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ORITRON

ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

PROPOSED CONNECTED TRANSACTIONS

It is proposed that the Company and OP Wuxi, a 55% owned subsidiary of the Company, shall separately provide guarantees in favour of HSBC and BOC, and SPDB respectively to allow JOPE, a 51% owned subsidiary of the Company, to use loan facilities from the Banks.

Provision of the Guarantees will constitute connected transactions of the Company under Rule 14.26(6)(a) of the Listing Rules and will be subject to the approval of the shareholders of the Company.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 14.26 of the Listing Rules for each of the Guarantees when it is provided.

A circular giving details of the Proposal and the advice of the independent financial advisor and incorporating a notice of a special general meeting will be sent to shareholders shortly. As at the date of this announcement, the directors of the Company are not aware of any connected person of the Company who has an interest in the Proposal (save in their capacity as shareholders of the Company) and will be required to abstain from voting in respect of the resolution relating to the Proposal.

GUARANTEES

The Proposal

It is proposed that the Company shall provide guarantees in favour of HSBC and BOC and OP Wuxi shall provide guarantees in favour of SPDB as security in respect of the Loan Facilities from the Banks to JOPE.

OP Wuxi is a jointly controlled entity established in the PRC with 55% interest owned by the Company.

JOPE is a jointly controlled entity established in the PRC and a 51% owned subsidiary of the Company (within the meaning of the Listing Rules). It is principally engaged in the manufacture and sale of in-car electronic products. The balance of the 49% equity interest in JOPE is held by the JV Partner who is a connected person (as defined in the Listing Rules) of the Company by reason only of its shareholdings in JOPE.

The Banks are independent third parties not connected with any directors, chief executive or substantial shareholders of the Group or any of their respective associates.

None of the connected person (as defined in the Listing Rules) of the Company other than the JV Partner will have any interest in the Proposal.

The Loan Facilities

The following existing loan facilities granted by the Banks to JOPE can only be used by JOPE upon the provision of the Guarantees:

Bank	Date of grant	Amount	Term	Interest
HSBC	24/4/2003	US\$2.5 million (about HK\$19.5 million)	about one year up to 31/3/04	1.5% per annum over 1, 3 or 6 months London Interbank Money Market Offer Rate
BOC	16/5/2003	US\$5 million (about HK\$39 million)	about one year up to 10/5/04	2.34% per annum
SPDB	24/2/2003	RMB10 million (about HK\$9.38 million)	one year up to 24/2/04	about 5.31% per annum

The directors of the Company consider that the terms of the above loan facilities are on normal commercial terms and the obtaining of such loan facilities by JOPE is in the interest

of the Company and its shareholders as a whole. JOPE intends to renew such loan facilities with the Banks upon their expiry on an annual basis and on similar terms and at the then prevailing interest rates.

Conditions of the approval of the Proposal

The approval of the shareholders to the Proposal shall be subject to the same conditions of approval of the Waiver by the Stock Exchange.

Reasons for the Proposal

For the financial year ended 31st December, 2002, the aggregate financing requirements for JOPE was about HK\$107 million.

Previously the Company and OP Wuxi had provided guarantees in favour of various banks in respect of loan facilities granted to JOPE on condition that the JV Partner should give counter-guarantees and indemnities in favour of the Company and OP Wuxi respectively. Such counter-guarantees and indemnities were provided by the JV Partner to the Company and OP Wuxi whereby it undertook to bear 49% of the liability of the loan facilities and to indemnify 49% of the loss of the Company or OP Wuxi arising from the provision of the guarantees until 29th May, 2003 and 24th July, 2003 respectively. Announcements were made by the Company in respect of the provision of such guarantees on 15th May, 2002 and 8th July, 2002 respectively.

In mid May, 2003, the Company requested the JV Partner to renew the First Indemnity. The JV Partner verbally agreed to do so. Relying on such verbal agreement of the JV Partner (as the Company and the JV Partner have been partners for more than seven years), the Company provided new guarantees to HSBC and BOC on 20th May, 2003 and 29th May, 2003 respectively as security for the loan facilities with an aggregate principal sum of US\$7.5 million (approximately HK\$58.5 million) granted by HSBC and BOC on 24th April, 2003 and 16th May, 2003 respectively to JOPE. For details of such loan facilities, please refer to the table under the paragraph headed "The Loan Facilities" above.

During the term of the Second Indemnity, on 24th February, 2003, OP Wuxi provided a new guarantee to SPDB as security for a loan facility with principal amount of RMB10 million (approximately HK\$9.38 million) granted to JOPE by SPDB on 24th February, 2003. For details of such loan facility granted by SPDB, please refer to the table under the paragraph headed "The Loan Facilities" above. In mid July, 2003, OP Wuxi requested the JV Partner to renew the Second Indemnity in

respect of such loan facility from SPDB. However, the JV Partner refused to renew both the First Indemnity and the Second Indemnity on the ground that JOPE itself has sufficient financial capability to repay the Loan Facilities.

To avoid any exposure of the Company and OP Wuxi, the Group procured JOPE to repay all outstanding bank loans together with interests accrued thereon totalling about HK\$69.24 million covered by their guarantees on 23rd July, 2003 and 24th July, 2003 respectively. HSBC has returned the Company's guarantee while the other banks have confirmed in writing that the Company/OP Wuxi (as the case may be) has no outstanding obligation under the guarantees provided by them respectively. After repayment of the said outstanding loans and interests, no drawdown of the loan from the Loan Facilities (please refer to the table under the paragraph headed "The Loan Facilities" above) has been made and can be made by JOPE pending the shareholders' approval to the Proposal.

As the JV Partner has refused to provide counter-guarantees and indemnities to the Company and OP Wuxi, in order to comply with the Listing Rules, the Company must seek shareholders' approval to the Proposal in order to enable JOPE to use the Loan Facilities. It is essential for JOPE to be able to use the Loan Facilities for its operation. JOPE will use the Loan Facilities to meet its short-term working capital requirements in respect of purchase of raw materials and overhead expenses of its production facilities. The proceeds from the sale of its products will then be used to repay the loan. JOPE will fund the remaining part of its financing requirements from internal resources.

JOPE currently manufactures about 30% of the in-car electronic products of the Group. In view of the importance of the production facilities of JOPE to the Group, the board of directors (including the independent non-executive directors) considers that provision of the Guarantees by the Company and OP Wuxi is in the interest of the Company and its shareholders as a whole even without any counter-guarantee and indemnity being given by the JV Partner to the Company and OP Wuxi. Without the Guarantees, JOPE will not be able to use the Loan Facilities, which will materially adversely affect its financial position and operation, and in turn will have a serious adverse impact on the Company.

As the JV Partner has refused to provide any counter-guarantees and indemnities in favour of the Company and OP Wuxi in respect of the Guarantees, the Company and OP Wuxi

shall bear full liability of the Loan Facilities together with interest accrued thereon if the Guarantees are provided.

As at 31st December, 2001 and 31st December, 2002, the audited net tangible assets of JOPE were about RMB29.7 million (about HK\$27.9 million) and RMB25.5 million (about HK\$23.9 million) respectively. As at 30th June, 2003, the unaudited net tangible assets of JOPE was about RMB25.3 million (about HK\$23.7 million).

For the year ended 31st December, 2001, the audited loss of JOPE was about RMB0.9 million (about HK\$0.84 million). No taxation was payable for that year.

For the year ended 31st December, 2002, the audited losses of JOPE before and after taxation were about RMB4.3 million (about HK\$4 million) and RMB4.4 million (about HK\$4.1 million) respectively.

For the six months ended 30th June, 2003, the unaudited losses of JOPE before and after taxation were about RMB0.2 million (about HK\$0.19 million) and RMB0.25 million (about HK\$0.23 million) respectively.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Each of the Guarantees falls under Rule 14.26(6) of the Listing Rules and thus disclosure by way of press announcement of the Company and shareholders' approval are required under the Listing Rules. These requirements are burdensome to the Company if they are to be complied with for each of the Guarantees. Therefore, the Company has applied to the Stock Exchange for the Waiver on the following conditions:

- (a) that the Guarantees shall be:
 - (i) entered into by the Company and/or OP Wuxi in the ordinary and usual course of its business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (iii) entered into in accordance with the terms of the agreements governing the Loan Facilities;
- (b) the aggregate amount of the Loan Facilities for which the Guarantees will be provided by the Company and OP Wuxi as security together with interest of the Loan Facilities

shall not exceed HK\$70 million or the equivalent amount in other currencies for each of the three years ending 31st December, 2005 (the “Cap”);

- (c) the independent non-executive directors of the Company shall review the Guarantees annually and confirm in the Company’s next and each successive annual report that the Guarantees have been provided in the manner as stated in paragraphs (a) and (b) above;
- (d) the Company’s auditors shall review the Guarantees annually and confirm in a letter (the “Letter”) to the directors (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating whether:
 - (i) the Guarantees have received the approval of the board of directors of the Company;
 - (ii) the Guarantees have been entered into in accordance with the relevant terms and conditions of the Loan Facilities; and
 - (iii) the Cap has been exceeded,if, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the directors shall contact the Listing Division of the Stock Exchange immediately; and
- (e) details of the Guarantees in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the Company’s next and each successive annual report together with a statement of the opinion of the independent non-executive directors of the Company and the auditors of the Company referred to in paragraph (c) and (d) above.

The total principal amount of the loan facilities agreed to be granted by the Banks to JOPE as mentioned in the subparagraph headed “The Loan Facilities” above is approximately HK\$68 million. The executive directors estimate that the total amount of the Loan Facilities for which the Guarantees will be provided together with interest thereon will not be more than HK\$70 million or the equivalent amount in other currencies for each of the three years ending 31st December, 2005.

INFORMATION FOR SHAREHOLDERS

The Group is principally engaged in the development, manufacture and marketing of information and entertainment products for home and automobile, and the development of networking technology and sales of integrated solutions and services for the cable television industry.

OP Wuxi is principally engaged in the manufacture and sale of video products.

For the Company, provision of the Guarantees by the Company and/or OP Wuxi (a 55% owned subsidiary of the Company) will constitute financial assistance to a non-wholly owned subsidiary of the Company and so will be connected transactions under Rule 14.26(6)(a) of the Listing Rules. The Proposal will be subject to the approval of the shareholders of the Company. The Company has appointed AMS Corporate Finance Limited as an independent financial advisor to advise the shareholders of the Company about the Proposal.

A circular containing details of the Proposal and the advice of the independent financial advisor, and incorporating a notice of a special general meeting will be sent to shareholders shortly. As at the date of this announcement, the directors of the Company are not aware of any connected person of the Company who has an interest in the Proposal (save in their capacity as shareholders of the Company) and will be required to abstain from voting in respect of the resolution relating to the Proposal.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Banks”	HSBC, BOC and SPDB
“BOC”	The Bank of China
“Company”	Orient Power Holdings Limited
“First Indemnity”	the counter-guarantee and indemnity provided by the JV Partner in favour of the Company which expired on 29th May, 2003
“Group”	the Company and its subsidiaries
“Guarantees”	the guarantees to be provided by the Company in favour of HSBC and BOC and by OP Wuxi in favour of SPDB in respect of the Loan Facilities
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“JOPE”	Jiangsu Orient Power Electronics Company Limited
“JV Partner”	a PRC corporation which held 49% equity interest in JOPE

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facilities”	the loan facilities from the Banks to JOPE
“OP Wuxi”	Orient Power (Wuxi) Digital Technology Company Limited
“PRC”	the People’s Republic of China
“Proposal”	the proposal relating to the provision of the Guarantees in respect of the Loan Facilities
“Second Indemnity”	the counter-guarantee and indemnity provided by the JV Partner in favour of OP Wuxi which expired on 24th July, 2003
“SPDB”	Shanghai Pudong Development Bank
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waiver”	a waiver from strict compliance with the requirements under Rule 14.26 of the Listing Rules for each of the Guarantees when it is provided

By Order of the Board
Poon Ka Hung
Chairman

Hong Kong, 7th November, 2003

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