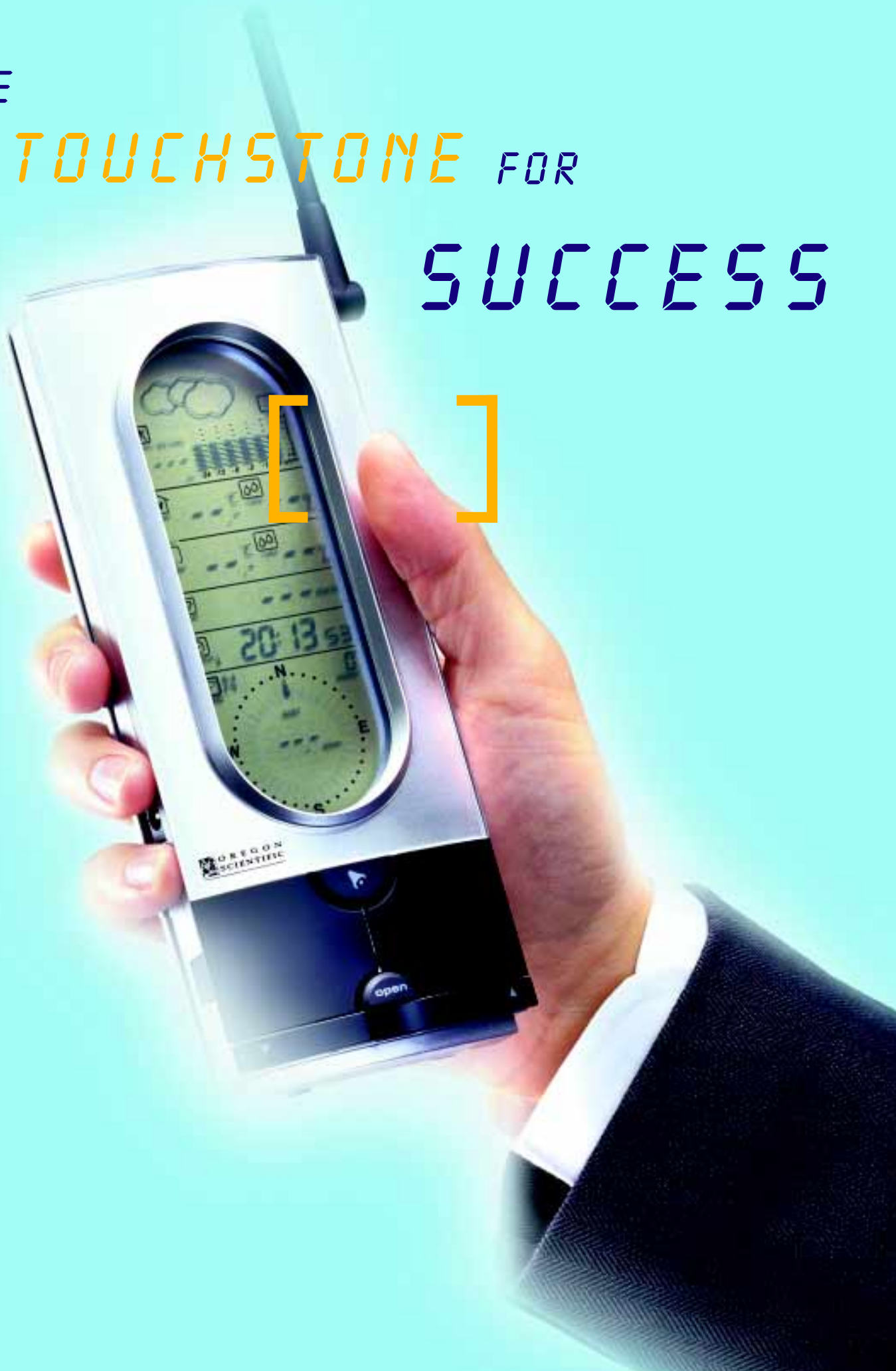


THE

TOUCHSTONE FOR

SUCCESS



PRINCIPAL ACTIVITIES

The Group's activities are principally in the conception, design, manufacturing and marketing of consumer electronic products which feature liquid crystal display ("LCD") and microprocessor technologies. These activities are carried out through two distinct channels. One is for customers on an Original Equipment Manufacture ("OEM")/Original Design Manufacture ("ODM") as well as private label basis and the other is through the Group's own brands which are distributed through wholly owned marketing offices worldwide as well as appointed distributors.

The Group comprises four distinct product divisions – LCD Consumer Electronic Products, Telecommunication Products, Electronic Personal Information Products and Electronic Learning Products, the first two of which are separately listed on the Main Board of the Singapore Exchange Securities Trading Limited. The product divisions are in turn supported by centralised Group functions including Executive Management, Sales and Marketing, Research and Development, Finance and Information Technology.

The Group comprises four distinct product divisions of which two are separately listed in Singapore.

OVERVIEW

The financial year ended March 31, 2001 was certainly an eventful one, at least in terms of the many challenges that the Group faced and at the same time a rewarding one in the way the Group was able to emerge from those challenges.



(left to right) Projection Clock, Blood Pressure Meter, Altimeter

In particular, the Telecommunication Products division faced a very difficult environment throughout the year. Firstly, it suffered from cost increases due to component shortages, followed by pricing pressures emanating from its main market, the US.

The LCD Consumer Electronic Products division also faced a difficult trading environment from its key market, Europe, in the form of pricing pressures due to the continuous weakening of the Euro.

The excellent performances of the Electronic Personal Information Products and Electronic Learning Products divisions were the highlights of the year.

The performance of each division is discussed in greater detail below.

The Group has forged ahead with its overseas expansion through the "Oregon Scientific" distribution channels with the creation of three new marketing offices in the year. The performance of the existing marketing offices was encouraging with an increase in sales of the "Oregon Scientific" and "Huger" branded products of 32%.

OVERVIEW (continued)

The Group has strengthened its research and development and manufacturing capabilities. This is crucial to the Group's continued success and underpins the Group's mission of creating innovative products that enhance people's daily lives through LCD and microprocessor technologies.

FINANCIAL

The Group achieved a record turnover of HK\$2,884.5 million in the financial year ended March 31, 2001, an increase of 10% over last year. All divisions recorded an increase in turnover with the exception of the Telecommunication Products division which suffered a 19% drop due to severe pricing pressure. Profit attributable to shareholders was HK\$132.8 million. However, recurring profit attributable to shareholders was HK\$130.2 million against HK\$141.5 million for the financial year of 2000. The key point to note is that for the first time all divisions made a positive contribution to profit for the year.

Gross profit was HK\$807.5 million, an increase of HK\$49.7 million over last year. The Group did suffer a slight drop in gross profit ratio from 29% in financial year of 2000 to 28% in financial year of 2001. The pricing pressures of the LCD Consumer Electronic Products and Telecommunication Products divisions were mitigated by the performance of the Electronic Personal Information Products and Electronic Learning Products divisions and the growth in sales through the "Oregon Scientific" distribution network.

Operating expenses increased by HK\$132.8 million from last year. The increase reflects the increased costs from the Group's overseas expansion as well as the increased expenditure in research and development.

The Group generally finances its operations from internal cash flow. Net cash balances at March 31, 2001 stood at HK\$405.2 million, which was HK\$102.1 million lower than last year. The decrease is mainly due to the investment



(left to right) Digital Voice Recorder, Digital Camera, Wav DJ, "Zip My Robot Friend" electronic learning games

made in the new production facility in Xixian, Shenzhen, the PRC. Net cash balances at year end accounted for 40% of shareholders' funds.

The Group has sufficient financial resources to fund its operations, current investment needs and development plans.

The Group is funded entirely by equity. The Group does not have any secured or unsecured long-term debt. Short-term bank borrowings of HK\$39.7 million at March 31, 2001 were in relation to bills payable, import loans and bank overdrafts.

FINANCIAL (continued)

The Group exercises tight control on credit. Terms of trade are normally on letter of credit with the exception of sales between member companies of the Group or to selected customers with long established business relationships and strong financial positions.



(left to right) HKEIA Award, Design & Engineering Showcase Award, Best Toys Award

The Group's exposure to foreign currency is mainly in Euro and Sterling arising from sales transactions between local and overseas member companies. The management of currency risk is centralised in the Group's headquarter in Hong Kong. The policy is to hedge trading transactions by means of forward contracts.

The Group's contingent liabilities at March 31, 2001 were HK\$3.9 million in relation to bills discounted with recourse.

SALES AND MARKETING

The Group has expanded its global presence by adding three new marketing offices around the world – Poland, Nordic (based in Copenhagen) and Australia. With six existing marketing offices in Europe, three in the US and three in Asia, the Group is extremely well positioned to continue to expand its business in key markets. These direct sales, marketing and distribution activities are all grouped together under Oregon Scientific Global Distribution Limited established in Hong Kong. In addition, the Group has another direct distribution company in Germany, Huger Electronics GmbH, which is a subsidiary of IDT Holdings (Singapore) Limited.

The marketing offices are managed by individuals with strong experience in the field of sales and marketing. Their role is critical to develop and implement the most effective sales and marketing strategies in their particular market. At the same time, they constitute the best source of information regarding products trends, competitors' activities, consumers' needs and market dynamics. In an industry where product life cycles are becoming shorter and shorter, having such a strong direct market presence is vital to anticipate needs and to introduce new products at the right time.

World class fairs and trade shows are effective means to showcase the Group's products.



SALES AND MARKETING (continued)

With the exception of the Telecommunication Products division which currently develops and manufactures all its products on a private label basis, the majority of products developed and manufactured by the other three divisions bear the "Oregon Scientific" brand and are sold through the distribution network of Oregon Scientific Global Distribution Limited. The German subsidiary, Huger Electronics GmbH, also sells a range of products under the "Huger" label in its market. Sales of products under the "Oregon Scientific" brand and "Huger" label for the financial year ended March 31, 2001 reached HK\$910.1 million, a 32% increase over last year.



(left to right) Cordless Phone, Web Screen

Additionally, the Group continues to deal with a number of strategic partners on a private label and ODM basis. The goal is to develop complementary business through clear product differentiation and distinct distribution channels. The Group has also been very successful in attracting a number of customers selling products that leverage on our core technology in specific niche applications. The Telecommunication Products division

works exclusively with a number of global companies with top-class brands and established distribution networks.

Even though Europe represents the core of the "Oregon Scientific" products business today, the growth prospects are still excellent even in the more mature markets such as Germany and Italy. A new management team is leading our efforts in North America and the newly established Asia Pacific team will continue its expansion program into new markets in the rest of the world.

Thanks to concentrated and targetted marketing efforts, the "Oregon Scientific" brand has achieved a reasonably high level of awareness in the western world, which we aim to replicate in Asia. We have developed a print campaign that is used globally. In order to achieve the best results in terms of effectiveness, we are working with a global partner for our media buying and locally with the most professional, creative and well established public relation agencies.

Given the highly innovative nature of the "Oregon Scientific" branded products which are created to enhance people's daily life, we are frequently featured in many magazines editorials. Launch events and sponsorships are also key strategies in the creation of the brand image. World class fairs and trade shows such as CES in Las Vegas, Toy Fair in New York, CEBIT and IFA in Europe are effective means to showcase the Group's products to the most important distribution and retail channels.

The retail concept for "Oregon Scientific" products is being implemented worldwide. It is our goal to have flagship Oregon Scientific stores in key cities around the world. Our first store has been operating successfully for more than two years in the centre of Milan. We have now launched our franchise model and our first franchised store was opened in Rome in November 2000.



Our first Oregon Scientific retail store is in the centre of Milan and the first franchised store was opened in Rome in November 2000.

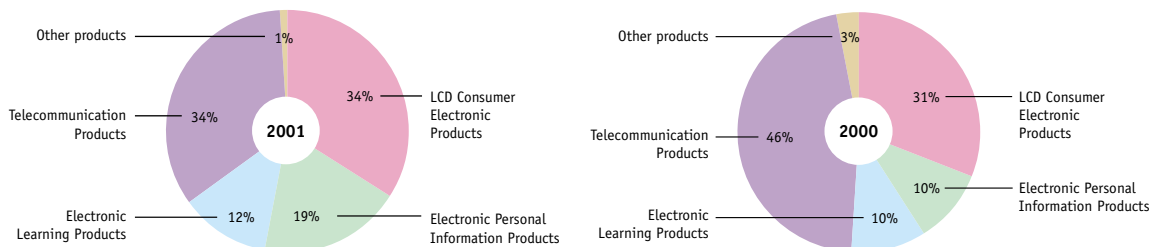
SALES AND MARKETING (continued)

Many of our customers have adopted our modular display cabinets to create store corners or shops in shop. Such an approach presents significant advantages. The brand is well exposed at point of sale. It also allows us to present the whole line of our products to consumers in a very attractive way and ensures that the image of the brand is consistent throughout the world. Furthermore, it creates a stronger link with the retailers.

SALES SEGMENTATION BY PRODUCT GROUP AND MARKET

Sales segmentation by product group (see the charts below) clearly demonstrates the Group's ability to develop new business segments while leveraging its core competencies through the value chain. The balance between the four product divisions creates a healthy situation with no segment being higher than one-third of the Group's total business. It is worth noting the significant growth shown by the two developing product divisions – Electronic Personal Information Products and Electronic Learning Products.

Sales segmentation by product group



Sales segmentation by geographical location of market (see the charts below) recognises the importance of the North American market but the share represented by Europe and Asia Pacific is now growing.

Sales segmentation by market



PRODUCT DIVISIONS

The Group's success is mainly driven by its ability to continually develop new products with innovative features.

The **LCD Consumer Electronic Products** business, which is operated under the Singapore listed subsidiary IDT Holdings (Singapore) Limited, continued its strong performance since listing in January 1997. Products of this division are broadly segregated into four main categories - Environmental Monitoring Devices (formerly known as Measuring Devices), Timing Devices, Health Care and Sports Products (formerly known as Health Care Products) and Other Products and Services. Total revenue for the year was HK\$975.3 million, an increase of 13% over last year. Sales of new products accounted for approximately 31% of total sales.



The Group has been re-located to a new factory facility during the year.

In the year, Environmental Monitoring Devices remained the largest single product category of this division by both revenue and product diversity. The majority of sales continued to be products designed for use within the domestic household environment - Thermometers, Hygrometers, Barometers and Weather-stations. The new product lines of Thermometers, Barometers and NOAA weather alarms all offer wireless (cable free) links using Radio Frequency (RF) technology to remote sensors placed outdoors or away from the main unit. Such innovations continue to stimulate market growth for these products.

Timing Devices remained the second largest product category of the division. The sales of this product category continued to be strong in the year. The products include RF Clocks, Alarm Clocks and Timers. The division maintained its market leadership in the high-end RF Clocks with products having coverage in each of the four world markets that has the radio time signals (i.e. U.K., Europe, Japan and the US). Furthermore, the division continues to offer more value-added features to enhance the appeal of its RF Clocks and Alarm Clocks. For the less sophisticated products of Timers, sales continued their modest decline due to ever increasing competition and margin erosion on these lower cost products.

Health Care and Sports Products is the third largest product category. Sales and gross margins continued to improve largely due to a better sales mix following the launch of a series of new products. The division anticipates that increased concern about health, fitness and well-being coupled with the shift in demographics worldwide make this a major growth opportunity. Accordingly, the division continues to invest significantly in new models and products in this category. At the first stage of development, a whole range of stand-alone vital signs monitors which include heart rate monitors, blood pressure monitors, non-invasive thermometers and weigh scales with fat monitoring features is under the final development process and is expected to be launched to the market in the new financial year. The division considers the prospects for this category are excellent and will become one of its major revenue streams.

PRODUCT DIVISIONS (continued)

The **Telecommunication Products** business, which was listed on the Singapore Exchange Securities Trading Limited in January 2000 under I-Comm Technology Limited, had a challenging year as a result of significant pricing pressures in the telecommunication industry especially in the US and serious components shortages. Although sales have decreased by 19% reaching HK\$981.1 million due to severe price cutting in the North American market, sales in term of units actually increased over last year.

In line with the Group's strategic direction, and to more efficiently group similar operational and marketing activities, this product division has created three business units ("BU"). BU1 is focused primarily on cordless telephones, BU2 on new emerging wireless product market and BU3 on transceivers, pagers and other accessories.

Unit sales of BU1 increased compared to the financial year of 2000, but because of an average 22% decrease in selling prices, revenue declined from HK\$1,056.0 million last year to HK\$838.1 million in the year. The upward movement in component prices was most severe in the first half of the year, easing in the second half.

The cordless telephone market, despite being a mature market, is not shrinking in terms of market size, and the division sees very real opportunities in this market for competitive companies such as itself. The division intends to pursue a number of initiatives in this market. These initiatives range from an increased focus on the European

The Group's success is mainly driven by its ability to continually develop new products with innovative features.



market, developing new customer relationships, designing and developing its own products and marketing products under the Group's "Oregon Scientific" brand. While these initiatives may only have limited financial impact in the financial year of 2002, they are expected to reap larger financial rewards in subsequent years.

BU2 is focused on developing new wireless products. Initially, it will concentrate on mobile internet products, which management believes is the most profitable market niche. This unit has already generated some revenue in the year and has secured strategic contracts from global telecommunications companies such as Ericsson. However, due to the development lead times in designing and developing such new products, the major impact on the Group's profitability will not be seen until financial year 2003.

PRODUCT DIVISIONS (continued)

Sales for BU3 for the year were HK\$143.0 million, compared to HK\$150.6 million last year. The average selling prices for transceivers, which comprise the bulk of this unit's revenue, were constant compared to last year. Compared to BU1, the impact of material price increases was limited, and margin erosion was insignificant.

However, management expects some downward selling price pressure in the transceiver market in the financial year of 2002. To preserve profitability, there will be continued focus on reducing costs and expenses through various ongoing operational programs. Market reach will be extended, through two means. The first is the increased emphasis on expanding the European customer base, and the second is through introducing "Oregon Scientific" branded products, to be sold through the Group's own global distribution network.



(left to right) Computer Numeric Control (CNC) machine centre, Surface Mount Technology machine

The division's strategy to reduce its dependence on the US market has been put in place but will have a more visible impact in the new financial year. Together with the development of mobile internet products, the division is now producing a range of high-featured products under the Group's "Oregon Scientific" brand. Those initiatives will create a more significant

presence in the European markets. At the same time, continuous improvement programs have been put in place to generate higher level of efficiencies and profitability.

The **Personal Information Products** division has seen its sales grow by 113% to reach HK\$542.4 million. The division benefited greatly from a project to develop and manufacture an internet related data recording device. In parallel, previous year's investment in developing Personal Digital Assistants, digital cameras and digital audio devices were critical to capture the growing demand for these products.

The trend from data storage and management to digital mobile connectivity opens a whole new area of opportunities. It has to be said though that competition worldwide is heating up. Differentiation in product features and functions to offer clear benefits to the end-user has been a driving factor for this division. Addressing the needs of early followers rather than trendsetters with focus on user-friendliness and affordability is the cornerstone of the division's strategy. The division is aggressively pursuing a number of ODM opportunities as well as leveraging on the "Oregon Scientific" brand and its sales network.

The **Electronic Learning Products** division has also performed very well with sales reaching HK\$368.6 million, showing a 50% growth over last year.

PRODUCT DIVISIONS (continued)

The electronic learning products market has existed for some time but nothing new had been created until the division launched its first products under the "Oregon Scientific" brand. This division introduced many innovative learning products including the first character driven products, safe-site.net and Smart Card. These new ideas were well received and the products picked up many major toy and consumer awards including several "Toy of the Year" awards and the "Innovative Product Award" at the Consumer Electronics Show.

Since the first year of production, this division has been preparing for licensed products but the brand and distribution channels were not ready to support a major licence at the time. Now in its third year, the division is in a position to build on its success and is launching a range of licensed products.

The success of the traditional electronic learning computers will continue but the division is looking for bigger growth areas in the electronic learning products market in order to strengthen its product base. One such area is the CD-ROM multimedia line incorporating 3D PC based software and sound and music peripherals. The division's production methods have reduced the normal long development times for multimedia products ensuring that we are at the forefront of the latest technology.

The division is equally focused on its OEM activities and devotes a dedicated team with full resources to support the needs of all its OEM partners. These relationships have been established for many years and continue to bring new opportunities for the Group to prove its capabilities to meet the requirements of its customers.



(left to right) Electrical Discharge machine, Computer Numeric Control (CNC) machine centre

MANUFACTURING

The Group has full in-house manufacturing facilities wholly centred upon Xixian, Shenzhen, the PRC. Following re-location to a new factory facility during the year, the Group now occupies 12 factory blocks. The additional factory space has allowed the Group to consolidate all its in-house manufacturing

facilities in one location and gain in efficiency. Accordingly, the manufacturing and assembly processes now occupy an area of approximately 812,000 sq. ft. (2000: 636,000 sq. ft.) whereas surface mount technology (SMT) and wire-bonding facilities as well as precision plastic moulding (PPM) and mould-making facilities occupy an area of approximately 23,000 sq. ft. (2000: 15,000 sq. ft.) and 177,000 sq. ft. (2000: 130,000 sq. ft.) respectively. This investment was undertaken to prepare the Group for anticipated increase in volumes from all divisions.

Greater integration in the manufacturing processes gives the Group higher flexibility. Not only can costs be contained, but quality can also be more assured and on-time delivery can be better controlled.

RESEARCH AND DEVELOPMENT

The Group's continued commitment to research and development ("R&D") of new technology since the creation of a Group R&D function in 2000 can be gauged from the increase in R&D spending from 3% of sales last year to approximately 4% in the year.

The Group currently has a team of 60 engineers in Hong Kong and has created a second R&D centre located in Shekou, the PRC. This new centre will specialise in digital audio and imaging technologies. The R&D group are also forging links with a number of universities and learning institutions in joint collaboration to develop new technologies and applications.

KYOSHA HOLDINGS (SINGAPORE) LIMITED

The Group's 37% owned associate, Kyosha Holdings (Singapore) Limited ("Kyosha") which produces printed circuit boards ("PCBs") in the PRC to supply to Japanese and American branded manufacturers based in the PRC, contributed profits of HK\$8.0 million to the Group in the year. Kyosha is now gearing up to produce the state-of-the-art double-sided PCBs with the expansion of its factory facilities and the acquisition of new equipment.

EMPLOYEES AND REMUNERATION POLICIES

At March 31, 2001, the Group had a total number of approximately 8,700 employees (2000: about 9,600 employees), which is about 9% less than last year. Management team has remained stable and committed throughout the year.

The Group recognises the importance of its employees and offers remuneration package in line with industry practice which is subject to annual review. Bonuses are awarded to employees based on individual performance and the Group's performance. Other staff benefits include medical insurance and mandatory provident fund. In Xixian at where the Group centres its production facilities, staff welfare was paid with reference to the prevailing labour laws in China. The Company and its two Singapore listed subsidiaries each has an employees' share option scheme to allow granting of share options to certain selected employees with reference to their contribution.

FUTURE PROSPECTS

The Group is actively pursuing new opportunities for growth through new and innovative products and new markets leveraging on its excellent reputation as an original design manufacturer as well as through continued development of its own "Oregon Scientific" and "Huger" brands. Barring unforeseeable circumstances, the board of directors of the Company are cautiously optimistic that the results for the financial year of 2002 will be satisfactory.



Alain J.G. Li

Executive Director & Chief Financial Officer

Hong Kong

June 26, 2001