

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 2003

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 2003 (the “Period”), together with comparative figures for the corresponding period of 2002.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2003	Restated
		(Unaudited)	2002
	<i>Notes</i>	HK\$'000	(Unaudited)
			<i>HK\$'000</i>
Turnover	2	1,893,562	1,872,632
Cost of sales		(1,743,421)	(1,746,526)
Gross profit		150,141	126,106
Other revenue	3	4,613	14,788
Selling and distribution costs		(40,212)	(39,341)
Administrative expenses		(65,039)	(66,335)
Other operating expenses		(9,145)	(6,958)
PROFIT FROM OPERATING ACTIVITIES	4	40,358	28,260
Finance costs	5	(10,203)	(10,508)
Share of profits of:			
Jointly-controlled entities		528	444
Associates		3,997	3,702
PROFIT BEFORE TAX		34,680	21,898
Tax	6	(3,410)	(1,585)

PROFIT BEFORE MINORITY INTERESTS		31,270	20,313
Minority interests		<u>634</u>	<u>506</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>31,904</u>	<u>20,819</u>
Proposed interim dividend	7	<u>4,448</u>	<u>2,224</u>
EARNINGS PER SHARE – HK cents	8		
Basic		<u>7.2</u>	<u>4.7</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

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 Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies adopted are consistent with those set out in the 2002 annual accounts, except the Group has adopted the revised SSAP 12 “Income Taxes” which became effective on 1 January 2003. In accordance with the revised SSAP 12 “Income Taxes”, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In the absence of any specific transitional requirements in revised SSAP 12, the new accounting policy has been applied retrospectively and comparatives presented have been restated to conform to the changed policy. As a consequence, opening retained profits at 1 January 2002 and 2003 have increased by HK\$5,002,000 and HK\$1,446,000 respectively. The comparative figure in respect of taxation for the prior period has also been restated by an increase of HK\$1,430,000.

2. SEGMENT INFORMATION

(a) Business segments

Group

Six months ended 30 June 2003

	Home entertainment <i>HK\$'000</i>	In-car electronics <i>HK\$'000</i>	Network information/ solution <i>HK\$'000</i>	Corporate and Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	1,008,307	883,698	1,557	-	-	1,893,562
Inter-segment sales	63	2,333	-	-	(2,396)	-
Total revenue	<u>1,008,370</u>	<u>886,031</u>	<u>1,557</u>	<u>-</u>	<u>(2,396)</u>	<u>1,893,562</u>
SEGMENT RESULT	<u>6,692</u>	<u>43,800</u>	<u>(1,097)</u>	<u>271</u>	<u>-</u>	<u>49,666</u>
Unallocated corporate expenses						<u>(9,308)</u>
Profit from operating activities						<u>40,358</u>

Six months ended 30 June 2002

	Home entertainment <i>HK\$'000</i>	In-car electronics <i>HK\$'000</i>	Network information/ solution <i>HK\$'000</i>	Corporate and Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	1,228,328	640,275	4,029	-	-	1,872,632
Inter-segment sales	44,957	49,470	-	-	(94,427)	-
Total revenue	<u>1,273,285</u>	<u>689,745</u>	<u>4,029</u>	<u>-</u>	<u>(94,427)</u>	<u>1,872,632</u>
SEGMENT RESULT	<u>22,466</u>	<u>12,923</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>28,260</u>

(b) **Geographical segments**

Group

Six months ended 30 June 2003

	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>586,317</u>	<u>934,134</u>	<u>220,356</u>	<u>23,052</u>	<u>48,158</u>	<u>81,545</u>	<u>-</u>	<u>1,893,562</u>
Segment results	<u>14,129</u>	<u>26,528</u>	<u>2,604</u>	<u>716</u>	<u>1,613</u>	<u>4,076</u>	<u>-</u>	<u>49,666</u>

Six months ended 30 June 2002

	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>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>6,852</u>	<u>16,949</u>	<u>7,411</u>	<u>564</u>	<u>1,077</u>	<u>2,806</u>	<u>-</u>	<u>35,659</u>

3. OTHER REVENUE

	For the six months ended 30 June	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Tooling and repairing service income	1,360	7,307
Interest income	1,563	1,194
Rental income	558	558
Sales of scrap materials	303	296
Commission income	169	2,524
Others	660	2,909
	<u>4,613</u>	<u>14,788</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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Cost of inventories sold and services provided	1,743,421	1,746,526
Depreciation	42,263	41,957
Research and development costs:		
Deferred expenditure amortised	12,309	7,347
Current year's expenditure	6,152	4,975
	<u>18,461</u>	<u>12,322</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on bank loans, overdrafts, and other borrowings wholly repayable within five years	10,097	10,304
Interest on finance leases and hire purchase contracts	106	204
	<u>10,203</u>	<u>10,508</u>

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

The adoption of the newly revised SSAP 12 "Income Taxes" resulted in comparative figures in respect of taxation being restated by a net increase of HK\$1,430,000.

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	Restated 2002 (Unaudited) HK\$'000
Group:		
Hong Kong	3,846	1,436
Deferred	(885)	(158)
	<u>2,961</u>	<u>1,278</u>
Share of tax attributable to:		
Associates	427	236
Jointly-controlled entities	22	71
	<u>449</u>	<u>307</u>
Tax charge for the period	<u><u>3,410</u></u>	<u><u>1,585</u></u>

7. PROPOSED INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK1 cent per share for the six months ended 30 June 2003 (2002: HK 0.5 cent)

8. EARNINGS PER SHARE

The bases on which basic and diluted earnings per share are calculated as follows:

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	Restated 2002 (Unaudited) HK\$'000
Earnings		
Net profit from ordinary activities attributable to shareholders used in basic and diluted earnings per share calculation	<u><u>31,904</u></u>	<u><u>20,819</u></u>

	As at 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of shares in issue during the period used in basic earnings per share calculation	444,805,968	440,337,343
Weighted average number of shares assumed issued at no consideration on deemed exercise of all share options outstanding during the period	—	—
Weighted average number of shares used in diluted earnings per share calculation	<u>444,805,968</u>	<u>440,337,343</u>

9. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with changes in SSAP set out in note 1.

BUSINESS REVIEW

During the period, the Group strategically directed its resources toward higher quality business, therefore boosting overall margins by selective business growth.

Business captured significant growth in the in-car sector. Business for the home sector moderated which brought about consolidation in sales revenue for both audio and video products when taken into account the soft product prices. As a whole, the demand for digital video products industry-wide remains steady while that of general audio products has declined. Cutthroat competitions by Mainland China manufacturers continue to be the source of pressure on profit margin in some products.

New products introduced this year, such as video products for in-car and the network devices linking the personal computer to the television, received good response from consumers and are well positioned as the market develops further next year.

We are making progress in improving our operational efficiency. Necessary management adjustment is underway after our staff size expanded in the midst of a significant increase in business volume during 2002. The enterprise resource planning (ERP) project in collaboration with Chinese University of Hong Kong was launched in April and progress has met with our expectation. We take a long-term view in our investment in operational efficiency. While it may not yield immediate impact, the tools and practices we are now putting in place are expected to be a prerequisite for growth in the long term.

The Group continued its efforts in investor relations to promote the corporation in the investment community. We have also rebuilt our website to enhance corporate communication.

PROSPECT

The Group believes the current economic climate of low interest rates will continue in the near future. As in the past, low interest rates will support consumers' purchase of homes and cars, which will result in demand for our products.

We are committed to building our leadership position in the China market for home and in-car AV products in light of China being the only major economy enjoying substantial growth.

For established markets the Group will implement necessary steps to further expand our customer base of world class customers. We have already added car manufacturers, international retailers and online retailers to our list.

In the product area, our stream of new products will continue to place us in a competitive position. Concerted efforts at both corporate and divisional level have led to strategic alliances with pioneers in technology partnerships to speed up new product developments.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's net profit for the first half of 2003 increased by a remarkable 53% to HK\$31.9 million compared to the same period last year. The improvement in results was mainly attributable to the rapid growth and higher margins of in-car electronics business. Net profit margin rose to 1.68% from 1.11%. Sales turnover was 1.1% higher, to HK\$1.9 billion, than the comparable period last year.

The home entertainment segment, a division formed from the merger of our audio and video divisions, faced severe competition in the market resulting in lower profitability. The merge of the divisions reflects the Group's plan to synergize the two divisions to boost operational efficiency.

In-car division achieved growth both in sales turnover and profit margin. The growth was a result of enhanced customer base and the launch of well-received new products.

The networking information division continues to face short term challenges but its longer-term outlook is positive. The Group's investment in jointly controlled entities and an associate company brought positive contribution to the Group's results.

LIQUIDITY AND FINANCIAL RESOURCES

As normal in the consumer electronics industry, the Group experiences a low season during the first half of the year and a high season in the second half. The result is a higher use of financial resources at the interim balance sheet date vis-à-vis that at the end of the financial year. Total borrowings rose 14.8% in comparison to the same period last year. The Group takes advantage of the low interest rate environment to extend its average duration in borrowings and enhance the Group's liquidity. The gearing ratio, calculated by total borrowings from banks and financial institutions net of cash divided by tangible net worth, was 35.5%. Working capital increased by 65% and is expected to further strengthen with the draw down of a HK\$350 million syndication loan in the subsequent period. The Group views its financial resources adequate for its ongoing business activities.

The Group's order book shows that mild growth in sales turnover will continue. The Group constantly reviews its capacity utilization and expects to add machinery to support business growth from time to time.

The Group mainly borrows in US Dollars and Hong Kong Dollars on floating interest rates. Details on maturity profile of these borrowings and contingent liabilities will be set out in the notes to the financial statements in our interim report 2003 which will be made available as soon as practicable. The Group has no assets pledged at the balance sheet date.

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 resolved to pay an interim dividend of HK1 cent per share for the six months ended 30 June 2003 (2002: HK0.5 cent) to the shareholders whose names appear on the register of members of the Company on 15 October 2003. The interim dividend will be paid on or before 23 October 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 October 2003 to 15 October 2003, 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, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 8 October 2003.

PURCHASE, SALE OR REDEMPTION OF SHARE IN THE COMPANY

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2003.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 June 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors of the Company are not appointed for a specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

FULL DETAILS OF FINANCIAL INFORMATION

The Interim Report 2003 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Poon Ka Hung
Chairman

Hong Kong, 4 September 2003

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