

ORITRON

ORIENT POWER HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code : 615)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

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 2003 together with the comparative figures for the corresponding year in 2002 are as follows:

		Year ended 31 December	
	<i>Notes</i>	2003	2002
		HK\$'000	HK\$'000
			(Restated)
TURNOVER	2	4,623,309	4,348,888
Cost of sales		(4,232,291)	(4,017,991)
Gross profit		391,018	330,897
Other revenue and gain	3	23,301	27,135
Selling and distribution costs		(103,991)	(94,712)
Administrative expenses		(149,830)	(143,871)
Other operating expenses		(34,737)	(41,452)
PROFIT FROM OPERATING ACTIVITIES		125,761	77,997
Finance costs	4	(20,245)	(21,588)
Share of profits and losses of:			
Jointly-controlled entities		515	(6,184)
Associates		7,067	7,719
PROFIT BEFORE TAX		113,098	57,944
Tax	5	(24,079)	(2,018)
PROFIT BEFORE MINORITY INTERESTS		89,019	55,926
Minority interests		1,155	4,270
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		90,174	60,196
DIVIDENDS	6	(17,193)	(11,120)
EARNINGS PER SHARE – HK CENTS	7		
– Basic		19.8	13.6
– Diluted		N/A	N/A

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”).

In the current year, 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 balance sheet 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 the 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 were increased by HK\$8,397,000 and HK\$13,270,000 respectively. The comparative figure of reported net profit for the prior year has also been restated by an increase of HK\$4,873,000.

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:

2003

	Home entertainment HK\$'000	In-car electronics HK\$'000	Network information/ entertainment solution HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue						
Sales to external customers	2,677,875	1,940,066	5,368	-	-	4,623,309
Intersegment sales	62	71,841	-	-	(71,903)	-
Total	<u>2,677,937</u>	<u>2,011,907</u>	<u>5,368</u>	<u>-</u>	<u>(71,903)</u>	<u>4,623,309</u>
Segment results	<u>63,954</u>	<u>86,679</u>	<u>(7,936)</u>	<u>2,782</u>	<u>-</u>	<u>145,479</u>
Corporate and unallocated expenses						(19,718)
Profit from operating activities						<u>125,761</u>

2002

	Home entertainment HK\$'000	In-car electronics HK\$'000	Network information/ entertainment solution HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue						
Sales to external customers	2,800,906	1,541,909	6,073	-	-	4,348,888
Intersegment sales	10,873	90,647	-	-	(101,520)	-
Total	<u>2,811,779</u>	<u>1,632,556</u>	<u>6,073</u>	<u>-</u>	<u>(101,520)</u>	<u>4,348,888</u>
Segment results	<u>73,746</u>	<u>34,423</u>	<u>(15,540)</u>	<u>4,014</u>	<u>-</u>	<u>96,643</u>
Corporate and unallocated expenses						(18,646)
Profit from operating activities						<u>77,997</u>

b. By geographical segment:

2003

	U.S.A. HK\$'000	Europe HK\$'000	Asia HK\$'000	Central and South America HK\$'000	Canada HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
Sales to external customers	<u>1,603,324</u>	<u>2,197,060</u>	<u>113,205</u>	<u>200,582</u>	<u>334,550</u>	<u>174,588</u>	<u>-</u>	<u>4,623,309</u>

2002

	U.S.A. HK\$'000	Europe HK\$'000	Asia HK\$'000	Central and South America HK\$'000	Canada HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
Sales to external customers	<u>1,723,636</u>	<u>1,751,702</u>	<u>271,536</u>	<u>67,386</u>	<u>107,200</u>	<u>427,428</u>	<u>-</u>	<u>4,348,888</u>

3. Other Revenue and Gain

	Year ended 31 December	
	2003 HK\$'000	2002 HK\$'000
Other Revenue		
Tooling and repairing service income	8,668	13,742
Interest income	4,108	3,058
Rental income	2,818	1,115
Sales of scrap materials	683	1,011
Commission income	2,450	3,672
Others	4,574	4,509
	<u>23,301</u>	<u>27,107</u>
Gain		
Gain on disposal of a subsidiary, net	-	28
	<u>23,301</u>	<u>27,135</u>

4. Finance Costs

	Year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts, and other borrowings wholly repayable within five years	20,083	21,228
Interest on finance leases and hire purchase contracts	162	360
	<u>20,245</u>	<u>21,588</u>

5. 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 year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profit arising in Hong Kong for the whole of the year ended 31 December 2003. 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 2 years from their first year with assessable profits, and thereafter a 50% exemption for 3 consecutive years.

	Year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
		(Restated)
Group:		
Current – Hong Kong:		
Charge for the year	1,123	5,764
Under/(over) provision in prior year	173	(1,765)
Current – Elsewhere	5,989	–
Deferred	15,725	(3,082)
	<u>23,010</u>	<u>917</u>
Share of tax attributable to:		
Jointly-controlled entities	211	–
Associates	858	1,101
	<u>24,079</u>	<u>2,018</u>

6. Dividends

	Year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Interim dividend of HK1.0 cent per share (2002: HK0.5 cent)	4,448	2,224
Proposed final dividend of HK2.5 cents per share (2002: HK2.0 cents)	12,745	8,896
	<u>17,193</u>	<u>11,120</u>

A final dividend in respect of 2003 of HK2.5 cents per share amounting to HK\$12,745,000 has been proposed by the Directors after the balance sheet date. The proposed dividend 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\$90,174,000 (2002 (restated): HK\$60,196,000), and the weighted average of 456,381,310 (2002: 442,403,509) ordinary shares in issue during the year, as adjusted to reflect the share issued during the year (2002: share purchased).

A diluted earnings per share amount for the year ended 31 December 2003 has not been disclosed as no diluting events existed during the year.

8. Depreciation/Amortisation charged

	Year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Depreciation of fixed assets	69,172	88,557
Amortisation of R & D	28,059	19,444
	<u>97,231</u>	<u>108,001</u>

With effect from 1 January 2003, as a result of changing conditions and experience, the Company revised the estimated useful life of certain fixed assets. Certain plants and machinery previously with useful life of 5 years are now extended to 10 years. In the opinion of the directors, the depreciable life of these fixed assets are more appropriately reflected by the adoption of the revised depreciation rates. This constitutes a change in accounting estimate. The change in the useful life has been applied prospectively and resulted in a decrease in depreciation charge of approximately HK\$29,890,000 for the current year.

FINANCIAL RESULTS

For the year 2003, the Group recorded a net profit of HK\$90.2 million, an increase of 49.8% from the previous year. Sales turnover growth was moderate at 6.3% for the full year. The net profit improvement was partly attributable to a change in depreciation estimate. The board is pleased to recommend an increase in the final dividend.

During the year 2003, our share price gained 187% with a more than 800% increase in trading volume. We attribute the substantial gain in share price to investors' interest in the sector and our increased activities in investor relations in the investment community. The Group leveraged the strong liquidity position and did a placement with net proceeds of around HK\$59.8 million in October.

BUSINESS REVIEW

In the Home Entertainment front, demands from consumers were strong as they purchased digital video products at favorable price points. Volume was significantly higher than the previous year but on commodity margin. Worldwide shortage of memory ICs and increase in raw materials price, as results of the booming digital camera market and weak US dollars respectively, led to additional squeeze on our margins.

The competitive landscape of the digital AV market is changing as PC makers joined in, followed by their Taiwanese contractors. These manufacturers join the hardware market at the bottom rung with cutthroat pricing tactics to compete with Hong Kong and Mainland manufacturers.

The In-Car Division continues to capitalize on its dominant position in the after-sales market worldwide and reap the benefits from the strong demands by consumers for video products for in-car and portable use. First shipments to US car-makers began in the second half of 2003 thereby marking the commencement of our business in the primary, or OEM, market. The In-Car Division cushioned better against the adverse effects of component shortage and rising raw materials costs due to less competition as a result of high entry barrier for this market.

ORGANIZATION REVIEW

The Group recognizes that constant improvements within our organization must take place in order to sustain the growth we have experienced in the past several years in a business landscape of ever increasing competition and compressed product cycles. Senior management must take the lead in adopting a learning culture and building up our pool of human resources through both internal training and recruitment, as well as strategic use of information technology.

The Group engaged Dr. Thomas Leung of Vision Consulting Limited to review our organization during the second half of 2003. The aim of the review was to take a bird's eye view of our group's directions, vision, mission, values, human resources needs, and improvements wherever required, in order to accomplish our objectives in the next 5 years.

Several experienced executives joined our senior management ranks during the year. A number of our new recruits have doctorate and master degrees and are placed as management trainees in areas of engineering, marketing, and operations.

The Group's support of local institutions continued. Our ERP (enterprise resource planning) project with Chinese University, which uses information technology to streamline our operations, continues to make good progress.

REVIEW OF MACHINERY USAGE

As the Group was aware that there is a significant difference between our Group's and the industry's practice in the estimated useful life of certain fixed assets, namely, plants and machinery for production, we have taken initiative to conduct a thorough review of the useful life of them at the beginning of the year. Having considered the actual years of usage of our current plants and machinery and the industry practice, we have decided to change the estimated useful life of our fixed assets from 5 years to 10 years. After completion of the review later in the year, the board has considered that it is more appropriate, owing to the change in circumstances, to apply such new estimation to our depreciation expense. As the new estimate would appreciably benefit the Group's competitiveness, the board viewed that it should be put into effect as the awareness came about at the beginning of the year. The change has resulted in a decrease in depreciation charge of approximately HK\$29.9 million for the current year.

PROSPECTS

The Group opines that Year 2004 will be affected by uncertainties due to different geopolitical events, terrorism concerns, and also weak US dollars. However, the demands for digital AV products in the home and in-car markets will remain strong.

We believe that such strong demands will also be hampered by the same concerns cited above, i.e. price erosions, fierce competition, shortage of selected ICs and price hikes of raw materials as a result of weak US dollars. Therefore, the Group will draw from our prior experience and cautiously navigate through this challenging period.

We anticipate that strong growth will continue with the In-Car Division with new products riding on its dominant position in car audio equipment in the after-sales market. OEM services for car-makers will also grow steadily.

For home entertainment products, consumers are looking for hardware products with more power, features, and sound quality for their digital entertainments. The Group was among the top suppliers for home-theatre product series as reported by a US survey during the holiday season of 2003. This product line will be an anchor of our revenues in home products.

Although the financial contributions of our investments in new products and new markets to our Group have not yet reached its full strength, we have seen positive developments. The status of our investments are summarized as follows:

For the China market, our in-car AV products from the Nanjing factory are now undergoing approval processes by China automobile manufacturers. These approval processes normally take over a year.

The cable broadcast authorities in China finally announced their selection of the video format in 2003 thereby turning on the green light for digital broadcast to be the primary means of entertainments for Chinese consumers. Our subsidiary in Beijing is now selling these digital cable boxes made by our Wuxi factory. We continue to take a conservative approach in establishing distribution and sales points in China for our home AV products by our operations in Wuxi.

In the area of new products, the demand for navigation products is steadily rising in the US and Europe as the price point approaches that suitable for the mass market. With PC makers joining the digital media industry come both opportunities and threats. More new products will be developed to satisfy consumers who are after technologies and connectivity with the PC. In recognizing this trend earlier, the Group has taken steps to align our business development efforts to serve PC makers. We also have home networking products that connect the PC with regular AV equipment.

Looking ahead beyond 2004, the Group is steadfastly committed to investing in development of new products and opening up new markets as means of growth. The investments we have made in the past several years will provide a steady stream of opportunities to us in the next 3 to 5 years with substantial returns.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the year.

PROPOSED FINAL DIVIDEND

The directors recommend to pay a final dividend of HK2.5 cents per share for the year ended 31 December 2003 (2002: HK2.0 cents) to the shareholders whose names appear on the register of members of the Company on 24 May 2004. Subject to shareholders' approval, the final dividend is expected to be paid on or before 24 June 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2004 to 24 May 2004, 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 19 May 2004.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") issued by The Stock Exchange of Hong Kong Limited ("the Exchange"), except that the non-executive directors are not appointed for specific terms, but are subject to retirement by rotation in accordance with the Company's Bye-laws.

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 audited accounts for the year ended 31 December 2003. The audit committee consists of 3 members including 2 independent non-executive directors.

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 Listing Rules on the Exchange will be published on the Exchange's website in due course.

PROPOSED AMENDMENT OF BYE-LAWS

The directors propose to amend the Bye-laws of the Company in order to comply with the requirements of Appendix 3 to the Listing Rules and the Companies Act of Bermuda, and to provide more flexibility to the Company in administration, communication with shareholders and handling of documents.

A circular giving details of the proposed amendment of the Bye-laws of the Company, and incorporating a notice of a special general meeting will be sent to shareholders shortly.

LIST OF DIRECTORS

The directors of the Company as at the date of this announcement are Mr. Poon Ka Hung, Mr. Wu Lai Ping, Mr. Lin Hoo Fun and Mr. Leung Chun Pong as executive directors; Ms. Jennifer Cheung Mei Ha, Mr. Edward Fung Chi Kong and Mr. Joseph Chan Wing Tai as independent non-executive directors.

By Order of the Board
Poon Ka Hung
Chairman

Hong Kong, 22 April 2004

Please also refer to the published version of this announcement in China Daily.