290,241
	<hr/>		<hr/>
RESULT			
Segment results	40,418	3,224	43,642
	<hr/>	<hr/>	
Unallocated other operating income			4,398
Unallocated corporate expenses			(22,800)
			<hr/>
Profit from operations			25,240
Finance costs			(4,887)
			<hr/>
Profit before taxation			20,353
Taxation			(349)
			<hr/>
Profit after taxation			20,004
			<hr/>



Notes to the Financial Statements

For the year ended March 31, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

BALANCE SHEET

At March 31, 2002

	Pearls HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	238,560	104,420	342,980
Unallocated corporate assets			148,074
Consolidated total assets			491,054
LIABILITIES			
Segment liabilities	11,238	3,671	14,909
Unallocated corporate liabilities			76,032
Consolidated total liabilities			90,941

OTHER INFORMATION

For the year ended March 31, 2002

	Pearls HK\$'000	Property investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Capital additions	2,163	–	44	2,207
Depreciation and amortisation	5,836	–	1,406	7,242
Impairment losses	1,353	–	3,000	4,353
Allowance for bad and doubtful debts	5,054	–	–	5,054
Revaluation decrease on leasehold land and buildings	678	–	13,700	14,378
Net unrealised loss on listed other investments	–	–	1,728	1,728



Notes to the Financial Statements

For the year ended March 31, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China, other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's revenue and profit from operations by geographical market, irrespective of the origin of the goods or rentals:

	Revenue		Profit from operations	
	Year ended March 31, 2003 HK\$'000	Year ended March 31, 2002 HK\$'000	Year ended March 31, 2003 HK\$'000	Year ended March 31, 2002 HK\$'000
Hong Kong	54,459	64,616	8,886	10,396
North America	92,830	73,655	11,233	11,395
Europe	69,269	58,374	6,915	8,581
Japan	39,923	30,655	4,856	4,225
Other Asian countries	63,443	51,858	6,479	7,447
Others	10,613	11,083	1,105	1,598
	330,537	290,241	39,474	43,642
Unallocated other operating income			5,095	4,398
Unallocated corporate expenses			(11,649)	(22,800)
Profit from operations			32,920	25,240



Notes to the Financial Statements

For the year ended March 31, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – Continued

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	At March 31, 2003 HK\$'000	At March 31, 2002 HK\$'000	Year ended March 31, 2003 HK\$'000	Year ended March 31, 2002 HK\$'000
Hong Kong	352,235	331,314	6,698	1,036
PRC	127,740	159,740	4,485	1,171
	479,975	491,054	11,183	2,207

5. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	805	561
Underprovision in previous years	204	154
Depreciation and amortisation:		
Assets owned by the Group	6,971	7,125
Assets held under hire purchase contracts	–	117
Loss on disposal of property, plant and equipment	603	–
Staff costs, including directors emoluments	35,167	33,062
and after crediting:		
Gain on disposal of property, plant and equipment	–	56
Rental income from investment properties under operating leases (net of outgoings of HK\$115,000 (2002: HK\$131,000))	7,340	7,395



Notes to the Financial Statements

For the year ended March 31, 2003

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive	–	–
Independent non-executive	331	331
	331	331
Other emoluments:		
Executive		
Salaries and other allowances	7,210	7,228
Retirement benefits contributions	36	36
Performance related incentive payment	150	–
Approximate rateable value of properties for directors' accommodation	1,076	1,741
Independent non-executive	–	–
	8,472	9,005
	8,803	9,336

The directors' emoluments were within the following bands:

	No. of directors	
	2003	2002
Nil – HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	1



Notes to the Financial Statements

For the year ended March 31, 2003

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – Continued

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2002: three) were directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining two (2002: two) individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other allowances	1,050	1,078
Retirement benefits contribution	16	24
	1,066	1,102

The emoluments of each of the employees were under HK\$1,000,000.

During the years ended March 31, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended March 31, 2003 and 2002, no directors waived any emoluments.

7. INVESTMENT INCOME

	2003 HK\$'000	2002 HK\$'000
Interest income	620	2,624
Dividends received from listed other investments	362	255
	982	2,879

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,266	4,268
Bank borrowings not wholly repayable within five years	363	614
Obligations under hire purchase contracts	–	5
	1,629	4,887



Notes to the Financial Statements

For the year ended March 31, 2003

9. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	2,451	–
Underprovision in prior year	–	7
Income tax in the PRC attributable to the PRC subsidiaries	2,077	342
	4,528	349

Hong Kong Profits Tax is calculated at a rate of 16% of the estimated assessable profit for the year.

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

Income tax in the PRC is calculated at 15% of the income of the PRC subsidiaries for the year ended March 31, 2003 while it was calculated at a range of rates of 7.5% to 15% of the income of the PRC subsidiaries for the year ended March, 31, 2002.

Details of the unprovided deferred taxation are set out in note 24.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$26,588,000 (2002: HK\$20,387,000) and on the weighted average number of 751,871,000 (2002: 673,296,000) shares in issue during the year.

No diluted earnings per share have been presented for both years as the exercise prices of the Company's outstanding share options for the year ended March 31, 2003 and the exercise prices of the Company's outstanding share options and warrants for the year ended March 31, 2002 were higher than the average market price for shares.



Notes to the Financial Statements

For the year ended March 31, 2003

11. INVESTMENT PROPERTIES

	HK\$'000
THE GROUP	
At April 1, 2002	104,420
Transferred from property, plant and equipment	13,080
Revaluation decrease	(5,100)
At March 31, 2003	112,400

The Group's investment properties at March 31, 2003 were revalued by Insignia Brooke, an independent firm of professional property valuers, on an open market value basis, at HK\$112,400,000. The revaluation decrease arising on revaluation of the investment properties amounting to HK\$5,100,000 has been charged to the investment property revaluation reserve.

All the Group's investment properties are rented out under operating leases.

The carrying value of investment properties shown above comprises:

	2003 HK\$'000	2002 HK\$'000
Land and buildings situated in Hong Kong and held under:		
Long leases	19,940	8,510
Medium-term leases	30,720	34,910
Land and buildings situated in the PRC and held under medium-term land use rights	61,740	61,000
	112,400	104,420



Notes to the Financial Statements

For the year ended March 31, 2003

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Construct- ion in progress HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At April 1, 2002	59,000	–	15,941	6,938	8,927	4,309	95,115
Currency realignment	5	–	3	3	1	1	13
Additions	–	3,516	160	770	1,135	556	6,137
Acquired on acquisition of a business unit	–	–	–	4,498	184	364	5,046
Disposals	–	–	(779)	(277)	(155)	(651)	(1,862)
Transferred to investment properties	(13,190)	–	–	–	–	–	(13,190)
Adjustment on revaluation	(1,985)	–	–	–	–	–	(1,985)
Eliminated on disposal of subsidiaries	–	–	(617)	(22)	(621)	–	(1,260)
At March 31, 2003	43,830	3,516	14,708	11,910	9,471	4,579	88,014
Comprising:							
At cost	–	3,516	14,708	11,910	9,471	4,579	44,184
At valuation – 2003	43,830	–	–	–	–	–	43,830
	43,830	3,516	14,708	11,910	9,471	4,579	88,014
DEPRECIATION AND AMORTISATION							
At April 1, 2002	–	–	11,393	4,551	5,830	3,183	24,957
Currency realignment	1	–	2	2	1	1	7
Provided for the year	1,115	–	2,283	1,375	1,681	517	6,971
Eliminated on disposals	–	–	(483)	(106)	(137)	(81)	(807)
Eliminated on revaluation	(1,006)	–	–	–	–	–	(1,006)
Transferred to investment properties	(110)	–	–	–	–	–	(110)
Eliminated on disposal of subsidiaries	–	–	(500)	–	(329)	–	(829)
At March 31, 2003	–	–	12,695	5,822	7,046	3,620	29,183
NET BOOK VALUES							
At March 31, 2003	43,830	3,516	2,013	6,088	2,425	959	58,831
At March 31, 2002	59,000	–	4,548	2,387	3,097	1,126	70,158



Notes to the Financial Statements

For the year ended March 31, 2003

12. PROPERTY, PLANT AND EQUIPMENT – Continued

The net book value of leasehold land and buildings shown above comprises:

	2003	2002
	HK\$'000	HK\$'000
Land and buildings situated in Hong Kong and held under:		
Long leases	960	14,240
Medium-term leases	29,930	31,960
Land and buildings situated in the PRC and held under medium-term land use rights	12,940	12,800
	43,830	59,000

The Group's leasehold land and buildings at March 31, 2003 were revalued by Insignia Brooke, which is an independent firm of professional property valuers, on an open market value basis, at HK\$43,830,000. The revaluation decrease arising from revaluation of certain leasehold land and buildings amounting to HK\$1,390,000 has been charged to the income statement. The revaluation increase arising from revaluation of the remaining leasehold land and buildings amounting to HK\$411,000 has been credited to the other property revaluation reserve.

If leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation at HK\$51,450,000 (2002: HK\$69,347,000).

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	206,664	206,664
Amounts due from subsidiaries	129,374	108,674
	336,038	315,338

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group pursuant to the corporate reorganisation in 1997.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and accordingly, the amounts are classified as non-current.



Notes to the Financial Statements

For the year ended March 31, 2003

13. INTERESTS IN SUBSIDIARIES – Continued

None of the subsidiaries had issued any debt securities at the end of the year.

Details of the Company's subsidiaries at March 31, 2003 are set out in note 33.

14. INVESTMENT SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost:		
Hong Kong	–	900
The PRC	5,586	5,430
	5,586	6,330
Impairment loss (<i>note</i>)	(3,000)	(3,000)
	2,586	3,330

Note: The amount represents an impairment loss recognised on an investment in a 19.5% equity interest in Shantou City Shaohe Pearl Seawater Cultured Co., Ltd. (汕頭市紹河珍珠海水養殖有限公司), a company registered in the People's Republic of China which is engaged in the cultivation of saltwater pearls. During the year ended March 31, 2002, the directors reviewed the carrying value of the investment securities by reference to the recoverable value of their underlying assets and liabilities and determined that the recoverable amount of the investment securities had declined below their carrying value. Accordingly, the investment securities at March 31, 2002 was reduced by HK\$3,000,000 to reflect this impairment. The directors considered that the recoverable amount of the investment securities at March 31, 2003 are worth at least their carrying value.

15. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	12,917	1,773
Work in progress	29,399	35,679
Finished goods	91,894	81,059
	134,210	118,511

At March 31, 2003, included above is finished goods of HK\$80,344,000 (2002: HK\$66,029,000) carried at net realisable value.



Notes to the Financial Statements

For the year ended March 31, 2003

16. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

Included in trade and other receivables of the Group are trade receivables of HK\$69,841,000 (2002: HK\$60,814,000) and their aged analysis is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0-60 days	59,969	37,804
61-120 days	8,371	19,232
> 120 days	1,501	3,778
	69,841	60,814

17. OTHER INVESTMENTS

	THE GROUP AND THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Listed equity investments in Hong Kong, at market value	9,978	13,584

18. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$5,553,000 (2002: HK\$3,726,000) and their aged analysis is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0-60 days	4,972	3,651
61-120 days	576	67
> 120 days	5	8
	5,553	3,726



Notes to the Financial Statements

For the year ended March 31, 2003

19. SECURED BANK BORROWINGS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
The secured bank borrowings are repayable as follows:		
Within one year or on demand	5,575	35,020
More than one year, but not exceeding two years	5,575	5,575
More than two years, but not exceeding five years	9,141	12,841
More than five years	1,719	3,594
	22,010	57,030
<i>Less:</i> Amount due within one year, shown under current liabilities	(5,575)	(35,020)
Amount due after one year	16,435	22,010

20. SHARE CAPITAL

	Number of Shares		Share Capital	
	2003	2002	2003	2002
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	1,500,000	1,500,000	150,000	150,000
Issued and fully paid:				
At beginning of the year	751,871	631,871	75,187	63,187
Issue of shares on placement (<i>note</i>)	–	120,000	–	12,000
At end of the year	751,871	751,871	75,187	75,187

Note:

On November 15, 2001, arrangements were made for a placement to independent investors of 120,000,000 new ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.12 per share representing a discount of approximately 16.08% to the closing market price of the Company's shares on November 15, 2001. The proceeds were used to provide additional working capital for the Group. These new shares were issued on November 26, 2001 under the general mandate granted to the directors at the annual general meeting of the Company held on August 2, 2001.

All the shares issued during the year ended March 31, 2002 rank pari passu with the then existing shares in all respects.



21. SHARE OPTION SCHEMES

- (a) The Company adopted a share option scheme on September 8, 1997 (the “1997 Scheme”) for the primary purpose of providing the employees of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group. Under the 1997 Scheme, the board of directors of the Company may grant options to full-time employees of the Group including executive directors, to subscribe for shares in the Company at a price determined by the board of directors being not less than 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options or the nominal value of the shares, whichever is the higher, subject to a maximum of 10% of the issued share capital of the Company from time to time.

No employee shall be granted an option which, if exercised in full, would result in that employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under the 1997 Scheme.

The 1997 Scheme shall be valid and effective for a period of 10 years commencing September 8, 1997.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$10 for each grant of options. Options may be exercised at any time within a period of two years commencing on the expiry of six months after respective date of acceptance and expiring on the last day of the two-year period or the tenth anniversary of the date of adoption of the 1997 Scheme, whichever is the earlier.

At March 31, 2002, the number of shares in respect of which options had been granted under the 1997 Scheme was 43,261,319, representing 5.8% of the shares of the Company in issue at that date. All options under the 1997 Scheme lapsed during the year ended March 31, 2003.



Notes to the Financial Statements

For the year ended March 31, 2003

21. SHARE OPTION SCHEMES – Continued

The following table discloses movements in the Company's share options granted under the 1997 Scheme during the year:

	Date of grant	Exercise price per share HK\$	Outstanding at April 1, 2001	Lapsed during the year ended March 31, 2002	Outstanding at April 1, 2002	Lapsed during the year ended March 31, 2003	Outstanding at March 31, 2003
Directors	November 16, 1999	0.2133	5,520,861	–	5,520,861	(5,520,861)	–
	April 28, 2000	0.2475	30,000,000	–	30,000,000	(30,000,000)	–
Total for directors			35,520,861	–	35,520,861	(35,520,861)	–
Other employees	November 16, 1999	0.2133	3,780,589	(840,131)	2,940,458	(2,940,458)	–
	April 28, 2000	0.2475	8,400,000	(3,600,000)	4,800,000	(4,800,000)	–
Total for other employees			12,180,589	(4,440,131)	7,740,458	(7,740,458)	–
			47,701,450	(4,440,131)	43,261,319	(43,261,319)	–

The share options granted on November 16, 1999 could have been exercised at any time during the period from May 16, 2000 to May 15, 2002 while those granted on April 28, 2000 could be exercised at any time during the period from October 28, 2000 to October 27, 2002.

No share options were exercised by the grantees during the years ended March 31, 2002 and 2003.

- (b) Pursuant to the changes of the Rules Governing the Listing of Securities on the Stock Exchange in relation to share option schemes, on August 2, 2002, the Company adopted a new share option scheme (the “2002 Scheme”) and terminated the 1997 Scheme. Upon termination of the 1997 Scheme, no further options will be granted thereunder but in all other respects, the provisions of the 1997 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.



21. SHARE OPTION SCHEMES – Continued

The purpose of the 2002 Scheme is to provide incentives to the eligible participants who were granted options to contribute to the Group and to enable the Group to recruit high-caliber employees and attract resources that are valuable to the Group. Under the 2002 Scheme, the board of directors of the Company may grant options to any person being an employee, officer, agent, or consultant of the Group including executive or non-executive directors of the Company and its subsidiaries, to subscribe for shares in the Company at a price to be determined by the board of directors being at least the highest of (a) the closing price of the shares on the Stock Exchange on the date of grant of the option, which must be a trading day; (b) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (c) the nominal value of the shares.

A total of approximately 75,187,000 shares of the Company are available for issue under the 2002 Scheme, which represents 10% of the issued share capital of the Company as at the date of approval of the 2002 Scheme and the date of the annual report for the year ended March 31, 2003. Subject as provided in the 2002 Scheme, the Company may seek approval from its shareholders in general meeting to refresh this 10% limit but the total number of shares which may be issued under the 2002 Scheme must not exceed 30% of the number of shares in issue from time to time.

No participant shall be granted an option which, if accepted and exercised in full, would result in the participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and which may be issued upon exercise of all options granted and to be granted to him, together with all options granted and to be granted to him under any other share option schemes of the Company and/or any subsidiaries, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options), would exceed 1% of the number of shares in issue as at the proposed date of grant.

The 2002 Scheme shall be valid and effective for a period of 10 years commencing August 2, 2002.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 for each grant of options. Subject as provided in the 2002 Scheme, options may be exercised at any time during the option period, which is to be notified by the board of directors to each grantee, commencing on the date of grant or such later date as the board of directors may decide and expiring on such date as the board of directors may determine, provided that such period is not to exceed ten years from the date of grant, and subject to any restrictions that may be imposed by the board of directors in its discretion.

Details of the principal terms of the 2002 Scheme are set out in the circular of the Company dated July 4, 2002.

No options have been granted under the 2002 Scheme since its adoption.



21. SHARE OPTION SCHEMES – Continued

- (c) The stock option plan of Man Sang Holdings, Inc. (“MSH”), an intermediate holding company of the Company (the “MSH Option Plan”) was adopted on October, 1996 for the primary purpose of providing incentives to employees, consultants and directors of MSH and its affiliates, including subsidiaries. The MSH Option Plan will remain effective until October 2006.

The maximum number of shares of common stock which may be issued or delivered and as to which awards may be granted under the MSH Option Plan was 1,000,000 shares, which was subsequently revised to 2,000,000 shares, as adjusted by the antidilution provisions contained in the MSH Option Plan. The exercise price for a stock option must be at least equal to 100% (110% with respect to incentive stock options granted to participants holding ten percent or more of the outstanding common stock) of the fair market value of the common stock on the date of grant of such stock option for incentive stock options, which are available only to employees of the Company, and 85% of the fair market value of the common stock on the date of grant of such stock option for other stock options.

The duration of each option will be determined by the Compensation Committee, but no option will be exercisable more than ten years from the date of grant (or, with respect to incentive stock options granted to participants holding ten percent or more of the outstanding common stock not more than five years from the date of grant). Unless otherwise determined by the Compensation Committee and provided in the applicable option agreement, options will be exercisable within three months of any termination of employment, including termination due to disability, death or normal retirement (but no later than the expiration date of the option).



Notes to the Financial Statements

For the year ended March 31, 2003

21. SHARE OPTION SCHEMES – Continued

The following table discloses the movements in the stock options of MSH granted under the MSH Option Plan:

	Date of grant	Exercise price per share US\$	Outstanding at April 1, 2001	Cancelled during the year ended March 31, 2002	Outstanding at April 1, 2002	Granted during the year ended March 31, 2003	Outstanding at March 31, 2003
Directors	September 16, 1997	1.22	300,000	–	300,000	–	300,000
	March 26, 2003	1.10	–	–	–	250,000	250,000
			300,000	–	300,000	250,000	550,000
Other employees	September 16, 1997	1.22	200,000	(50,000)	150,000	–	150,000
			500,000	(50,000)	450,000	250,000	700,000

For stock options granted on September 16, 1997, the holders can subscribe for the shares of common stock at a subscription price of US\$1.22 per share. 50% of the granted stock options are exercisable on or after September 16, 1998 and the balances are exercisable on or after September 16, 1999; however none of them may be exercised after September 15, 2007. For stock options granted on March 26, 2003, the holders can subscribe for the shares of common stock at a subscription price of US\$1.10 per share, 50% of which are exercisable on or after March 26, 2004, and the balances are exercisable on or after March 26, 2005, however none of them may be exercisable after March 25, 2013.

No stock options were exercised by the grantees during the years ended March 31, 2002 and 2003. It is not practicable to allocate the directors' entitlements between their services to each of MSH and its affiliates.



Notes to the Financial Statements

For the year ended March 31, 2003

22. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE COMPANY				
Balance at April 1, 2001	73,698	206,459	2,506	282,663
Issue of shares at premium	2,400	–	–	2,400
Share issue expenses	(370)	–	–	(370)
Net loss for the year	–	–	(2,680)	(2,680)
Balance at April 1, 2002	75,728	206,459	(174)	282,013
Net loss for the year	–	–	(3,579)	(3,579)
Balance at March 31, 2003	75,728	206,459	(3,753)	278,434

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the corporate reorganisation in 1997.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

In the opinion of the Company's directors, the Company's net reserves available for distribution to shareholders at March 31, 2003 amounted to HK\$202,706,000 (2002: HK\$206,285,000), which represents the aggregate of contributed surplus of HK\$206,459,000 (2002: HK\$206,459,000) and accumulated losses of HK\$3,753,000 (2002: HK\$174,000).



Notes to the Financial Statements

For the year ended March 31, 2003

23. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured and non-interest bearing and has no fixed terms of repayment. The immediate holding company agreed that the amount will not be repayable within twelve months from the balance sheet date and accordingly, the amount is classified as non-current.

24. DEFERRED TAXATION

At March 31, 2003, the major components of potential deferred tax (asset) liability are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Taxation losses	(6,133)	(6,992)
Excess of tax allowances over depreciation	842	51
	(5,291)	(6,941)

The amounts of potential deferred tax charge (credit) for the year are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Taxation losses	859	954
Excess of tax allowances over depreciation	791	(181)
	1,650	773

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

At March 31, 2003, the Group had an unprovided deferred tax liability of HK\$18,612,000 (2002: HK\$17,900,000) representing the potential taxation effect of timing differences relating to the revaluation increase arising on the revaluation of the Group's properties in the PRC. The deferred tax liability has not been provided as, in the opinion of the directors, the Group will not dispose of its interest in the properties in the PRC in the foreseeable future.



Notes to the Financial Statements

For the year ended March 31, 2003

24. DEFERRED TAXATION – Continued

No provision for deferred taxation has been made on the revaluation increase arising on the revaluation of the Group's properties in Hong Kong as profits arising on the disposal of these properties would not be subject to taxation.

The Company had no material unprovided deferred taxation at the balance sheet date.

25. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	431
Interests in an associate	240
Inventories	3,428
Trade and other receivables	1,506
Bank balances and cash	1,966
Trade and other payables	(1,850)
Minority interests	(1,720)
	<hr/>
	4,001
Loss on disposal	(438)
	<hr/>
Total consideration	3,563
	<hr/>
SATISFIED BY	
Cash	2,307
Inventories	1,256
	<hr/>
	3,563
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration	2,307
Bank balances and cash disposed of	(1,966)
	<hr/>
	341
	<hr/>

The subsidiaries disposed of during the year did not have material contribution to the Group's turnover and profit from operations.



Notes to the Financial Statements

For the year ended March 31, 2003

26. ACQUISITION OF A BUSINESS UNIT

During the year, the Group acquired a business unit which is principally engaged in trading of jewelry products for a consideration of HK\$7,200,000. Details of the acquisition are as follows:

	2003 HK\$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	5,046
Inventories	2,154
	<hr/>
Consideration	7,200
	<hr/>
Satisfied by:	
Cash paid on acquisition	5,200
Outstanding instalments payable within one year	2,000
	<hr/>
	7,200
	<hr/>

27. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets to banks to secure bank borrowings and general banking facilities granted to the Group:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Carrying amount of leasehold land and buildings	39,050	28,914
Carrying amount of investments properties	83,894	88,813
Bank deposits	-	16,169
	<hr/>	<hr/>
	122,944	133,896
	<hr/>	<hr/>



Notes to the Financial Statements

For the year ended March 31, 2003

28. CAPITAL COMMITMENT

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the financial statements	-	188

The Company had no capital commitment at the balance sheet date.

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases in respect of land and buildings during the year were HK\$3,974,000 (2002: HK\$4,678,000).

At the balance sheet date, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	1,025	2,802
In the second to fifth year inclusive	-	6
	1,025	2,808

Leases are negotiated for an average term of one to two years and rentals are fixed during the relevant lease period.

The Company had no significant operating lease commitment at the balance sheet date.



Notes to the Financial Statements

For the year ended March 31, 2003

29. OPERATING LEASE ARRANGEMENTS – Continued

The Group as lessor

Property rental income earned during the year was HK\$7,455,000 (2002: HK\$7,526,000). Most of the properties held have committed tenants for the next one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	1,358	2,624
In the second to fifth year inclusive	334	828
	1,692	3,452

30. CONTINGENT LIABILITIES

At March 31, 2003, the Company had issued corporate guarantees to banks in respect of general banking facilities granted to its subsidiaries. The extent of facilities utilised by the subsidiaries at March 31, 2003 amounted to HK\$22,010,000 (2002: HK\$27,585,000).

At the balance sheet date, the Group had no significant contingent liabilities.

31. RELATED PARTY TRANSACTIONS

On December 1, 2002, the Group disposed of its entire equity interest in a wholly owned subsidiary, Accurate Gain Developments Limited, for a consideration of HK\$300,000 to Mr. Cheng Chung Hing and Mr. Cheng Tai Po, directors of the Company. The gain arising from the disposal amounted to approximately HK\$60,000.

During the year, Yuen & Partners received professional fees of HK\$301,000 (2002: HK\$36,000) for the provision of legal and professional services to the Group. Mr. Yuen Ka Lok, Ernest, an independent non-executive director of the Company, is a partner of Yuen & Partners.

The above transactions were carried out based on terms agreed by the relevant parties to the transactions.

Details of balance with the Company's immediate holding company are set out in note 23.



Notes to the Financial Statements

For the year ended March 31, 2003

32. RETIREMENT BENEFITS SCHEME

The Group participates in a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefits scheme operating by the local PRC government. The subsidiaries are required to contribute 8% of the average basic salary to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income statement of HK\$737,000 (2002: HK\$622,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company’s subsidiaries at March 31, 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company	Principal activities
Arcadia Jewellery Limited	Hong Kong	Ordinary shares HK\$500,000	100%	Trading and manufacturing of pearls and jewelry products
Asean Gold Limited	British Virgin Islands/Hong Kong	Ordinary shares US\$10,000	100%	Investment holding
Cyber Bizport Limited	Hong Kong	Ordinary shares HK\$10,000,000	100%	Investment holding
Damei Pearls Jewellery Goods (Shenzhen) Co., Ltd.	PRC	Registered capital HK\$6,000,000	100%	Purchasing and processing of pearls
Excel Access Limited	Hong Kong	Ordinary shares HK\$5,000	100%	Property investment



Notes to the Financial Statements

For the year ended March 31, 2003

33. PARTICULARS OF SUBSIDIARIES – Continued

Name of subsidiary	Place of incorporation or registration/operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company	Principal activities
Hong Kong Man Sang Investments Limited	Hong Kong	Ordinary shares HK\$5,000	100%	Property holding
M. S. Collections Limited	Hong Kong	Ordinary shares HK\$500 Non-voting deferred shares HK\$500	100%	Investment holding
Man Hing Industry Development (Shenzhen) Co., Ltd.	PRC	Registered capital HK\$16,800,000	100%	Purchasing and processing of pearl and assembling of pearl jewelry and property investment
Man Sang Development Company Limited	Hong Kong	Ordinary shares HK\$5,000	100%	Investment and property holding
Man Sang Enterprise Ltd.	British Virgin Islands/ Hong Kong	Ordinary shares US\$100	100%	Investment holding
Man Sang Innovations Limited	Hong Kong	Ordinary shares HK\$5,000	100%	Investment holding
Man Sang Jewellery Company Limited	Hong Kong	Ordinary shares HK\$500 Non-voting deferred shares HK\$500	100%	Trading of pearl products and investment holding
Market Leader Technology Limited	British Virgin Islands/ Hong Kong	Ordinary shares US\$100	100%	Investment holding



Notes to the Financial Statements

For the year ended March 31, 2003

33. PARTICULARS OF SUBSIDIARIES – Continued

Name of subsidiary	Place of incorporation or registration/operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company	Principal activities
Peking Pearls Company Limited	Hong Kong	Ordinary shares HK\$2	100%	Inactive
Sokeen Limited	Hong Kong	Ordinary shares HK\$350,000	100%	Inactive
Swift Millions Limited	Hong Kong	Ordinary shares HK\$5,000	100%	Property investment
Tangzhu Jewellery Goods (Shenzhen) Co., Ltd.	PRC	Registered capital HK\$6,800,000	100%	Purchasing and processing of pearls
4376zone.com Limited	Hong Kong	Ordinary shares HK\$5,000	100%	Retail of jewelry and e-commerce trading

Note 1: The Company directly holds the interests in Man Sang Enterprise Ltd., Man Sang Innovations Limited and Market Leader Technology Limited. All other interests shown above are indirectly held by the Company.

Note 2: The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

Note 3: Damei Pearls Jewellery Goods (Shenzhen) Co., Ltd., Man Hing Industry Development (Shenzhen) Co., Ltd. and Tangzhu Jewellery Goods (Shenzhen) Co., Ltd. were registered in the PRC as wholly-owned foreign investment enterprises.