

# ORITRON

## ORIENT POWER HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

#### RESULTS

The directors of Orient Power Holdings Limited (the “Company”) are pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2002 together with the comparative figures for the corresponding year in 2001 are as follows:

		Year ended 31 December	
	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	2	4,348,888	3,692,109
Cost of sales		(4,017,991)	(3,390,368)
Gross profit		330,897	301,741
Other revenue and gain	3	27,135	31,308
Selling and distribution costs		(94,712)	(91,536)
Administrative expenses		(143,871)	(130,498)
Other operating expenses		(41,452)	(26,935)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>77,997</b>	84,080
Finance costs	4	(21,588)	(41,475)
Share of profits and losses of:			
Jointly-controlled entities		(6,184)	(642)
Associates		7,719	5,465
<b>PROFIT BEFORE TAX</b>		<b>57,944</b>	47,428
Tax	5	(6,891)	47
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>51,053</b>	47,475
Minority interests		4,270	580
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>55,323</b>	48,055
DIVIDENDS	6	(11,120)	(8,803)
<b>EARNINGS PER SHARE – HK CENTS</b>	7		
– Basic		12.5	11.0
– Diluted		N/A	11.0

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Principal Accounting Policies and Basis of Preparation

The audited consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) 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 “Exchange”).

During the year, 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 or prior financial year. Accordingly, no prior year adjustment is required.

## 2. Turnover and Segmental Information

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

An analysis of the Group's turnover and contribution to profit from operating activities by business segment and by geographical segment are summarised as follows:

### a. By business segment: 2002

	Audio HK\$'000	In-car electronics HK\$'000	Video HK\$'000	Network information/ entertainment solution HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	1,338,075	1,541,909	1,462,831	6,073	-	0	4,348,888
Inter-segment sales	131,024	90,647	77,644	-	-	(299,315)	0
Total revenue	<u>1,469,099</u>	<u>1,632,556</u>	<u>1,540,475</u>	<u>6,073</u>	<u>-</u>	<u>(299,315)</u>	<u>4,348,888</u>
SEGMENT RESULTS	<u>53,365</u>	<u>34,423</u>	<u>20,381</u>	<u>(15,540)</u>	<u>4,014</u>	<u>-</u>	<u>96,643</u>
Unallocated corporate expenses							(18,646)
Profit from operating activities							<u>77,997</u>

### 2001

	Audio HK\$'000	In-car electronics HK\$'000	Video HK\$'000	Network information/ entertainment solution HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	1,404,785	1,392,743	866,464	28,117	-	0	3,692,109
Inter-segment sales	90,352	105,914	7,164	-	-	(203,430)	0
Total revenue	<u>1,495,137</u>	<u>1,498,657</u>	<u>873,628</u>	<u>28,117</u>	<u>-</u>	<u>(203,430)</u>	<u>3,692,109</u>
SEGMENT RESULTS	<u>62,609</u>	<u>24,068</u>	<u>12,810</u>	<u>79</u>	<u>2,820</u>	<u>0</u>	<u>102,386</u>
Unallocated corporate expenses							(18,306)
Profit from operating activities							<u>84,080</u>

### b. By geographical segment:

	Revenue by geographical market		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The United States of America ("USA")	1,723,636	1,656,543	21,168	32,145
Europe	1,751,702	1,204,960	54,393	41,106
Asia	271,536	176,857	(4,004)	5,105
Central and South America	67,386	299,766	1,844	8,097
Canada	107,200	51,928	4,719	2,748
Others	427,428	302,055	18,523	13,185
	<u>4,348,888</u>	<u>3,692,109</u>	<u>96,643</u>	<u>102,386</u>
Unallocated corporate expense			(18,646)	(18,306)
Profit from operating activities			<u>77,997</u>	<u>84,080</u>

## 3. Other Revenue and Gain

	Year ended 31 December	
	2002 HK\$'000	2001 HK\$'000
Tooling and repairing service income	13,742	9,143
Interest income	3,058	3,155
Rental income	1,115	1,115
Sales of scrap materials	1,011	762
Commission income	3,672	1,554
Claim income	-	13,260
Gain on disposal of a subsidiary	28	-
Others	4,509	2,319
	<u>27,135</u>	<u>31,308</u>

#### 4. Finance Costs

	Year ended 31 December	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans, overdrafts, and other borrowings wholly repayable within five years	21,228	40,368
Interest on finance leases and hire purchase contracts	360	1,107
	<u>21,588</u>	<u>41,475</u>

#### 5. 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 year. 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 legislations, 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. No tax provision has been made by the jointly-controlled entities for the year, either because they did not generate any assessable profits, or because they were still entitled to their 100% tax exemption.

	Year ended 31 December	
	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong	5,764	1,038
Overprovision in prior year	(1,765)	(167)
Deferred tax charge/(written back)	1,791	(2,339)
	<u>5,790</u>	<u>(1,468)</u>
Share of tax attributable to associates	1,101	1,421
	<u>6,891</u>	<u>(47)</u>

#### 6. Dividends

	Year ended 31 December	
	2002 HK\$'000	2001 HK\$'000
Interim dividend of HK0.5 cent per share (2001: in scrip form of HK0.5 cent per share with a cash option)	2,224	2,190
Proposed final dividend of HK2.0 cents per share (2001: in scrip form of HK1.5 cents per share with a cash option)	8,896	6,613
	<u>11,120</u>	<u>8,803</u>

A final dividend in respect of 2002 of HK2.0 cents per share amounting to HK\$8,896,000 has been proposed by the Directors after the balance sheet date. The proposed dividend is not accounted for as it is subject to shareholders' approval at the forthcoming annual general meeting.

#### 7. Earnings Per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$55,323,000 (2001: HK\$48,055,000), and the weighted average of 442,403,509 (2001: 435,551,401) ordinary shares in issue during the year, as adjusted to reflect the share purchased during the year.

A diluted earnings per share amount for the year ended 31 December 2002 has not been disclosed as no diluting events existed during the year.

The calculation of diluted earnings per share for the year ended 31 December 2001 was based on the net profit attributable to shareholders for the year of HK\$48,055,000. The weighted average number of ordinary shares used in the calculation is 435,796,754 ordinary shares in issued during that year, as used in the basic earnings per share calculation, and the weighted averaged of 245,353 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

#### 8. Depreciation/Amortisation charged

	Year ended 31 December	
	2002 HK\$'000	2001 HK\$'000
Depreciation of fixed assets	88,557	76,713
Amortisation of R & D	19,444	16,505
	<u>108,001</u>	<u>93,218</u>

## **FINANCIAL RESULTS**

The year 2002 produced solid business growth for the Group. The Group's sales turnover broke new high to HK\$4.35 billion, a surge of 17.8% from the previous year. During the year, the Group continued to benefit from the digital convergence in products in the video and in-car electronics divisions. Profit attributable to shareholders made a 15.1% advance to HK\$55.3 millions. The board is pleased to have recommended a final dividend of HK2.0 cents per share therefore increasing the total dividends for the year to HK2.5 cents from HK2.0 cents in the previous year.

## **BUSINESS REVIEW**

The economic conditions in the Group's major markets in 2002 were generally affected by geopolitical events and consumers' cautious and conservative spending. Despite their cautious consumption pattern, consumers have embraced the impressive quality of video and audio effects as well as the interactive capability of AV products based on digital technologies. Capitalizing on the very competitive pricing at the retail level, these digital AV products have been penetrating the home AV and in-car AV environments in high gear. The video sector of consumer electronics, in particular, continues to experience double-digit growth in volume for products such as DVD players as consumers purchase for their homes and vehicles. Consumers, particularly families, can now take their home AV entertainment to the road.

Such rapid growth in digital audio and video products has been countered by cutthroat price erosion primarily from mainland China manufacturers entering the scene. Competition is particularly severe in the home AV sector. In the US market, for instance, the entire logistics chain from retailers all the way down to critical component suppliers has been under severe pressure to deliver digital AV products to consumers at very competitive price points with fast response time. The term "time-to-market" is constantly taken to test.

We credit our strategy of maintaining a balanced portfolio of customers, proactive product development, and a strong customer base to leverage from. Our customer base and volume output also make us an attractive partner for suppliers of critical components and solutions providers as an early adapter of their new technologies.

In essence, our strategy translates into win-win partnerships with our customers and suppliers together to offer consumers the best products and price points at the right time. Following this strategy, our business units turned in commendable growth in volume for AV products although margins were still under pressure.

Our efforts in entering the China market during 2002 were conservative by adopting a learning mode. We invested in local human resources in the areas of marketing, sales and engineering to develop products catered to local needs. We took time to build selected distribution network and sales nodes.

The gradual appreciation of euro and yen has helped the Group increase our business opportunities in Europe and Japan. The strong euro facilitated more export of our products to Europe. The strong yen created incentive for Japanese manufacturers to outsource to China-based manufacturers like us to lower their costs, i.e., more OEM business.

The Group's 51% owned joint venture in Beijing experienced weakness in sales of network information services, which contracted and remained a small part of the Group's turnover. This was mainly due to the slower than expected pace for its market and technology to reach maturity. During the year, the Group has written-off the impairment in its goodwill for the joint venture.

As business volume increases and response time shortens, we are constantly reviewing our operations for efficiency and effectiveness. Many manufacturers have experienced implementation difficulties in their Enterprise Resource Planning ("ERP") efforts. Our experience, which began in 2001, was with no exception, but we remained committed to this program and have re-organized the IT personnel to drive the program to completion.

In addition to implementation of ERP, we started a collaboration project with experts from The Chinese University of Hong Kong to benchmark our logistics operations and look for areas that could gain us additional efficiency and effectiveness via information technology in our supply chain management.

## **PROSPECTS**

The overall global economy in the coming year is expected to remain uncertain in major markets where the prosperity will depend upon post-war consumer attitude. The Group will consistently maintain its focus in product development and China market.

The Group believes that the growth for consumer electronics products for home AV and in-car AV sectors will stay positive due to rapid increase in availability of digital entertainment products such as games, movies with special effects, and audio and video programs downloaded from the Internet. We see consumers switching from analog equipment such as the VCR to digital products utilizing the latest recording technologies. Consumers have only seen the beginning of a proliferation of digital AV products and digital entertainment with more promised to come.

As more digital AV products find their way to the households, the next generation products will focus on features, acoustics, and additional capabilities that are perceived by consumers as value-add. The Group is ahead in availability of new products.

The Group firmly believes that the key to success is offering the right products ahead of our competitors as our primary weapon to compete in the ever-toughening time-to-market landscape. We are committed to investing in product developments by teaming with technology partners who are attracted to our strong clientele and volume as well as committed to working with us.

In the in-car AV sector, we are expecting both video equipment and navigation systems based on Global Positioning System (GPS) technology to further penetrate western markets in the after-market segment as the price point reaches a level of consumers' acceptance in the coming years. Our in-car electronics division, with its ample experience in original-equipped and after-market products, is in the best position to benefit from this committed development.

Contrary to the West, China has built substantial momentum to continue its strong economic growth in 2003 and beyond. Consumer products such as home AV appliances, mobile phones, personal computers, and automobiles have all seen double-digit growth. Extrapolating from current trends, the market for DVD players in China, for example, will surpass that of the US by 2005. Similarly, the opportunities for in-car AV products are enormous considering the growth in the number of vehicles in China and relatively few qualified manufacturers. China's accession to the World Trade Organization in 2002 only served to fuel more growth this decade.

The Group's investments in joint ventures in Nanjing (in-car AV products) and Wuxi (home AV products) are well positioned to benefit from China's growth. We continue to take a learning mode for the China market. We are committed to building our presence in China with products that are designed for the China market and through our distribution network.

Recruiting senior and mid-level management talents was a main objective in 2002 and remains so in 2003. We continue to add depth to our core group of senior executives and mid-level managers.

#### **PURCHASE, SALE OR REDEMPTION OF SHARES IN THE COMPANY**

During the year, the Company repurchased 578,000 shares on the Stock Exchange of Hong Kong Limited and these shares were all subsequently cancelled by the Company. Except for the said purchase of shares, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

#### **DIVIDENDS**

The Board of directors recommends to pay a final dividend of HK2.0 cents per share for the year ended 31 December 2002 (2001: HK1.5 cents) to the shareholders whose names appear on the register of members of the Company on 23 May 2003. Subject to shareholders' approval, the final dividend is expected to be paid on or before 17 July 2003.

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 19 May 2003 to 23 May 2003, both days inclusive, during which period no share transfers will be effected.

To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 16 May 2003.

#### **PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE**

The detailed results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on The Exchange will be subsequently published on the Exchange's website in due course.

#### **AUDIT COMMITTEE**

The audit committee has reviewed the financial statements of the Company for the year ended 31 December 2002.

#### **ANNUAL GENERAL MEETING**

An annual general meeting of the Company will be convened on 23 May 2003. An annual report of the Company containing a notice of the meeting will be dispatched to the shareholders in due course.

#### **APPRECIATION**

The Group appreciates the enormous efforts that our staff made throughout a challenging year and the board understands the pressure that everyone has been under. On behalf of the board, I would like to express my most sincere thanks to everyone of the staff who have given their best to the Group. It is especially my hope that we continue to make improvement with such effort in the coming year.

By Order of the Board  
**Poon Ka Hung**  
*Chairman*

Hong Kong, 14 April 2003

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Orient Power Holdings Limited (the "Company") will be held at Salon I, 1st Floor, The Harbour Plaza, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on 23 May 2003 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2002.
2. To declare a final dividend of HK2.0 cents per share for the year ended 31 December 2002.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.

By Order of the Board  
**Jennifer Cheung Mei Ha**  
*Company Secretary*

Hong Kong, 14 April 2003

*Principal Office:*

Unit 7, 3rd Floor  
Harbour Centre, Tower 1  
1 Hok Cheung Street  
Hung Hom  
Kowloon  
Hong Kong

*Notes:*

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

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