ORITRON

ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 615)

http://www.orientpower.com

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

RESULTS

The board of directors (the "Board") of Orient Power Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with comparative figures for the previous year in 2004 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
			(Restated)
REVENUE	*2*	**3,696,164**	4,134,726
Cost of sales, after the provision for obsolete inventories of HK$290,121,000 (2004: write-back of provision for obsolete inventories of HK$629,000)		**(4,046,318)**	(3,794,470)
Gross profit/(loss)		**(350,154)**	340,256
Other income and gains	*3*	**27,173**	31,825
Selling and distribution costs		**(123,985)**	(119,249)
Administrative expenses		**(184,979)**	(159,641)
Other expenses		**(580,624)**	(33,958)
Finance costs	*4*	**(49,209)**	(19,893)
Share of profits and (losses) of:			
Jointly-controlled entities		**(32,203)**	(2,581)
Associates		**–**	12,836
PROFIT/(LOSS) BEFORE TAX	*5*	**(1,293,981)**	49,595
Tax	*6*	**35,040**	(11,456)
PROFIT/(LOSS) FOR THE YEAR		**(1,258,941)**	38,139
ATTRIBUTABLE TO:			
Equity holders of the parent		**(1,254,365)**	38,057
Minority interests		**(4,576)**	82
		(1,258,941)	38,139

	Notes		
DIVIDENDS	*7*		
Interim		**–**	2,549
Proposed final		**–**	7,647
		–	10,196
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**(HK$2.46)**	7.5 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	**2005** *HK$'000*	2004 *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**386,932**	408,216
Investment property		**4,470**	4,200
Prepaid land lease payment		**7,031**	–
Goodwill		**–**	–
Deferred product development costs		**22,820**	67,006
Interests in jointly-controlled entities		**6,968**	97,932
Available-for-sale equity investment/long term investment		**–**	–
Deposits for product development costs and moulds		**16,105**	39,152
Deferred tax assets		**–**	8,560
Total non-current assets		**444,326**	625,066
CURRENT ASSETS			
Inventories	*11*	**300,180**	359,062
Trade and bills receivables	*12*	**440,029**	482,359
Prepayments, deposits and other receivables		**32,247**	18,915
Tax recoverable		**937**	–
Pledged deposits		**90,735**	–
Cash and cash equivalents		**62,870**	321,431
Total current assets		**926,998**	1,181,767
CURRENT LIABILITIES			
Trade and bills payables	*13*	**556,719**	324,752
Other payables and accruals		**134,984**	96,108
Bank loans and other borrowings		**1,135,689**	281,597
Finance lease payable		**–**	6
Due to minority shareholder of subsidiaries		**17,076**	3,808
Tax payable		**–**	13,807
Provisions for sales returns and warranty costs		**24,650**	11,431
Total current liabilities		**1,869,118**	731,509

NET CURRENT ASSETS/(LIABILITIES)	**(942,120)**	450,258
TOTAL ASSETS LESS CURRENT LIABILITIES	**(497,794)**	1,075,324
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	**–**	300,000
Deferred tax liabilities	**–**	30,772
Total non-current liabilities	**–**	330,772
NET ASSETS/(LIABILITIES)	**(497,794)**	744,552
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**50,981**	50,981
Reserves	**(548,878)**	685,819
Proposed final dividend	**–**	7,647
	(497,897)	744,447
Minority interests	**103**	105
Total equity/(deficiency)	**(497,794)**	744,552

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK-Int")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance, and are in compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of the financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except in relation to the following new and revised HKFRSs, which also include HKASs and Interpretations that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes - Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 23, 27, 28, 31, 33, 37, 38, HKFRS2, HKFRS5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's consolidated financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to jointly-controlled entities was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of jointly-controlled entities is presented net of the Group's share of tax attributable to jointly-controlled entities.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 - Leases

In prior years, leasehold land and buildings held for own use were stated at cost or valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 December 2004 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity investment

In prior years, the Group classified its equity investment as long term investment, which was held for non-trading purpose and was stated at its cost less any impairment losses. Upon the adoption of HKAS 39, this investment held by the Group at 1 January 2005 in the carrying amount of nil is designated as an available-for-sale equity investment under the transitional provisions of HKAS 39 and accordingly is stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

The adoption of HKAS 39 has had no effect on the consolidated income statement and retained profits.

(ii) Discounted bills

In prior years, bills receivable discounted to banks with recourse were derecognised and proceeds received for discounting these bills receivable were disclosed as contingent liabilities.

Upon the adoption of HKASs 32 and 39, as the Group has retained substantially all the risks and rewards of ownership of the discounted bills receivable with recourse, the Group is required to continue to recognise the discounted bills receivable and at the same time recognise financial liabilities for the proceeds received.

The effects of the above changes are summarised in note 2.5 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) HKAS 40 – Investment Property

In prior years, changes in the fair value of the Group's investment property were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair value of the investment property are included in the income statement in the year in which they arise. In accordance with the transitional provisions of HKAS 40, the opening balance of retained profits and the results for the comparative period have been restated to reflect this change retrospectively. The effects of the above change are summarised in note 2.5 to the financial statements.

(d) ***HKFRS 3 – Business Combinations and HKAS 36 - Impairment of Assets***

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1 January 2001 were eliminated against the consolidated retained profits and credited to the consolidated capital reserve, respectively, in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired businesses.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation and impairment losses with a corresponding adjustment to the cost of goodwill and to derecognise at 1 January 2005 the carrying amounts of negative goodwill that remaining in the consolidated capital reserve against retained profits. Goodwill previously eliminated against the retained profits remains eliminated against the retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2.5 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) ***HK(SIC)-Int 21 - Income Taxes - Recovery of Revalued Non-depreciable Assets***

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment property is determined depending on whether the property will be recovered through use or through sale. The Group has determined that its investment property will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The adoption of HK (SIC)-Int 21 has had no effect on the deferred tax position of the Group.

2. Segment Information

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2005 and 2004.

(a) Business segments

2005

	Home entertainment *HK$'000*	In-car electronics *HK$'000*	Network information/ entertainment solutions *HK$'000*	Corporate and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Sales to external customers	1,718,336	1,974,407	3,421	–	–	3,696,164
Intersegment sales	–	25,668	–	–	(25,668)	–
Other revenue	12,642	8,318	2	–	–	20,962
Total	1,730,978	2,008,393	3,423	–	(25,668)	3,717,126
Segment results	(705,251)	(469,514)	(2,751)	–	–	(1,177,516)
Interest income						6,211
Unallocated expenses						(41,264)
Finance costs						(49,209)
Share of losses of jointly-controlled entities	(17,935)	(14,268)				(32,203)
Loss before tax						(1,293,981)
Tax						35,040
Loss for the year						(1,258,941)

2004

	Home entertainment HK$'000	In-car electronics HK$'000	Network information/ entertainment solutions HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000 (Restated)
Segment revenue:						
Sales to external customers	2,249,245	1,879,434	6,047	–	–	4,134,726
Intersegment sales	7,741	101,765	–	–	(109,506)	–
Other revenue	11,509	11,676	9	–	–	23,194
Total	2,268,495	1,992,875	6,056	–	(109,506)	4,157,920
Segment results	43,274	46,361	(5,856)	256	–	84,035
Interest Income						8,631
Unallocated expenses						(33,433)
Finance costs						(19,893)
Share of profit and (losses) of						
Jointly-controlled entities	1,853	(4,434)				(2,581)
Associates						12,836
Profit before tax						49,595
Tax						(11,456)
Profit for the year						38,139

2005

	Home entertainment *HK$'000*	**In-car electronics** *HK$'000*	**Network information/ entertainment solutions** *HK$'000*	**Corporate and Others** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**663,093**	**503,646**	**10,595**	**33,417**	**–**	**1,201,751**
Interests in jointly-controlled entities	**–**	**6,968**	**–**	**–**	**–**	**6,968**
Unallocated assets						**162,605**
Total assets						**1,371,324**
Segment liabilities	**274,975**	**209,647**	**11,622**	**10,014**	**–**	**506,258**
Unallocated liabilities						**1,362,860**
Total liabilities						**1,869,118**
Other segment information:						
Depreciation and amortisation	**89,155**	**52,658**	**1,296**	**–**	**–**	**143,109**
Other non-cash expenses/(income)	**556,553**	**273,800**	**(177)**	**23,239**	**–**	**853,415**
Capital expenditure	**81,132**	**67,335**	**5**	**–**	**–**	**148,472**
Items of property, plant and equipment impairment	**51,745**	**36,920**	**–**	**–**	**–**	**88,665**
Deferred expenditure written off	**29,610**	**20,427**	**–**	**–**	**–**	**50,037**
Deposits for product development costs and moulds written off	**21,227**	**5,436**	**–**	**–**	**–**	**26,663**
Surplus on revaluation of property, plant and equipment credited to the asset revaluation reserve	**(6,473)**	**(5,070)**	**–**	**(6,966)**	**–**	**(18,509)**

2004

	Home entertainment *HK$'000*	In-car electronics *HK$'000*	Network information/ entertainment solutions *HK$'000*	Corporate and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000* (Restated)
Segment assets	653,878	689,077	9,180	26,775	–	1,378,910
Interests in jointly-controlled entities	71,593	28,513	(2,174)	–	–	97,932
Unallocated assets						329,991
Total assets						1,806,833
Segment liabilities	260,081	166,771	5,030	4,217	–	436,099
Unallocated liabilities						626,182
Total liabilities						1,062,281
Other segment information:						
Depreciation and amortisation	77,468	40,441	1,222	395	0	119,526
Other non-cash expenses/(income)	(9,903)	4,952	2,035	–	0	(2,916)
Capital expenditure	118,035	90,928	675	–	0	209,638
Deferred expenditure written off	2,159	2,946	–	–	0	5,105
Surplus on revaluation of property, plant and equipment credited to the asset revaluation reserve	–	(1,240)	(72)	(3,793)	0	(5,105)

(b) ***Geographical segments***

The following tables present revenue for the Group's geographical segments.

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

2005

	U.S.A.	**Europe**	**Asia**	**Central and South America**	**Canada**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:								
Sales to external customers	**1,050,642**	**1,943,874**	**163,660**	**268,462**	**172,312**	**97,214**	**–**	**3,696,164**
Other segment information:								
Segment assets	**202,489**	**128,832**	**1,006,854**	**21,027**	**10,686**	**1,436**	**–**	**1,371,324**
Capital expenditure	**–**	**–**	**148,472**	**–**	**–**	**–**	**–**	**148,472**

2004

	U.S.A.	Europe	Asia	Central and South America	Canada	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	1,333,421	1,876,058	189,002	181,583	430,157	124,505	–	4,134,726
Other segment information:								
Segment assets	52,513	60,808	1,686,794	–	5,419	1,299	–	1,806,833
Capital expenditure	201	–	209,437	–	–	–	–	209,638

3. Other income and Gains

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Tooling and repairing service income	**9,556**	12,726
Interest income	**6,211**	8,631
Rental income	**927**	1,827
Sales of scrap materials	**1,296**	1,676
Promotional income	**850**	2,500
Others	**5,836**	3,580
Foreign exchange gains arising from the translation of bank loans, net	**2,227**	–
Gain on disposal of associates	**–**	185
Fair value gain on an investment property	**270**	700
	27,173	31,825

4. Finance Costs

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**49,209**	19,877
Interest on finance leases	**–**	16
	49,209	19,893

5. Profit/(Loss) Before Tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Depreciation	**102,614**	83,749
Provision/(write-back of provision) for obsolete inventories	**290,121**	(629)
Provision for sales returns and warranty costs	**48,830**	29,007
Write-off of deposits for product development costs and moulds	**26,663**	–
Goodwill impairment arising during the year	**23,239**	–
Provision/(write-back of provision) for doubtful receivables	**65,753**	(4,352)
Write-off of items of property, plant and equipment	**19,949**	–
Impairment of items of property, plant and equipment	**88,665**	–
Write-off of receivables	**287,039**	–
Research and development costs:		
Amorisation of deferred expenditure	**40,324**	35,777
Write-off of deferred expenditure	**50,037**	5,105
Current year's expenditure	**16,111**	14,837
	106,472	55,719

6. Tax

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Group		
Current – Hong Kong		
Charge for the year	**82**	1,275
Under/(over) provision in prior years	**(13,659)**	–
Current – Elsewhere	**749**	3,454
Deferred	**(22,212)**	6,727
Total tax charge for the year	**(35,040)**	11,456

Hong Kong profits tax has been provided at a rate of 17.5% (2004: 17.5%) 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 legislation, interpretations and practices in respect thereof.

The tax rate for corporate income tax ("CIT") applicable to the subsidiaries of the Group operating in Mainland China is 33%. Certain of these subsidiaries are eligible for exemption from CIT for the two years starting from the first year in which assessable profits are generated, and a 50% exemption from CIT for the following three years.

The share of tax attributable to jointly-controlled entities and associates amounting to nil (2004: HK$168,000) and nil (2004: HK$1,891,000), respectively, is included in "Share of profit and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

7. Dividends

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Interim – Nil (2004: HK0.5 cent) per ordinary share	**–**	2,549
Proposed final – Nil (2004: HK1.5 cents) per ordinary share	**–**	7,647
	–	10,196

8. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic loss per share amounts is based on the net profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2005 and 2004 have not been disclosed as no dilutive events existed during these years.

9. Depreciation/Amortisation

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Depreciation	**102,614**	83,749
Amortisation of deferred expenditure	**40,324**	35,777
Amortisation of prepaid land lease payments	**171**	–
	143,109	119,526

10. Acquisition of a Subsidiary

As disclosed in note 19 to the financial statements above, on 15 March 2005, the Group acquired an additional 22.5% interest in OPWDT by making further capital injection of US$5 million (equivalent to HK$39 million) into OPWDT. The Group's interest in OPWDT increased from 55% as at 31 December 2004 to 77.5% upon the completion of the capital injection and OPWDT has become a subsidiary of the Group since then. OPWDT is engaged in the manufacture and sale of video products. The acquisition has been accounted for using the purchase method of accounting. Further details of the transaction are included in note 19 to the financial statements.

The fair values of the identifiable assets and liabilities of OPWDT and the corresponding carrying amounts immediately after the additional capital injection were as follows:

	Fair value recognised on acquisition *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	**71,268**	71,268
Prepaid land lease payment	**7,373**	7,373
Cash and bank balances	**41,913**	41,913
Inventories	**68,917**	76,554
Trade receivables	**64,149**	115,149
Prepayments and other receivables	**28,653**	28,653
Bank loans	**(38,180)**	(38,180)
Trade payables	**(223,758)**	(223,758)
	20,335	78,972
Minority interest	**(4,574)**	
Goodwill on acquisition	**23,239**	
Satisfied by cash	**39,000**	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary through the additional capital injection into OPWDT is as follows:

	HK$'000
Cash consideration	(39,000)
Cash and bank balances acquired	41,913
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	2,913

Since its acquisition, OPWDT contributed HK$136,685,000 to the Group's turnover and HK$88,579,000 to the consolidated loss for the year ended 31 December 2005.

Had the additional capital injection taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$220,117,000 and HK$91,725,000, respectively.

11. Inventories

	2005 *HK$'000*	2004 *HK$'000*
Raw materials	**110,042**	198,948
Work in progress	**139,072**	35,038
Finished goods	**51,066**	125,076
	300,180	359,062

At 31 December 2005, all the inventories of the Group were pledged under a floating charge as security for the Group's banking facilities, as further detailed in note 2.1 to the financial statements.

12. Trade and Bills Receivables

An aged analysis of the unfactored trade receivables as at balance sheet date, based on the invoice date, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Current to 90 days	**478,013**	442,081
91 to 180 days	**17,687**	19,130
181 to 360 days	**5,443**	10,624
Over 360 days	**47,830**	22,969
	548,973	494,804
Less: Provision for bad and doubtful debts	**(108,944)**	(12,445)
	440,029	482,359

13. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the balance sheet, based on the invoice date, is as follows:

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Current to 90 days	**490,461**	317,240
91 to 180 days	**53,062**	3,323
181 to 360 days	**9,520**	2,775
Over 360 days	**3,676**	1,414
	556,719	324,752

QUALIFIED AUDITORS' REPORT

The Directors would like to draw your attention that the report of the auditors, Ernst & Young, on the accounts of the Group for the year ended 31 December 2005 has been qualified. The relevant parts of the auditors' report that dealt with the qualification as well as the relevant notes to the accounts to which the auditors' report refers to are quoted as follows:

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, however, the evidence available to us was limited as further explained below.

(1) ***Scope limitation – carrying amount and provision/write-off relating to property, plant and equipment***

As at 31 December 2005, included in the consolidated balance sheet of the Group is property, plant and equipment ("PPE") stated at the net carrying amount of HK$386,932,000 after an impairment provision and write-off. An impairment assessment has been performed by the directors of the Company to determine the recoverable amount either from utilisation of the said PPE in future operations, or from their disposal, in accordance with the future production plan of the Group and as further detailed in note 14 to the financial statements, an impairment provision of HK$88,665,000 and a write-off of HK$19,949,000 have been made and charged to the consolidated income statement for the year ended 31 December 2005. In the absence of sufficient reliable evidence to support the directors' assessment of the future scaling down of the Group's production operations and consequently the manner in which the Group's PPE will be recovered, and as a result of the uncertainties regarding the adequacy of the Group's working capital in the implementation of its production plan pursuant to the Debt Restructuring Proposal, as further explained in note 2.1 to the financial statements, we have not been able to satisfy ourselves as to whether the impairment provision and the write-off determined by the directors against the carrying amount of the PPE for the year ended 31 December 2005, and in consequence the net carrying amount of PPE as at 31 December 2005 are fairly stated.

(2) ***Scope limitation – carrying amounts and write-off relating to deferred product development costs and deposits for product development costs and moulds***

As at 31 December 2005, included in the consolidated balance sheet of the Group are deferred product development costs capitalised of HK$22,820,000 and deposits for product development costs and moulds of HK$16,105,000, stated net of amounts written off. An impairment assessment has been performed by directors of the Company to determine the recoverable amounts from utilisation of the said deferred product development costs and deposits for product development costs and moulds in future operations and, as detailed in notes 18 and 22 to the financial statements, respectively, deferred product development costs of HK$50,037,000 and deposits for product development costs and moulds of HK$26,663,000 have been written off and charged to the consolidated income statement for the year ended 31 December 2005. In the absence of sufficient reliable evidence to support the directors' assessment of the carrying values of the abovementioned deferred product development costs and deposits for product development costs and moulds and, as a result of uncertainties regarding the adequacy of the Group's working capital in the implementation of its production plan pursuant to the Debt Restructuring Proposal, as further explained in note 2.1 to the financial statements, we have not been able to satisfy ourselves as to whether the amounts written-off determined by the directors against the carrying amounts of deferred product development costs and deposits for product development costs and moulds for the year ended 31 December 2005, and in consequence their net carrying amounts as at 31 December 2005 are fairly stated.

(3) Scope limitation – carrying amount and provision relating to inventories

Included in the consolidated balance sheet as at 31 December 2005 of the Group are inventories of HK$300,180,000 stated net of a provision for obsolete inventories of approximately HK$307,600,000, of which HK$290,121,000 was charged to the consolidated income statement for the year ended 31 December 2005. Due to the lack of sufficient reliable evidence, we have not been able to perform the procedures we considered necessary to satisfy ourselves as to whether the provision for obsolete inventories for the year ended 31 December 2005, and in consequence the net carrying amount of inventories as at 31 December 2005 are fairly stated.

(4) Scope limitation – carrying amount and provision for impairment of interests in subsidiaries

Included in the balance sheet of the Company as at 31 December 2005 are interests in subsidiaries of HK$1, stated net of a provision for impairment against interests in subsidiaries of HK$1,055,516,000, of which HK$970,716,000 was charged to the income statement of the Company for the year ended 31 December 2005, as detailed in note 19 to the financial statements. Due to the scope limitations in respect of points (1) to (3) above, we have not been able to satisfy ourselves as to whether the impairment provision determined by the directors against the carrying amount of such interests in subsidiaries for the year ended 31 December 2005, and in consequence their net carrying amount as at 31 December 2005 are fairly stated.

We have been unable to carry out alternative audit procedures to satisfy ourselves as to the matters set out in points (1) to (4) above.

Any adjustment that might have been found to be necessary in respect of the matters set out in points (1) to (3) above would have a consequential effect on the net deficiency of the Group as at 31 December 2005, its loss and cash flows for the year then ended and the related disclosures in the financial statements.

Any adjustment that might have been found to be necessary in respect of the matters set out in point (4) above would have a consequential effect on the net deficiency of the Company as at 31 December 2005, its loss for the year then ended and the related disclosures in the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2.1 to the financial statements which explain the circumstances giving rise to the fundamental uncertainty relating to the outcome of the proposed restructuring of the existing outstanding indebtedness of the Group to replace the Group's existing standstill arrangement (the "Debt Restructuring Proposal") and the continuous financial support from the Group's financial creditors. These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Debt Restructuring Proposal and the continuous financial support from the Group's financial creditors. The financial statements do not include any adjustments that may be necessary and the Group fail to implement the Debt Restructuring Proposal or to obtain the necessary financial support from its financial creditors. We consider that appropriate disclosures have been made in the financial statements concerning this situation, but this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

Fundamental uncertainty relating to the possible outcome of a litigation

In forming our opinion, we have considered the adequacy of the disclosures made in note 37(c) to the financial statements concerning the outcome of the litigation against the Company and certain subsidiaries of the Group for various claims which include a claim for substantial estimated unpaid royalties. Although the directors of the Company, based on the legal opinion provided by the Group's legal counsel, are of the view that the related defendants have valid grounds for defending such claims made by the plaintiff, with the litigation still ongoing, it is not possible to ascertain with any degree of reasonable certainty the outcome of this litigation and the existence or otherwise of any compensation payable should the related defence become unsuccessful. We consider that appropriate disclosures and estimates have been made in the financial statements for such contingencies and our audit opinion is therefore not qualified in this respect.

Disclaimer of opinion

Because of the significance of (i) the possible effects of the scope limitations in evidence available to us in each of the areas as set out in points (1) to (4) under the basis of opinion section of this report; and (ii) the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as further set out in the basis of opinion section of this report, including namely the net carrying amounts and provisions/write-off relating to property, plant and equipment, deferred product development costs and deposits for product development costs and moulds and inventories for the Group, and the interests in subsidiaries for the Company, we have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

NOTES TO THE ACCOUNTS

2.1 BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES IN RESPECT OF GOING CONCERN BASIS

The Group sustained a loss attributable to the equity holders of the parent of HK$1,254,365,000 and reported a net cash outflow from operating activities of HK$550,022,000 for the year ended 31 December 2005. At 31 December 2005, the Group had consolidated net current liabilities of HK$942,120,000 and deficiency of assets of HK$497,794,000.

Included in the consolidated net current liabilities of HK$942,120,000 as at 31 December 2005 were bank borrowings of HK$1,135,689,000, bills payable of HK$223,020,000 and trade payables of HK$333,699,000, respectively (collectively the "Financial Creditors").

On 30 May 2005, as a result of a prior breach of a syndicated loan covenant and the announcement of certain litigation against the Group by Koninklijke Philips Electronics N.V. ("Philips"), the Group sought protection under The Hong Kong Association of Banks and The Hong Kong Monetary Authority's guidelines "Hong Kong Approach To Corporate Difficulties". Following this action the Group entered a period of informal standstill with its lending banks in respect of the banking facilities of the Group prior to establishing a formal standstill under a standstill agreement dated 14 October 2005 (the "Standstill Agreement" as defined hereunder).

The Standstill Agreement has currently been agreed to by all but one of the Group's Hong Kong based lending banks which is currently under the administration of the Hong Kong Monetary Authority, The aim of the Standstill Agreement is to provide the Group with sufficient time and stability to negotiate and implement a restructuring of the bank facilities extended to the Group (the "Existing facilities") under a formal debt restructuring arrangement. Under the Standstill Agreement, the banks ("the Lenders") have agreed not to enforce the payment of monies due from the Group under the Existing Facilities during the standstill period (the "Standstill Period"), which assuming no early termination on the occurrence of a default would expire on 31 January 2006 (the "Expiry Date"). In return, the Group had provided the Lenders with a fixed and floating charge debenture (the "Debenture") on all the assets of the Group.

The Standstill Agreement includes, inter alia, the following principal terms:

(i) the Lenders agreed, subject to the observation of certain terms, not to commence liquidation, receivership or insolvency related proceedings against the Group before the Expiry Date;

(ii) the Group provided the Lenders with a fixed and floating charge debenture (the "Debenture") on all the assets of the Group;

(iii) the Lenders reserved their rights in respect of previous breaches of covenants by the Group under the Existing Facilities;

(iv) the revolving banking facilities would continue to be made available and be operated to the extent they were utilised on 30 May 2005; and

(v) on maturity or roll-over dates of any of the Existing Facilities, the original terms of the relevant facility would be maintained subject to certain repayments being made to the Lenders.

Several extensions were granted by the Lenders to extend on the Expiry Date and based on the latest written consent from the Lenders, the Expiry Date was further extended to 28 April 2006 with provision for further extention to 30 May 2006.

While certain covenants as specified in the Standstill Agreement have not been complied with during the Standstill Period, the Group has satisfied the Lenders so as to allow for extensions of the Standstill Agreement, and as at the date of this report, no notice of early termination of the Standstill Agreement has been received from any of the Lenders.

With a view to securing the support of the Lenders on a medium to long term basis in respect of the Existing Facilities, in January 2006, the Group presented a financial restructuring proposal (the "Debt Restructuring Proposal") to the Lenders to replace the Standstill Agreement. The Restructuring Proposal involves, inter alia, the following principal steps:

(i) the rationalization of the Group's resources to focus on higher margin business, and the associated rationalization of manufacturing facilities to ensure fuller utilisation of production capacity;

(ii) the reduction of factory overheads and various general and administrative expenses;

(iii) the sale of certain properties of the Group; and

(iv) the restructuring and repayment of indebtedness to all financial creditors of the Group on a medium to long term basis.

In view of the Debt Restructuring Proposal, impairment assessments have been performed by the directors of the Company to determine the recoverable amounts of the property, plant and equipment ("PPE"), deferred product development costs and deposits for product development costs and moulds, either from utilisation in future operations, or from their disposal, in accordance with the future production plan of the Group. Accordingly, an impairment provision of HK$886,665,000 and a write-off of HK$19,949,000 have been made against the PPE and charged to the consolidated income statement for the year ended 31 December 2005. Besides, deferred product development costs of HK$50,037,000 and deposits for product development costs and moulds of HK$26,663,000 have also been written off and charged to the consolidated income statement for the year ended 31 December 2005.

On the basis that the Debt Restructuring Proposal (or similar arrangements) will be successfully implemented and continuous financial support can be obtained from the Group's Financial Creditors, the directors of the Company consider that the Group will have sufficient working capital to finance its operations in the foreseeable future and the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

If the going concern basis were not to be appropriate, adjustments would have to be made to restate the values of the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

At the date of the approval of these financial statements, several legal writs have been served to the Group in connection with the outstanding trade payables of the Group owed to trade creditors. The directors of the Company are in the opinion that the trade creditors will continue the normal trading arrangement with the Group to support its operations.

37. CONTINGENT LIABILITIES

In May 2005, the Company, together with 12 subsidiaries were served with a writ (the "Writ") by Koninklijke Philips Electronics N.V. ("Philips") in the Court of First Instance of Hong Kong for alleged infringement of their patent rights, mainly for CD and DVD technologies. A jointly-controlled entity of the Group was also named as a defendant in the Writ but the proceedings had not been served upon that entity. Orient Power Electronics Limited ("OPE") and Orient Power Multimedia Limited ("OPMM"), two wholly-owned subsidiaries of the Company, had respectively entered into license agreements with Philips for the use of Philips' patents. Philips claimed that OPE and OPMM had breached such license agreements for failing to submit statements in respect of licensed products and pay the related royalties to Philips. Although OPE and OPMM are separate legal entities, Philips further alleged that by virtue of the said license agreements, the other defendants (the "Non-Licenced Parties"), are also accountable for payments due under the said license agreements entered into by OPE and OPMM respectively. Alternatively, Philips also claimed that if the Non-Licenced Parties are not accountable under the license agreements, the Non-Licenced Parties are liable for damages for infringement of the patents of Philips in Hong Kong. Furthermore, Philips alleged against the Company and/or its subsidiaries misrepresentation, inducing breach of contract and conspiracy to cause damages to Philips. Philips is therefore seeking relief against the Company and/or its subsidiaries in the form of an injunction, an account for royalties and/or damages for breach of contracts, etc., including interest and all costs incurred by Philips in relation to the Writ. Philips' claim did not set out a figure for damages. However, Philips made an estimation of unpaid royalties of over US$60 million, but no basis of calculation had been provided by Philips.

In August and September 2005, the Company and the other defendants (being associated with the Company) applied to dismiss Philips' claim against them. In November 2005, Philips served an amended statement of claim upon the Company and the other defendants. The Company and the other defendants have applied to court to have the amendments to the original statement of claim disallowed and struck out. These and other matters were the subject of a contested hearing before a High Court Judge and the hearing was held from 27 to 31 March 2006. Upon the conclusion of the hearing, the Learned Judge reserved his decision and as of to date, the decision has not been delivered. As the issues of whether Philips' claims in the original statement of claim can proceed and whether Philips' original statement of claim would be allowed to be amended remains uncertain, the directors are not in a position to form an opinion on the likely progress of these proceedings. However, the directors of the Company have been advised by the legal advisors that it is unlikely that the claims by Philips, if it is allowed to continue, would be resolved in the near future. However, the directors of the Company have been advised by the patent experts and legal advisers that there are valid objections to the validity of the patents which Philips is claiming in the said proceedings to have been infringed and accordingly the Company and its subsidiaries would have a valid defence to all allegations raised by Philips in its present form or in its amended form (if Philips' amendments are allowed to stand). As such, the directors are of the opinion that no provision is required to be made for legal costs expected to be incurred at the present time in respect of the claims made by Philips under the Writ. Besides, the directors are of the opinion that adequate provision for legal fees in relation to the Writ has been made as at 31 December 2005.

OVERVIEW

The Group recorded a loss for the year of HK$1,254,365,000. Turnover decreased by 11% to HK$3,696,164,000. The losses include provisioning of approximately HK$903,146,000, which the management considers it necessary to recognize in the context of a substantial overhaul of the Group's business. The provisioning is reflective of the technological changes in the markets in which the Group operates and of management's decision to refine the Group's business focus to concentrate on more specialized niche markets so as to generate higher margins in the future. Provisions made serve to write down assets of the Group that management consider will not contribute within the refocused business. The process of restructuring the business, and efforts to strengthen the senior management, will continue throughout the current year.

REVIEW AND PROSPECTS

2005 was a difficult year for the Group. The business suffered as a result of the severe competitive pressures in the retail electronics market. The Group's difficulties were compounded by the legal action taken against it by Philips in respect of alleged patent infringements. The Group, as previously announced, is defending the claims against it.

With a view to restructuring its indebtedness, the Group is in discussions with a steering committee of its bank creditors. In an effort to provide stability to the Group's operations pending agreement on a restructuring, the Company has negotiated a standstill with the bank creditors, which the steering committee has authority to extend to 30 May 2006. Furthermore the Group is working with the steering committee toward agreeing a framework to the restructuring of the Group by 30 May 2006.

The Group's business slowed substantially during the year due, in large part, to the constraints imposed upon the Group's financial resources. The focus of the business during the past year has been towards cash generation. In addition, the Group has recorded losses as a result of offering discounts on sales with a view to retaining market share,provisioning associated with expediting liquidation of outdated, or close to outdated stock, and ceasing certain unprofitable operations and suspending its sub-contracting practices. These initiatives, and the associated rationalization of the Group's balance sheet, will provide a firm platform on which the Group can build a viable business.

Towards the end of the year, the Company undertook a wide-ranging strategy review and sought to identify solutions designed to stabilize and enhance its business. As a result the Group has plans to refine product lines and make further cut-backs in respect of inefficient capacity and operations in order to restore profit margins. The objective is to generate more cash flow while reducing working capital needs. Both of the Group's business divisions are studying ways to reduce operational cycles, thereby utilizing working capital more efficiently, and to emphasise the 'high-end' engineering capabilities of the Group through improved customer support so as to differentiate it from many of its competitors.

In conjunction with the review of business strategy, the Company is in the process of overhauling and strengthening its senior management and improving its information and control systems. As a result, the Company will be better placed to monitor and react to key performance indicators and to provide the quality of information necessary to support the complex exercise of restructuring the Company's business activities and debt profile.

The directors and senior management are fully committed to the restructuring process and believe that, with the continued support of its banks, customers and suppliers, the Group will be able to achieve a turnaround of its fortunes.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 31 December 2005.

Code Provision A.1.3, stipulates that notice of at least 14 days should be given of a regular board meeting. The board meets on a regular basis but certain meetings are held with shorter than 14 days notice to discuss matters with urgent nature.

Code Provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Poon Ka Hung currently holds both positions.
The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Group to sustain the development of the Group's business efficiently.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific terms. However, all the non-executive directors of the Company have not been appointed for specific terms but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company.

In April 2005, the Company's Remuneration Committee with specific written terms of reference was established in accordance with the requirements of the Code. The Remuneration Committee consists of four members including one non-executive director and three independent non-executive directors of the Company. In addition, the terms of reference of the Audit Committee was modified to incorporate certain provisions set out in the Code.

To ensure stricter compliance with the Code, relevant amendment to the Company's Bye Laws was proposed and approved by shareholders at the Annual General Meeting of the Company held on 30 May 2005 so that every Director shall be subject to retirement by rotation at least once every three years.

AUDIT COMMITTEE

The audit committee currently comprises four non-executive directors, three of them being independent. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited consolidated financial statements for the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries during the year ended 31 Decmeber 2005.

MODEL CODE

In respect of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in appendix 10 to the Listing Rules, the Company states that during the year ended 31 December 2005:

(a) the Company had a code of conduct regarding directors' securities transactions on the terms of the Model Code; and

(b) having made specific enquiry of all directors, the directors had complied with the required standard set out in the Model Code.

LIST OF DIRECTORS

The directors of the Company as at the date of this announcement comprise Messrs. Poon Ka Hung, Wu Lai Ping and Yeung James as executive directors; Mr. Leung Chun Pong as non-executive director; and Messrs. Joseph Chan Wing Tai, Tay Chee Hung and Tang Tin Ying as independent non-executive directors.

By Order of the Board
Poon Ka Hung
Chairman

Hong Kong, 26 April 2006

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