

ORITRON

ORIENT POWER HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2002

INTERIM RESULTS

The board of directors (the “Board”) of Orient Power Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 (the “Period”), together with comparative figures for the corresponding period of 2001. The interim results have been reviewed by the Company’s Audit Committee.

	Notes	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	2	1,872,632	1,423,803
Cost of sales		<u>(1,746,526)</u>	<u>(1,299,520)</u>
Gross profit		126,106	124,283
Other revenue	3	14,788	10,928
Selling and distribution costs		(39,341)	(27,609)
Administrative expenses		(66,335)	(53,569)
Other operating expenses		<u>(6,958)</u>	<u>(7,367)</u>
PROFIT FROM OPERATING ACTIVITIES	4	28,260	46,666
Finance costs	5	(10,508)	(22,895)
Share of profits and losses of:			
Jointly-controlled entities		444	(5,818)
Associates		<u>3,702</u>	<u>(387)</u>
PROFIT BEFORE TAX		21,898	17,566
Tax	6	<u>(155)</u>	<u>(2,950)</u>
PROFIT BEFORE MINORITY INTERESTS		21,743	14,616
Minority interests		<u>506</u>	<u>490</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>22,249</u>	<u>15,106</u>

Proposed interim dividends	7	<u>2,224</u>	<u>2,165</u>
EARNINGS PER SHARE – HK cents	8		
Basic		<u>5.1</u>	<u>3.5</u>
Diluted		<u>5.1</u>	<u>3.5</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation used in the preparation of these interim accounts are the same as those used in the annual financial statements for the year ended 31 December 2001. In addition, the Group has adopted the following revised or new SSAPs which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the revised or new SSAPs has had no material effect on the results for the current period or prior financial year. Accordingly, no prior period adjustment is required.

2. Segment Information

(a) Business segments

Group

Six months ended 30 June 2002

	Audio HK\$'000	In-car electronics HK\$'000	Video HK\$'000	Network information/ entertainment solutions HK\$'000	Corporate and Others HK\$'000	Elimina- tions HK\$'000	Con- solidated HK\$'000
REVENUE							
External sales	601,078	640,275	627,250	4,029	-	-	1,872,632
Inter-segment sales	<u>23,770</u>	<u>49,470</u>	<u>21,187</u>	<u>-</u>	<u>-</u>	<u>(94,427)</u>	<u>-</u>
Total revenue	<u>624,848</u>	<u>689,745</u>	<u>648,437</u>	<u>4,029</u>	<u>-</u>	<u>(94,427)</u>	<u>1,872,632</u>
SEGMENT RESULT	<u>15,578</u>	<u>12,923</u>	<u>6,888</u>	<u>(682)</u>	<u>952</u>	<u>-</u>	<u>35,659</u>

Unallocated corporate expenses	<u>(7,399)</u>
Profit from operating activities	<u><u>28,260</u></u>

Six months ended 30 June 2001

	Audio HK\$'000	In-car electronics HK\$'000	Video HK\$'000	Network information/ entertainment solutions HK\$'000	Corporate and Others HK\$'000	Elimina- tions HK\$'000	Con- solidated HK\$'000
REVENUE							
External sales	604,835	560,916	251,879	6,173	-	-	1,423,803
Inter-segment sales	<u>33,171</u>	<u>49,441</u>	<u>13,241</u>	<u>-</u>	<u>-</u>	<u>(95,853)</u>	<u>-</u>
Total revenue	<u><u>638,006</u></u>	<u><u>610,357</u></u>	<u><u>265,120</u></u>	<u><u>6,173</u></u>	<u><u>-</u></u>	<u><u>(95,853)</u></u>	<u><u>1,423,803</u></u>
SEGMENT RESULT	<u><u>20,922</u></u>	<u><u>21,437</u></u>	<u><u>12,640</u></u>	<u><u>(541)</u></u>	<u><u>13</u></u>	<u><u>-</u></u>	<u><u>54,471</u></u>
Unallocated corporate expenses							<u>(7,805)</u>
Profit from operating activities							<u><u>46,666</u></u>

(b) Geographical segments

Group

Six months ended 30 June 2002

	United States of America HK\$'000	Europe HK\$'000	Asia HK\$'000	Central and South America HK\$'000	Canada HK\$'000	Others HK\$'000	Elimina- tions HK\$'000	Con- solidated HK\$'000
Segment revenue:								
External Sales	<u>760,481</u>	<u>643,119</u>	<u>351,793</u>	<u>23,881</u>	<u>34,438</u>	<u>58,920</u>	<u>-</u>	<u>1,872,632</u>
Segment results*	<u><u>6,852</u></u>	<u><u>16,949</u></u>	<u><u>7,411</u></u>	<u><u>564</u></u>	<u><u>1,077</u></u>	<u><u>2,806</u></u>	<u><u>-</u></u>	<u><u>35,659</u></u>

Six months ended 30 June 2001

	United States of America <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Central and South America <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimina- tions <i>HK\$'000</i>	Con- solidated <i>HK\$'000</i>
Segment revenue:								
External Sales	<u>586,070</u>	<u>462,435</u>	<u>152,539</u>	<u>131,714</u>	<u>26,461</u>	<u>64,584</u>	<u>-</u>	<u>1,423,803</u>
Segment results*	<u>18,660</u>	<u>18,676</u>	<u>6,889</u>	<u>5,786</u>	<u>1,236</u>	<u>3,224</u>	<u>-</u>	<u>54,471</u>

* Disclosed pursuant to the requirements of the Listing Rules

3. Other revenue

	For the six months ended 30 June	
	2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>
Tooling and repairing service income	7,307	4,495
Interest income	1,194	1,407
Rental income	558	558
Sales of scrap materials	296	325
Commission income	2,524	-
Gain on disposal of fixed assets	-	110
Others	2,909	4,033
	<u>14,788</u>	<u>10,928</u>

4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>
Cost of inventories sold	1,746,526	1,299,520
Research and development costs:		
Deferred expenditure amortised	7,347	8,474
Current year's expenditure	4,975	4,422
	<u>12,322</u>	<u>12,896</u>

Depreciation:		
Owned fixed assets	40,455	31,970
Leased and hire purchased fixed assets	1,502	4,730
	<u>41,957</u>	<u>36,700</u>

5. Finance costs

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on bank loans, overdrafts, and other borrowings wholly repayable within five years	10,304	22,150
Interest on finance leases and hire purchase contracts	204	745
	<u>10,508</u>	<u>22,895</u>

6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Jointly-controlled entities operating in the People's Republic of China (the "PRC") are entitled to an exemption from PRC income tax for two years from their first year with assessable profits, and thereafter are entitled to a 50% exemption for a further three consecutive years. Tax provision has been made by the jointly-controlled entities for the period.

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group:		
Hong Kong	1,436	1,550
Elsewhere	–	89
Deferred	(1,588)	854
	<u>(152)</u>	<u>2,493</u>
Share of tax attributable to:		
Associates	236	457
Jointly-controlled entities	71	–
	<u>155</u>	<u>2,950</u>
Tax charge for the period		

A major development of the Group during the period was our accelerated move to establish in Mainland China our own distribution network and brand building. The in-car electronics division also gained added momentum in the China market, as a number of OEM customers in the automobile manufacturing industry joined our list.

The Group's JV in Wuxi has successfully moved into their new factory building which offers a usable floor area of approximately 250,000 square feet. Production has commenced. The availability of this facility has come at an excellent time to serve the demand of the Mainland China market.

PROSPECTS

Demand for most of our products has been strong for the first half of the year. However, the Group remains cautious due to the uncertainties of the global economy. Therefore, the Group will exercise conservative measures to stay competitive in the market place by tightly controlling operating expenses and investments in our ongoing businesses, as well as continuing our efforts to improve productivity.

As both China's economy and its market demand for home entertainment and in-car electronics products show signs of acceleration, China is the Group's main target for expansion and market penetration in the next several years. The Group is on schedule to implement its core strategy to build up a distribution network within this market to push the Oritron brand. The Group's manufacturing capabilities and capacities in Wuxi and Nanjing will be in a strong position to seize growing opportunities in China.

The Group strongly believes that its edge against other competitors comes from product innovation and cost competitiveness together. Therefore, product innovation through R&D continues to be a fundamental component of our core strategy. Our facilities in China will continue to expand their engineering teams to develop advance products for the home entertainment and in-car electronics sectors.

The long-term prospect for the sectors of home entertainment and in-car electronics is solid. Advances in digital technologies and changes in regulations have made possible the convergence of entertainment, information and communications, and therefore many new product opportunities. DVD is an important product in the trend toward convergence; its market acceptance in the home and automobile environment continues to be strong. Next generation DVDs will have a variety of related features and capabilities. We are confident that the Group has assimilated the needed skill-sets, experience and customer base to be in a leading position to capture these opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of the year 2002, the Group's sales turnover increased 31.5% to HK\$1.9 billion compared to the same period last year. Profit attributable to shareholders was HK\$22.2 million, advancing 47.3% from the comparable period last year, and is attributable to lower interest cost and improvement of results from associates and jointly controlled companies. Net profit margin rose slightly to 1.19% from 1.06% over the comparative period last year. Basic earnings per share was HK5.1 cents (2001 comparative figure: HK3.5 cents).

Revenues from the audio division were stable despite falling market prices for its products. The falling prices also affected operating margins in this sector. The video division achieved satisfactory business growth due to higher customer demand and new ODM customers. The operating margin was affected by the severe competition in the market and the use of outsourcing programs.

Business for in-car electronics advanced 14.1% during the half year. The division successfully launched new products in the in-car video entertainment category and the products were well received. However, traditional products experienced a decline in gross margin as competition increased.

The JV offering Networking Solution is transforming its business model amid the rapidly changing technology environment. The JV's business volume continues to remain a small portion of the Group's business.

Jointly controlled entities performed better. The JV at Wuxi benefited from the expansion of the production facility which boosted business activities by 82.3% over the previous corresponding period. Our JV at Nanjing registered a 276% increase in production, a substantial gain in efficiency due to the investment in automated production equipment in previous year.

The Group's investment in the associate company with Clarion of Japan also performed to satisfaction.

LIQUIDITY AND FINANCIAL RESOURCES

The Group experiences a low season during the first half of the year and usually operates in a high season in the second half. The result is normally a higher use of financial resources at the interim balance sheet date vis-a-vis that at the end of the financial year. Liquidity, assets and capital structure were all stable compared to the same period in the previous year. Total borrowing rose 15.7% to support business growth this year. The gearing ratio, calculated by total borrowings from banks and financial institutions net of cash divided by tangible net worth, improved to 31.8% from 44.9% in the same period last year.

The Group's orders on hand reflect the continuous trend of double digit growth towards the remainder of the year. The Group has adequate financial resources for its ongoing business activities. As mentioned above, the Group remains conservative and expects no substantial amount of investment in capital expenditure in the coming months.

The Group mainly borrows in US Dollars and Hong Kong Dollars on floating interest rates. Details of maturity profile of these borrowings, charges on group assets and contingent liabilities will be set out in the notes to the financial statements in our interim report 2002 which will be made available as soon as practicable.

All other information pertaining to those matters set out in paragraph 32 of Appendix 16 of the Listing Rules has not changed materially from the information disclosed in the most recent published annual report.

INTERIM DIVIDEND

The board of directors has taken a cautious view with regard to the uncertainty of the global economy and has therefore resolved to maintain the interim dividend at HK0.5 cent per share for the six months ended 30 June 2002 (2001: HK0.5 cent) to the shareholders whose names appear on the register of members of the Company on 24 October 2002. The interim dividend will be paid on or before 28 November 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 October 2002 to 24 October 2002, both days inclusive, during which period no share transfers will be effected. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 17 October 2002.

FULL DETAILS OF FINANCIAL INFORMATION

The Interim Report 2002 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the web-site of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Poon Ka Hung
Chairman

Hong Kong, 5 September 2002

"Please also refer to the published version of this announcement in The Standard"