FINANCIAL INFORMATION

Turnover of the Group for the year ended March 31, 2006 was HK$2,372.2 million, representing a decrease of 18% when compared with the last financial year. Gross profit decreased by 38% to HK$622.9 million while gross profit margin decreased from 35% to 26%. The decline in gross profit margin was attributable to the liquidation of MP3 and digital camera products and the clearance of excessive inventory of high-end models of LCD Consumer Electronic Products at repositioned prices.

Loss from operations was HK$217.3 million, compared with profit from operations of HK$200.0 million last year. Loss attributable to shareholders for the year ended March 31, 2006 was HK$263.4 million. The increase in overseas sales and marketing headcounts and the expanded cost structures based on generous projection of LCD Consumer Electronic Products sales and the growth potential of MP3 and digital camera products explained the loss. The management had, however, implemented a series of cost cutting measures to keep operating expenses under tight control, resulting in a 28% reduction in total operating expenses in the fourth quarter.

All the four business divisions of the Group serve the Oregon Scientific brand. During the review period, Oregon Scientific accounted for 61% of the Group's total turnover while ODM/OEM business generated the rest.

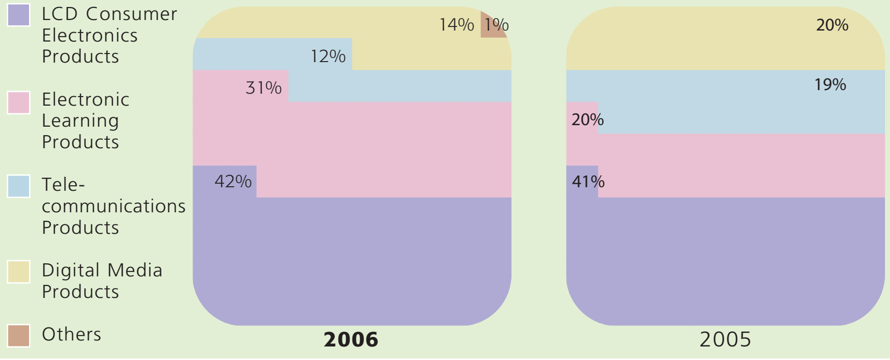
ODM/OEM sales decreased by 37% to HK$928.8 million as a result of the Group's strategic repositioning of the Digital Media Products and Telecommunications Products divisions to exit from low-margin and price-competitive products and the decrease of ODM/OEM sales of LCD Consumer Electronic Products due to market competition. However, ODM/OEM business is expected to improve in the new financial year as the LCD Consumer Electronic Products division and Telecommunications Products division have had success in securing new customers during the year.

OREGON SCIENTIFIC

Oregon Scientific recorded a moderate sales increase of 1% to reach HK$1,443.4 million. In addition to the flagship product categories, the Electronic Learning Products division introduced "SmartGlobe™", which snatched several international innovative design awards including the Consumer Product Design Grand Award of 2005 Hong Kong Awards for Industries. The product will be launched globally in the new financial year and will become the spearhead Electronic Learning Product.

Geographically, Europe market's turnover lowered by 13% to HK$682.9 million, as compared with last year. It was mainly attributable to the 21% decrease in sales of LCD Consumer Electronic Products in the market. Gross margin also narrowed at the impact of clearance of excessive inventory at repositioned prices.

SALES BY PRODUCT GROUP



OREGON SCIENTIFIC
(continued)

To strengthen its leading market position in Europe, the Group adopted a new distribution strategy entailing the launch of a new line of timing and weather forecast products with the aim of boosting its market share in all channels including mass retailers, electronics chain stores, speciality stores, hypermarkets, department stores, major catalogues and corporate sales channels, and ultimately its share in the market. Furthermore, a new childcare product line was launched at the end of last year. It drew positive initial market response and enjoyed prominent shelf exposure in some major channels.

Sales from the America market increased by 19% to HK$635.2 million. Sales of Electronic Learning Products in the US and Brazil recorded a growth of 12% and 75% respectively. Growth in sales in the market is expected to continue in the new financial year as the new products, especially new licenced products, launched this year are winning customer support.

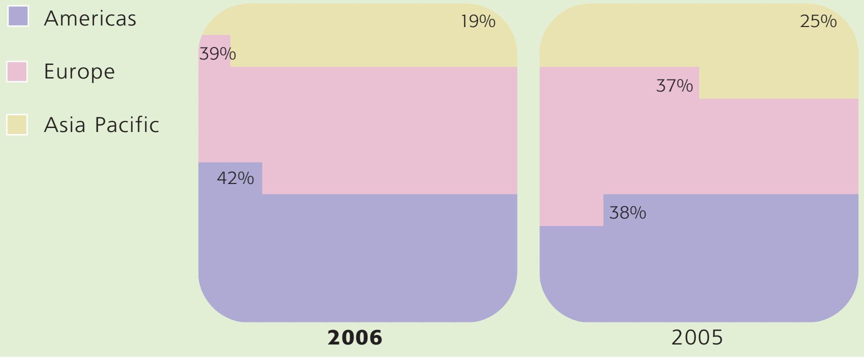
Oregon Scientific's sports and fitness products was the second best selling among sports brands in Brazil with sales surged 19% during the review period. Although the US is a strategic market for Oregon Scientific, with the majority of its products currently sold through mass retailers, the market yields a relatively lower gross profit margin. To improve the gross profit margin, the management has taken steps to expand distribution channels in the market to include speciality stores and enterprise channels and to rationalize the commercial terms with major retailers and distributors.

The introduction of new innovative products facilitated the opening of more new channels and securing of new customers by Oregon Scientific to widen margins. These new products included a weather forecast product line for a well-known household brand customer in the US and the first generation wireless real time weather forecast device jointly developed with Microsoft.

The Asia Pacific market achieved HK$125.3 million in turnover during the review period, up 19% as compared with last year. It was mainly driven by the growth in sales of Electronic Learning Products.

To align its operations with set business strategies and enhance operational efficiency, the Group streamlined its operation teams in Mainland China, Hong Kong and South East Asia and grouped them under one regional management. The move resulted in better allocation of management resources and more effective sales and marketing activities, which have helped to maximize the brand value and sales potential of Oregon Scientific. The Group has begun to see increase in sales turnover and reduction in operating cost thanks to the business alignment.

SALES BY MARKET



Operations Review

LCD CONSUMER ELECTRONIC PRODUCTS DIVISION

The development of innovative timekeeping and weather forecast equipment, sports and fitness and personal healthcare products are the core competency of the division. New products are launched under three main categories, namely environment monitoring devices, timing devices, health care and sports & fitness products. The division is dedicated to ensuring every product it creates fully matches the needs of its customers, embraces active lifestyle and new technologies and conductive to the environment and health. A range of childcare products were launched to market towards the end of the financial year and positive responses were received. To maintain its market leadership, the division has taken on the strategy of turning new products that can claim to be "world first" in terms of technology or application, and that are capable of generating higher gross margin and profit contribution.

The division recorded sales of HK$994.6 million, down 17% from last year's. It accounted for 42% of the Group's turnover and remained the largest division of the Group.

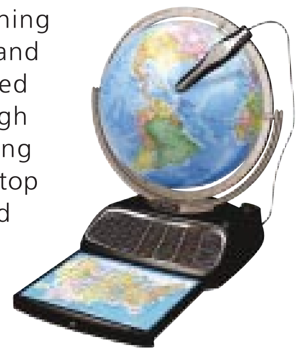
There was no reduction in the quantity of products sold in major markets but the clearance of excessive inventory of the high-end models at repositioned prices dragged down the average selling price and gross profit margin of branded sales.

The sales of ODM/OEM products decreased by 24% as compared with last year, a result of some key Japanese and US customers trimming orders as products became commoditised.

Heeding the trend, the management has been actively cultivating new major customers and new products that employ new technologies will come on stream, starting in the second quarter of the new financial year.

ELECTRONIC LEARNING PRODUCTS DIVISION
DIGITAL MEDIA PRODUCTS DIVISION

ELECTRONIC LEARNING PRODUCTS DIVISION



The division is constantly updating its learning products to reflect advances in technology and in educational practices and trends. Licensed laptop business will be strengthened through more exciting product design and interesting learning contents. New models for juniors laptop and pocket learners series have been developed to extend its sales seasons to all year round.

The division recorded sales of HK$733.3 million for the year, 30% higher than last year and representing 31% of the Group's turnover. Sales of Oregon Scientific brand products increased 19% to HK$467.5 million, accounting for 64% of the division's total sales. ODM/OEM sales grew 55%.

Besides achieving double-digit growth in the US, which is the most prominent toy market in the world, the Group's electronic learning products also reported satisfactory growth in all other markets driven by flagship children learning laptop products licensed with Barbie®, Dora®, Batman® and Hot Wheels®. The Group also saw the successful launch of the award winning "SmartGlobe™", the world's first interactive learning product which can be updated via the Internet, in the USA in the fourth quarter. The "SmartPen™" is another product with an interactive learning platform integrated with optical, electronic and Internet technologies. The Group collaborated with a publisher for bundling the "SmartPen™" with children textbooks. The product offers thousands of choices of interactive learning contents and interesting games for different age groups.

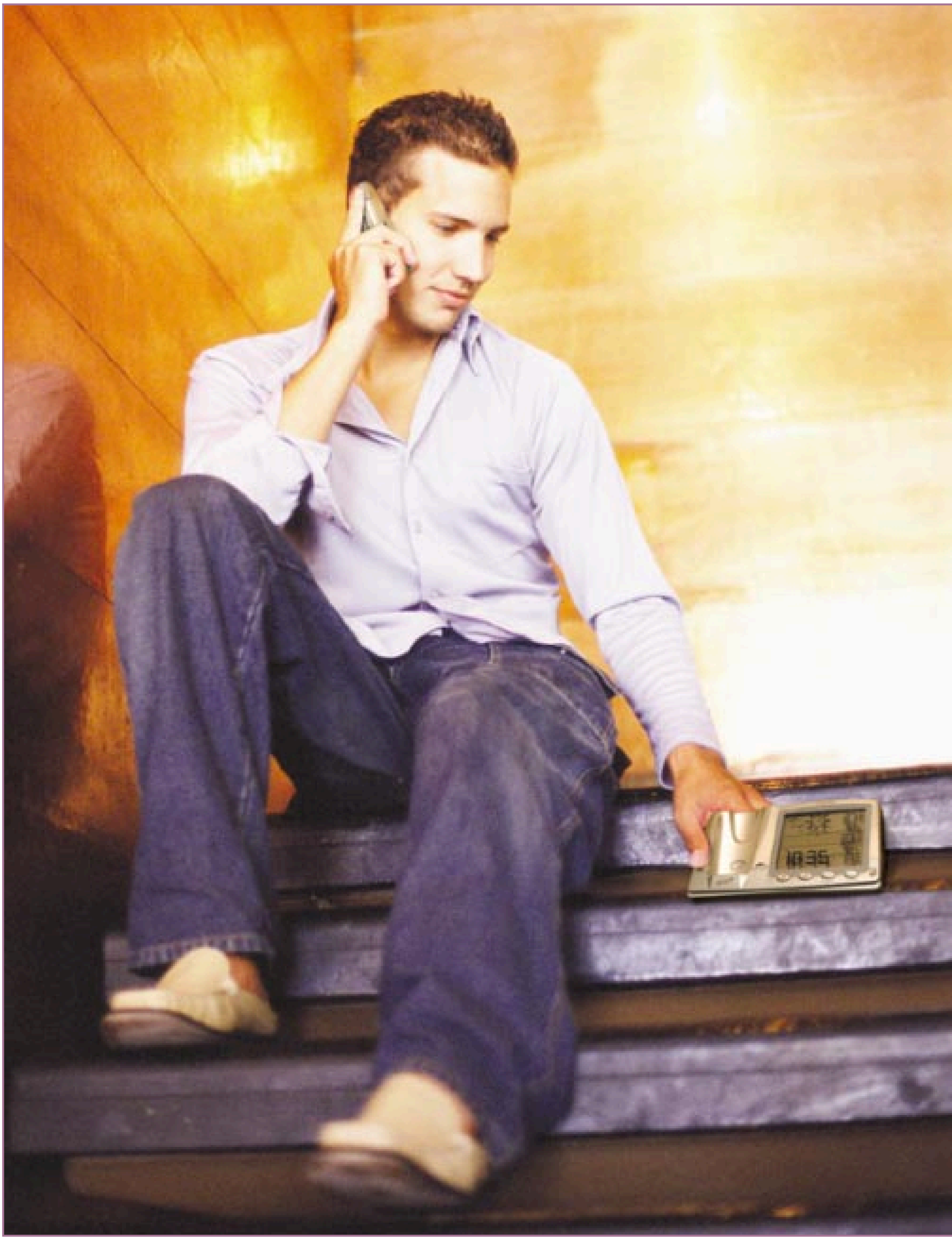
DIGITAL MEDIA PRODUCTS DIVISION

The division recorded sales of HK$338.8 million, 42% less than last year, representing 14% of the Group's turnover. ODM/OEM sales dropped by 67% to HK$137.6 million, as a result of the severe price competition turning MP3 and digital camera products into commodity products. Liquidation of the inventory and rationalisation of the division's organisation impacted the Group financially at HK$198.1 million.

After the restructuring, the division will maintain a small product development team and have a small sales and marketing staff to focus on handling outstanding orders from ODM/OEM customers and supporting Oregon Scientific's profitable opportune projects. The Group will selectively invest in innovative products to enhance Oregon Scientific's lifestyle business strategy.

Operations Review

TELECOMMUNICATIONS PRODUCTS DIVISION



The division is committed to developing state-of-the-art products incorporating diverse technologies and attractive designs to develop solutions that are functional and fitting the contemporary lifestyles. Emphasising on quality and application of new technologies, the division is also actively developing solutions to meet the needs of business customers and telecommunication service providers.

The division's main products are home based analogue and digital cordless telephones, PMR's (private mobiles radios) and marine radio products. The division has developed its capability in VoIP (voice over internet protocol) and DECT (digital enhance cordless telecommunication) technologies in order to meet the expected growth in the market for these products in the future.

Sales of the division for the year dropped 46% to HK$294.3 million. This division's sales represented 12% of Group's turnover, down from 19% last year.

During the year, sales of Oregon Scientific branded products were HK$76.8 million, which accounted for 26% of the division's total sales, up from 13% last year. The marketing strategy of Oregon Scientific is designed around the brand's smart-living lifestyle product concepts. The strategy, which saw the division recording a 12% increase in branded sales, will be continued.

The division's ODM/OEM sales decreased from HK$473.6 million to HK$217.5 million, a drop of 54% as a result of the Group exiting the lower-end cordless phone models that employ standard technology. The team developed new products empowered by advanced technologies instead and secured new key customers in the US and Europe.

Operations Review

RESEARCH & DEVELOPMENT AND MANUFACTURING FACILITIES

Supported by over 450 product development engineers and designers based in Hong Kong and Xixian, Shenzhen, China serving all the business divisions, the Group boasts a consistent track record of at least 100 products launch every year. Besides product development, the R&D team also plays an important part in improving and refining the Group's production processes to speed up time to market.

In the year under review, R&D investment of the Group was maintained at 4.6% of its total sales which is slightly higher than last year. The Group sees investment in R&D as crucial for its continued success. The investment reflected the Group's commitment to strengthening its product development and engineering capabilities, so as to retain its leading edge in the industry. The R&D team is expected to assume more active and prominent role.

The Group's R&D centre, which allows consolidation of its operations, is a 5-storey building which stands adjacent to the existing factory buildings in Xixian and has a total floor area of approximately 10,000 square metres. With modernised outlook and interior layout design, the R&D centre offers facilities like a lecture theatre and an auditorium for staff training and development. Technical seminars presented by product-related technology experts are organised on a quarterly basis to update the knowledge of the R&D team, engineers and designers on the latest technology.

Located in Xixian and meeting international standards at all operation levels, the Group's centralised manufacturing facilities and the R&D centre ("Xixian Facilities") have contributed significantly to operational efficiencies. They are also proof of the Group's commitment to providing the best possible working environment for its staff. Spreading over 128,000 square metres, the Xixian Facilities enables the Group to fully control all and every aspect of production and administration. Outsourcing to factories with outstanding track records helps improve cost efficiencies and maintain competitiveness.

Surface mounting, wire-bonding, precision plastic moulding, mould making and plastic injection are fully integrated in-house at the Xixian Facilities allowing it better control on production lead time, quality and costs.

WORKING CAPITAL AND TREASURY MANAGEMENT

The Group's effective working capital management effort substantially reduced its inventory and accounts receivable levels, resulting in a net cash amount of HK$186.5 million from operating activities albeit the operating loss of HK$217.3 million this year.

Net current assets as at March, 2006 amounted to HK$309.8 million, down by 54% from last year. Compared with the balances as at March 31, 2005, inventories, trade receivables and trade payables dropped by 39%, 25% and 24% respectively. Inventory turnover was 94 days, down from last year's 142 days whilst trade debtor turnover was 41 days, down from last year's 45 days.

WORKING CAPITAL AND TREASURY MANAGEMENT (continued)

Net cash balances at March 31, 2006 were HK$334.6 million, which was HK$27.3 million higher than the balances recorded at the end of last year. Despite the operating loss of HK$217.3 million suffered this year, the net amount of cash generated from operating activities was HK$186.5 million in contrast with the net amount of cash depletion from operating activities of HK$40.3 million in last year. It was mainly due to the tightened control on credit management and stronger discipline on collection and inventory management. Whilst there was also reduction in net cash used in investing activities from last year's HK$159.8 million to this year's HK$99.0 million, the net cash used in financing activities increased from last year's HK$23.0 million to this year's HK$56.4 million. As a result of these movements, the net increase in cash and cash equivalents was HK$31.1 million in this year as compared with the net decrease in cash and cash equivalents of HK$223.1 million last year.

Short-term bank borrowings of HK$509.4 million as at March 31, 2006, compared with HK$420.0 million last year, were in relation to bills payable, import loans, revolving bank loans used for currency hedging purposes and bank overdrafts.

The long term fixed deposits that the Group had placed with Double-A rating financial institutions was HK$273.0 million as at March 31, 2006, which was HK$23.4 million lower than last year. These instruments do carry a level of risk because interest earnings could be nil if certain conditions are met.

The Group's exposure to foreign currency stems mainly from the net cash flow and net working capital translation of its overseas subsidiaries. Hedging of foreign currency exposures is actively done through natural hedges, forward contracts and options. As at March 31, 2006, there were forward contracts in place to hedge against possible exchange losses from future net cash flows. Speculative currency transactions are strictly prohibited. Management of currency risk is the responsibility of the Group's headquarters in Hong Kong.

At March 31, 2006, the Company had provided guarantees to the extent of HK$448.5 million (2005: HK$416.8 million) to certain banks to secure the credit facilities granted to its subsidiaries.

HUMAN RESOURCES AND REMUNERATION POLICY

As at March 31, 2006, the Group employed a total of approximately 6,750 employees (2005: approximately 7,650 employees). The Group fully recognises the importance of its employees who contribute significantly to its success and continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training.

HUMAN RESOURCES AND REMUNERATION POLICY
(continued)

The Group's remuneration policy is to provide compensation packages at market rates which reward individual's performance and attract, retain and motivate high quality employees. The remuneration packages offered by the Group are comparable with other organisations of similar size and business nature and are reviewed annually. The components of employee's remuneration package consists of base salary, double pay, fringe benefits including pension scheme, medical insurance, life and personal accident insurance, employee compensation and business travel insurance as well as incentives like discretionary cash bonus and the opportunities to participate in the Group's share option schemes. Details of the schemes and the number of options granted to the Group's employees are set out in note 29 to the financial statements from page 101 to page 108. Details of pension schemes operated by the Group are set out in the note 34 to the financial statements on page 110. In Xixian, Shenzhen, China where the Xixian Facilities is located, staff welfare rates are set with reference to the prevailing labour laws in China. Accommodation and leisure facilities are also provided to local staff at Xixian Facilities.

The Group's remuneration philosophy for executive directors and senior executives is based upon creating a strong link between performance and reward in accordance with the following principles:

1. Fixed salaries and benefits are set at median-market level against comparator groups of companies selected on the basis of similar size and business nature and benchmarked with the prevailing market conditions; and

2. Performance-related bonus is linked to the achievement of pre-defined performance targets including financial targets, performance index and pre-agreed management objectives.

The emolument of the directors are recommended by the remuneration committee with reference to companies of comparable business type or scale, and the nature and quantity of work at both Board and Board Committee levels (including frequency of meetings and nature of agenda items) in order to compensate directors reasonably for their time and efforts spent. The directors' emolument is approved by the Board pursuant to the mandate granted by the shareholders at annual general meetings. It comprises of five components, namely base salary, benefits, annual performance-related bonus, share options and pension scheme. In addition, each director is paid a basic director's fee for his/her service as director of the Company. Additional fees are paid to a director for appointment as a member of a particular committee. Non-executive directors receive no base pay, benefits, bonus or pension except director's fee and reimbursement for expenses incurred in connection with

HUMAN RESOURCES AND REMUNERATION POLICY (continued)

their directorship of the Company. No individual director is allowed to participate in the procedures for deciding his/her individual remuneration package. Full details of the remuneration of and fees paid to the directors in the year ended March 31, 2006 are set out in note 9 to the financial statements on page 86. All directors are entitled to participate in the share option schemes of the Company and its Singapore listed subsidiary. Details of the schemes and the number of options granted to directors of the Company are set out in note 29 to the financial statements from page 101 to page 108.

OUTLOOK

The Group has undertaken a series of measures to improve cost effectiveness and operational efficiency. These measures included exit from the low margin and price competitive digital media product categories and shifting its focus on to products that agree with the Group's smart-living lifestyle product concepts and boast higher margins. Furthermore, the Group embarked on major restructuring and cost cutting initiatives to streamline its overseas sales and marketing organisations, and product divisions.

Oregon Scientific expanded its distribution network to Russia and other Asian countries, such as the Philippines, Thailand and Malaysia, by appointing distributors in those markets. Efforts were also made to extend distribution channels to cover hypermarkets, speciality stores, sports channel, groceries, farming, gardening and e-commerce channels with the aim of reducing reliance on mass retailers. A new management will be put in place which is expected to take Oregon Scientific business to the next level under new leadership.

To overcome the challenges of increasing market competition and price pressure on the LCD Consumer Electronics Products business, product collections were re-aligned and rationalised to eliminate overlapping of offerings. A new product planning process was introduced to enhance product innovation and timely product development, allowing for collaboration with external design and technology partners such as Microsoft. The arrangement can help to strengthen the Group's leadership in product innovation, enabling it to sustain business growth and relieve the pressure on margin.

The Electronic Learning Products business expects continuous strong growth in sales and profitability. Oregon Scientific will further extend the product segment to include from early learning devices to youth electronic products, realising our effective learning path concept. The Group will devote particular effort to develop new entry models such as the junior laptop series and pocket learning series, which can bring returns the whole year round. ODM business will also be boosted to help balance the cyclical nature of the toy business. Markets such as Japan, Germany and China remain the Group's core ODM markets. Leveraging the interactive learning platform of "SmartPen™", the division will add new products in its future product roadmap.

OUTLOOK
(continued)

To maximise productivity and manufacturing cost effectiveness, the Telecommunication Products division merged the organisation and production facilities of transceiver products with cordless phones products. The division will continue to invest in the development of high radio frequency digital products and new products with innovative features enabled by advanced technologies to meet market and customer demands. The division's new digital "touch sensitive" cordless phone series launched in the fourth quarter last year in Europe was developed to enhance the Group's lifestyle brand strategy. The product will be launched in the US in the second quarter this year under a major US brand. There is also a strong demand for new models featuring color displays with downloadable content and Internet telephone, which are planned for launch in the coming year. The division has established several new customers in Europe and the US during the year and has promising order forecasts from new customers.

With the SAP system in place and working, the Group expects to see more accurate order forecast and materials planning, which will enhance inventory control and working capital management. The Group has engaged an external consultant to design a global supply chain programme covering such initiatives as upgrading the Group's global warehouse management system, its logistic services in Europe, its global sourcing strategy, the supply chain process that can facilitate forecast and sales operation planning. The objective of the programme is to shorten the delivery lead-time from raw materials to finished goods.

Looking ahead, the management is aware of the challenges that may impact the industry and accordingly the Group. External market factors such as rising interest rates, oil prices, cost of raw materials and labour, and also appreciation of the RMB may put pressure on the Group's gross margin. To meet these challenges, the Group has measures in place to improve production efficiency and enhance the product planning process.

The first quarter is the traditional low season for the Group's business, however, with our product divisions boasting unique competence and the strength of our brand and distribution remaining intact, the Group will push on to achieve a business recovery and growth in the new financial year, barring any unforeseen adverse market conditions.

Raymond Chan, JP
Chairman & Chief Executive Officer

May 29, 2006
Hong Kong