Principal Accounting Policies

A BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with International Accounting Standards (IAS) and under the historical cost convention, except as disclosed in the accounting policies below.

In 2002, the Group adopted IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property". The effect of adopting these standards is summarized in note 21 to the financial statements. Further information is disclosed in the accounting policies on tangible assets, investment properties and financial instruments.

The Company is incorporated in Bermuda. In view of the international nature of the Group's operations, the amounts shown in the Group's financial statements are presented in the United States Dollars.

The Group's separable segments are set out in note 1 to the financial statements.

B BASIS OF CONSOLIDATION

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries together with the Group's share of the results and retained post acquisition reserves of its associates under the equity method of accounting, drawn up for the year ended 31st March. The results of subsidiaries and associates are included from the effective dates of acquisition up to the effective dates of disposal.

Subsidiaries

Subsidiaries are those companies in which the Group, directly or indirectly, has an interest held for the long term, of more than 50% of the voting rights and is able to exercise control over the operations. Separate disclosure is made of minority interests. Investments in subsidiaries are stated at cost less provision for impairment losses in the Company's balance sheet.

Associates

Associates are those companies, not being subsidiaries, in which the Group has an attributable interest of 20% or more of the voting rights held for the long term or over which the Group exercises significant influence, but which it does not control. The Group's investments in associates are included in the consolidated balance sheet at the Group's share of attributable net assets. Income from associates is included in the consolidated income statement at the Group's share of profits less losses of associates. Investments in associates are stated at cost less provision for impairment losses in the Company's balance sheet.

C GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and amortized using the straight line method over its estimated useful life not exceeding five years. Goodwill on acquisitions which occurred prior to 1st April 1996 was charged direct to reserves in the year of acquisition.

The profit or loss on disposal of a subsidiary or an associate is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortized but does not include any attributable goodwill previously eliminated against reserves.

The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

D NEGATIVE GOODWILL

Negative goodwill represents the excess, as at the date of acquisition, of the Group's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the plan for an acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill will be recognized as income in the income statement when the future losses and expenses are recognized.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses at the date of acquisition, negative goodwill will be recognized as income in the income statement on a systematic basis over the remaining useful life of the identifiable acquired depreciable/amortizable assets. The amount of any negative goodwill in excess of the fair values of acquired identifiable non-monetary assets will be recognized as income immediately.

The gain or loss on disposal of a subsidiary or an associate includes the unamortized balance of negative goodwill relating to the subsidiary or associate disposed of.

E FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the rates of exchange ruling at the balance sheet date. Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date.

Net exchange differences arising from the translation of the financial statements of subsidiaries and associates expressed in foreign currencies are taken directly to exchange reserve. All other exchange differences are dealt with in the consolidated income statement.

F REVENUE RECOGNITION

Revenue from the sale of goods is recognized upon delivery of products and customer acceptance. Revenue is stated net of sales taxes and discounts, after eliminating sales within the Group.

Revenue from the delivery of services is recognized when the services are rendered.

Interest income is recognized on an effective yield basis. Dividend income is recognized when the Group's right to receive payment is established.

G RESEARCH AND DEVELOPMENT

Research and development costs are written off as incurred.

H INTANGIBLE ASSETS

Intangible assets represent purchased research and development on acquisition of businesses and are initially recognized at cost, being the fair value at date of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization commences when the developed product is ready for its intended use.

I TANGIBLE ASSETS AND DEPRECIATION

Land and buildings (except for investment properties referred to in note (J) below) are stated at cost or valuation performed by professional valuers every three years less amounts provided for depreciation except in the case of freehold land which is not depreciated. In the intervening years the directors review the carrying value and adjustment is made where there has been a material change. The valuations are on an open market value basis and are incorporated in the annual financial statements. Increases in valuation are credited to the revaluation reserve; decreases are first set off against increases on earlier valuations in respect of the same assets and thereafter are debited to the consolidated income statement. Upon the disposal of a revalued property, the relevant portion of the realized revaluation reserve in respect of previous revaluations is transferred from revaluation reserve to revenue reserve. All other tangible assets are stated at cost less accumulated depreciation.

Where the carrying amount of a tangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of tangible assets are determined by reference to their carrying amounts and are included in operating profit.

Depreciation is calculated on a monthly basis to write off the cost or valuation of assets on a straight-line basis over their estimated useful lives which are as follows:

Long-term leasehold buildings	Lease term
Freehold buildings, short-term leasehold buildings and leasehold improvements	10 to 30 years or lease term, if shorter
Machinery and equipment	3 to 5 years
Motor vehicles, furniture and fixtures	3 to 7 years
Moulds	1 year

In prior years, the Group accounted for leasehold interests in land at valuation less accumulated depreciation. Starting from the current year, with the adoption of IAS 40, "Investment Property", which clarified that leasehold interests in land should not be stated at valuation and should be treated as operating leases and be stated at amortized cost. Accordingly, the beginning balance of leasehold land had been restated and reclassified as disclosed in notes 9 and 10 to the financial statements. The effect of this change has been to increase shareholders' funds at 1st April 2000 and 1st April 2001 by US$0.2 million and US$0.1 million respectively.

J INVESTMENT PROPERTIES

Investment properties are interests in land and buildings which are held for their investment potential.

In prior years, investment properties were stated at valuation performed by professional valuers annually. The valuations were on open market value basis related to individual properties and were incorporated in the annual financial statements. Under IAS 40 "Investment Property", which the Group adopted at 1st April 2001, changes in fair values are recorded in the consolidated income statement. These changes were previously taken directly to investment properties revaluation reserve but are now recognized in the consolidated income statement. The amounts included in revaluation reserve for investment properties has been reclassified to the opening balance of revenue reserve, the comparative amounts for the year ended 31st March 2001 have been restated.

In addition, with the adoption of IAS 40 as described in note (I) above, the Group no longer accounted for leasehold interests in land at valuation. Accordingly, the beginning balance of leasehold interests in land with respect to investment properties had been restated and reclassified as disclosed in notes 9 and 10 to the financial statements.

These changes have no significant effect on shareholders' funds at 1st April 2000 and 1st April 2001.

K CONSTRUCTION IN PROGRESS

Consruction in progress represents buildings under construction and is stated as cost. Construction in progress is not depreciated until such time as the assets are completed and put into operational use.

L LEASES

Leases of property, plant and equipment that substantially transfer to the Group all the benefits and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Finance charges are debited to the income statement in proportion to the capital balances outstanding.

Leases of assets under which all the benefits and risks of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leasehold land payments are up-front payments to acquire long-term leasehold interests in land. These payments are stated at cost and are amortized over the period of the lease. In previous years, long-term leasehold interests in land were recognized as tangible fixed assets and were stated at valuation.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

M IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets, including goodwill and other intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying values exceed their recoverable amounts are written down to amounts determined using discounted net future cash flows expected to be generated by the assets.

N OTHER INVESTMENTS

Other investments are held for the long term and stated at cost less provision, if any, for permanent diminution in value. Where there is a permanent diminution in value of an investment, it is recognized as an expense in the period in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

O STOCKS

Stocks are stated at the lower of cost and net realizable value. Cost, calculated on the weighted average or the first in first out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less estimates of costs to completion and selling expenses.

P TRADE DEBTORS

Trade debtors are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Q CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and deposits, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

R PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group recognizes the estimated liability on expected return claims with respect to products sold. This provision is calculated based on past experience of the level of repairs and returns.

The Group provides for expenses related to closure of business locations and reorganizations of the Group's operations which are subject to detailed formal plans that are under implementation or have been communicated to those affected by the plans. Provision is made when it is probable that an outflow of economic benefits will arise and the amounts can be reliably estimated.

A provision is made for the estimated liability for compensated leave as a result of services rendered by employees up to the balance sheet date. Employee entitlement to compensated leave is recognized on an accrual basis.

S DEFERRED TAXATION

Deferred taxation is provided under the liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

A deferred tax asset is only recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

Provision for withholding tax which could arise on the remittance of earnings retained overseas is only made where there is a current intention to remit such earnings.

T RETIREMENT BENEFIT COSTS

The Group operates a number of defined contribution retirement schemes throughout the world, including Hong Kong, and a defined benefit retirement scheme in Hong Kong. The assets of all schemes are held separately from those of the Company and its subsidiaries.

Contributions to the defined contribution schemes are at various funding rates that are in accordance with the local practice and regulations.

For long-term employee benefits, pension costs arising under the defined benefit scheme are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every year. Plan assets are measured at fair value. Pension obligations are measured as the present value of the estimated future cash flows of benefits derived from employees past services, with reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees. The net asset or liability resulting from the valuation of the plan is recognized in the Group's balance sheet.

Contributions relating to the defined contribution schemes are charged to the income statement in the year to which they relate.

U FINANCIAL INSTRUMENTS

The Group's activities expose it to financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swaps contracts to hedge certain exposures.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge), a hedge of a forecasted transaction or of a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the consolidated income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognized in hedging reserve. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in hedging reserve are transferred to the consolidated income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If certain derivative transactions, while providing effective economic hedges under the Group's policies, do not qualify for hedge accounting under the specific rules in IAS 39, changes in the fair value of these derivative instruments are recognized immediately in the consolidated income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in hedging reserve at that time remains in hedging reserve and is recognized, when the committed or forecasted transaction ultimately is recognized in the consolidated income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the consolidated income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objective and strategy for undertaking various hedge transactions.

This is a change in accounting policy as in previous years the unrealized gains and losses on forward contracts to hedge specific future currency transactions were matched against the losses and gains on the specific transactions.

V DIVIDENDS

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

W BORROWINGS

Borrowings are recognized at the proceeds received, net of transaction costs incurred.