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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Orient Power Holdings Limited you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

ORITRON
ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**PROPOSED CONNECTED TRANSACTIONS
RELATING TO PROVISION OF GUARANTEES
IN RESPECT OF LOAN FACILITIES FROM THE BANKS TO
JIANGSU ORIENT POWER ELECTRONICS COMPANY LIMITED**

**INDEPENDENT FINANCIAL ADVISER
TO THE SHAREHOLDERS**



AMS Corporate Finance Limited

A notice convening a special general meeting of Orient Power Holdings Limited to be held at 12:00 noon on 10th December, 2003 at Salon III, 1st Floor, The Harbour Plaza, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong is set out on page 18 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

24th November, 2003

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DEFINITIONS

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

“AMS”	AMS Corporate Finance Limited, a corporation deemed licensed to carry on businesses in types 4, 6 and 9 regulated activities under the SFO and the independent financial adviser to the shareholders of the Company in respect of the Proposal
“Banks”	HSBC, BOC and SPDB
“Board”	board of Directors
“BOC”	The Bank of China
“Company”	Orient Power Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Directors”	directors (including independent non-executive directors) of the Company
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“JOPE”	Jiangsu Orient Power Electronics Company Limited (江蘇東華電子有限公司), a company established in the PRC in which the Company has a 51% equity interest
“JV Partner”	China Jiangsu Technical Import & Export Corp. (江蘇省技術進出口公司), a company established in the PRC who has a 49% equity interest in JOPE
“Latest Practicable Date”	21st November, 2003, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Loan Facilities”	the loan facilities from the Banks to JOPE
“OP Wuxi”	Orient Power (Wuxi) Digital Technology Company Limited (無錫東強數碼科技有限公司), a company established in the PRC in which the Company has a 55% equity interest
“PRC”	People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 12:00 noon on 10th December, 2003, notice of which is set out on page 18 of this circular
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“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
“HK\$” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States of America dollars
“%”	per cent.

LETTER FROM THE BOARD

ORITRON
ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Poon Ka Hung
Wu Lai Ping
Lin Hoo Fun
Leung Chun Pong
Jennifer Cheung Mei Ha*
Edward Fung Chi Kong*
Joseph Chan Wing Tai*

Principal Office:

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

* *Independent non-executive directors*

24th November, 2003

To the shareholders

Dear Sir or Madam,

**PROPOSED CONNECTED TRANSACTIONS
RELATING TO PROVISION OF GUARANTEES
IN RESPECT OF LOAN FACILITIES FROM THE BANKS TO
JIANGSU ORIENT POWER ELECTRONICS COMPANY LIMITED**

INTRODUCTION

The Company announced on 7th November, 2003 a proposal relating to provision of guarantees by (i) the Company in favour of HSBC and BOC, and (ii) OP Wuxi in favour of SPDB to allow JOPE to use loan facilities from the Banks.

Provision of the Guarantees by the Company and/or OP Wuxi 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. Accordingly the Proposal is subject to the approval of the shareholders of the Company.

The Company has appointed AMS as an independent financial adviser to advise the shareholders of the Company about the Proposal.

The purpose of this circular is to give you further details of the Proposal and to convene a special general meeting to consider and, if thought fit, approve the resolution necessary for the Proposal to be implemented. As at the Latest Practicable Date, the Directors were not aware of any connected person (as defined in the Listing Rules) of the Company who had an interest in the Proposal (save in their capacity as shareholders of the Company) and would be required to abstain from voting at the SGM in respect of the resolution relating to the Proposal.

None of the Directors has any personal interest in the Proposal and so all Directors are independent in respect of the Proposal. Therefore, it is not necessary to establish an independent board committee in connection with the Proposal.

LETTER FROM THE BOARD

THE 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. It is principally engaged in the manufacture and sale of video products.

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 shareholding 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 with a total principal amount of approximately HK\$68 million 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 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 intended 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.

LETTER FROM THE BOARD

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 had 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 (relating to the existing three loan facilities as referred to in the table under the paragraph headed "The Loan Facilities" above) 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 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, the Company must seek shareholders' approval to the Proposal under the Listing Rules 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.

LETTER FROM THE BOARD

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 (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 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;

LETTER FROM THE BOARD

- (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;
 - (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 and the auditors of the Company referred to in paragraphs (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 paragraph 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 ON THE GROUP

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.

SPECIAL GENERAL MEETING

You will find on page 18 of this circular a notice of the SGM to be held at 12:00 noon on 10th December, 2003 at Salon III, 1st Floor, The Harbour Plaza, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong. An ordinary resolution will be proposed at the SGM to approve the Proposal.

There is enclosed a form of proxy for use at the SGM. You are requested to complete the form of proxy and return it to the principal office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

As at the Latest Practicable Date, the Directors were not aware of any connected person (as defined in the Listing Rules) of the Company who had an interest in the Proposal (save in their capacity as shareholders of the Company) and would be required to abstain from voting at the SGM in respect of the resolution relating to the Proposal.

GENERAL

You are advised to read carefully the letter from AMS as contained in this circular before deciding whether or not to vote in favour of the resolution to be proposed at the SGM to approve the Proposal.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
Poon Ka Hung
Chairman

LETTER FROM AMS

The following is the full text of the letter from AMS which has been prepared for the purpose of inclusion in this circular:



博資財務顧問有限公司
AMS Corporate Finance Limited

24th November, 2003

*To the shareholders of
Orient Power Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the shareholders of the Company (the “Shareholders”) in respect of provision of the Guarantees, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 24th November, 2003 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The transactions under the Guarantees involve the granting of financial assistance by the Company and OP Wuxi to JOPE in which the Company has 51% beneficial interest with the remaining 49% held by the JV Partner. As the amounts to be guaranteed by the Company and OP Wuxi, respectively, are equal to 100% of the respective Loan Facilities to be granted to JOPE and are greater than the Company’s proportional equity interest of 51% in JOPE, provision of the Guarantees constitutes connected transactions of the Company pursuant to Rule 14.26(6)(a) of the Listing Rules.

This letter contains our advice to the Shareholders as to whether provision of the Guarantees is fair and reasonable so far as the Shareholders are concerned.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and representations contained or referred to in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Company and the Directors, for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so at the date hereof. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have no reason

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to doubt the truth, accuracy or completeness of the information provided to us by the Company and the Directors. We consider that we have reviewed sufficient information to reach an informed view. We have not, however, conducted any independent verification of the information provided, nor have we carried out any form of in-depth investigation into the business and affairs of the Group or the prospects of the market in which it operates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Guarantees, we have taken into consideration the following principal factors and reasons:

Background of and reason for provision of the Guarantees

As stated in the Letter from the Board, subject to the approval by the Shareholders at the SGM, the Company will provide guarantees in favour of HSBC and BOC and OP Wuxi will provide guarantees in favour of SPDB as security in respect of the Loan Facilities for use by JOPE as short-term working capital for its operations. Particulars of the Loan Facilities have been set out in the Letter from the Board. The Directors have confirmed that the Banks are independent third parties not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates, whereas the JV Partner is a PRC corporation and, other than its equity interest in JOPE, is also an independent third party not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

As advised by the Directors, JOPE is principally engaged in the manufacture and sales of the Group's in-car electronics products which mainly include digital video player, multi-disc CD player and cassette tape player. Based on the Company's annual report for the year ended 31st December, 2002 (the "Annual Report") and its interim report for the six months ended 30th June, 2003 (the "Interim Report"), the sales of the Group's in-car electronics products to external customers amounted to approximately HK\$1,393 million, HK\$1,542 million and HK\$884 million for each of the two years ended 31st December, 2002 and the six months ended 30th June, 2003, respectively, representing approximately 38%, 35% and 47% respectively of the Group's total sales to external customers during the respective period. Furthermore, the segment result of in-car electronics accounted for approximately 24%, 36% and 88% of the total segment results for each of the two years ended 31st December, 2002 and the six months ended 30th June, 2003 respectively. As stated in the Interim Report, the Group has achieved growth both in turnover and profit margin in respect of its in-car electronics division due to the enhanced customer base and the fact that the new products launched during the period had been well received. Given the fact that JOPE currently manufactures about 30% of the in-car electronics products of the Group and these in-car electronics products have made significant contribution to the total sales as well as the total segment results of the Group, the Directors consider that it is important for JOPE to be able to meet its short-term working capital requirements and maintain its existing production capacity. In the absence of the Guarantees, the Loan Facilities will not be available to JOPE. This may materially affect the financial position and operations of JOPE and in turn may have an adverse impact on the Group. Accordingly, the Directors are of the view that provision of the Guarantees by the Company and OP Wuxi is in the interest of the Company and the Shareholders as a whole.

LETTER FROM AMS

We understand from the management of the Company that the Company is an investment holding company and most of the Group's manufacturing activities are carried out by the subsidiaries or the jointly-controlled entities through their production facilities in the PRC. As a normal and commercial means to finance the working capital requirements for the Group's operations, the Company has occasionally provided corporate guarantees to financial institutions as security for granting of credit facilities to the Group's subsidiaries or jointly-controlled entities. As disclosed in the Interim Report, the aggregate amount of guarantees given to banks by the Company in connection with facilities granted to its subsidiaries and/or jointly-controlled entities amounted to approximately HK\$1,797 million as at 31st December, 2002 and approximately HK\$1,751 million as at 30th June, 2003.

In view of the significance of JOPE being one of the Group's contract manufacturers of in-car electronics products which have contributed substantially to the overall profitability of the Group, we consider it important for JOPE to be able to continue its production support to the Group. Given that provision of the Guarantees is a condition to the grant of the Loan Facilities and that the availability of the Loan Facilities may be essential for JOPE to meet its working capital requirements, we concur with the Directors' view that provision of the Guarantees is in the interest of the Company.

Control by the Group in the operation and management of JOPE

As stated in the Letter from the Board, the Guarantees to be provided by the Company and OP Wuxi will exceed the Company's proportional interest in JOPE and the JV Partner will not provide any counter-guarantees or indemnities in favour of the Company or OP Wuxi in respect of the Guarantees. In other words, the Company and OP Wuxi will bear the ultimate liability of the respective Loan Facilities if the Guarantees are provided and if JOPE defaults. As stated in the Letter from the Board, the JV Partner refused to provide counter-guarantees and indemnities to the Company and OP Wuxi on the ground that JOPE, by itself, had sufficient financial capability to repay the Loan Facilities. It is therefore up to the Group to decide whether or not to provide the Guarantees, as one of the conditions to the grant of the Loan Facilities. As advised by the Directors, it is the Group's own decision to accept such condition, subject to approval by the Shareholders, in light of the benefits expected to be accrued to the Group through its continuous utilisation of the production facilities of JOPE, and it is not necessary that the JV Partner may share the same view with the Company and consider it essential for JOPE to obtain the Loan Facilities on such condition. Accordingly, the Directors do not consider that the Group has any right to force the JV Partner to provide any guarantees or indemnities for the Loan Facilities.

Since the JV partner, as the other shareholder of JOPE, will not provide any guarantee or indemnity for the grant of the Loan Facilities and accordingly will not have any financial exposure in this respect, there will be a reasonable concern about the risk of misuse of the loan proceeds by JOPE if the Group does not possess any control of JOPE in terms of management and operation. In this connection, we have inquired with and have been informed by the Directors that the Group exercises careful monitoring and control over the operation and management of JOPE including, but not limited to, the formulation and implementation of business policies and strategies, management of trade receivables and payables, inventory control and treasury management, notwithstanding that JOPE is a jointly-controlled entity and that both the Group and the JV Partner have equal number of representatives in the board of directors of JOPE. With respect to the utilisation of the Loan Facilities by JOPE, the Directors have confirmed that any drawdown by JOPE under the Loan Facilities must be initially deposited into the bank accounts of JOPE maintained with the respective Banks. The Directors have also confirmed that the operation of

LETTER FROM AMS

JOPE's bank accounts with BOC and SPDB requires the financial seal of JOPE (which is always kept by the legal representative of JOPE who is the Chairman of the Group) and the seal of such legal representative, whereas the operation of JOPE's bank accounts with HSBC requires the financial seal of JOPE and the signature of any one of the three authorised persons all of whom are appointed by the Group. In other words, the Group will always be fully aware of and have full control over any utilisation of the Loan Facilities by JOPE, as well as the Group's exposure under the Guarantees.

In addition, as advised by the Directors, approximately 98% of the total sales of JOPE for the year ended 31st December, 2002 were made to the Group. The Directors have also advised that the Group will continue to be the largest customer of JOPE for the foreseeable future. Effectively, in respect of the orders placed by the Group to JOPE, the Group is always in control of the sale proceeds from the realisation of the products even though such products have been produced by JOPE.

As mentioned above, the Company and OP Wuxi will, subject to the Shareholders' approval, provide 100% guarantee of the respective Loan Facilities, which is greater than the Company's proportional interest of 51% in JOPE, and the JV Partner will not provide any counter-guarantees or indemnities in favour of the Company or OP Wuxi in respect of the Guarantees. However, in view of the effective management control by the Company in the management and operations of JOPE and the control over the drawdown of the Loan Facilities by JOPE as described above, we consider that the Company will be in a position to safeguard against potential misuse of the Loan Facilities resulting in having the Guarantees being called upon. Coupled with the fact that approximately 98% of JOPE's sales turnover has been contributed by the Group and the purpose of the Loan Facilities is to finance JOPE's short-term working capital requirements, we therefore consider that provision of the Guarantees is fair and reasonable so far as the Company is concerned despite the absence of counter-guarantees or indemnities in favour of the Company or OP Wuxi by the JV Partner for its proportional interest in JOPE.

Repayment ability of JOPE

As stated in the Letter from the Board, for each of three years ending 31st December, 2005, the aggregate amount of the Guarantees is estimated to be not more than HK\$70 million, which is based on the principal amount of the Loan Facilities of approximately HK\$68 million as well as accrued interest thereon. JOPE will utilise 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. Based on the audited financial results of JOPE for the year ended 31st December, 2002, the accounts receivable turnover days, the inventory turnover days and the accounts payable turnover days were approximately 62 days, 67 days and 72 days respectively. The average trading or cash conversion cycle of JOPE for the year ended 31st December, 2002, which is defined as the sum of the accounts receivable turnover days and the inventory turnover days minus the accounts payable turnover days, was therefore approximately 57 days. Based on the cost of sales of JOPE for the year ended 31st December, 2002 of approximately HK\$388 million and the average trading or cash conversion cycle of approximately 57 days during such period, the working capital requirements for the operations of JOPE would be roughly estimated at approximately HK\$61 million. Accordingly, we consider that the total amount of the Loan Facilities of approximately HK\$68 million is not excessive in view of the business level of JOPE. In addition, we have confirmed with the Directors that JOPE did not incur any bad debts or provisions for doubtful debts during the last three financial years. We have also confirmed with the Directors that JOPE has not been in default on its repayment obligations.

LETTER FROM AMS

Given the aggregate amount of the Loan Facilities not being excessive in view of the business level of JOPE and the management control over JOPE by the Group as discussed in the section headed “Control by the Group in the operation and management of JOPE” above, we consider that barring unforeseeable circumstances, JOPE would be able to meet its obligations under the Loan Facilities when they fall due. Accordingly, we are of the view that provision of the Guarantees serves as a demonstration of financial commitment of the Company to JOPE and as additional comfort to the Banks for their grant of the Loan Facilities.

Pro forma financial effects to the Group

Provision of the Guarantees will not have any direct impact on the profitability, liabilities or gearing of the Group unless and until such time that any of the Guarantees happen to be called upon.

Based on the Group’s financial position as at 30th June, 2003 as stated in the Interim Report and taking into account the net proceeds of approximately HK\$60 million from the subsequent placing and subscription of the Company’s shares in October (details of which were announced by the Company on 23rd October, 2003), the unaudited pro forma consolidated net tangible assets of the Group was approximately HK\$593 million and the Group had a gearing ratio of approximately 22% calculated by total borrowings from banks and financial institutions of approximately HK\$422 million net of cash of approximately HK\$293 million divided by tangible net worth of approximately HK\$593 million. In the event that the entire amount of the Guarantees was called upon, the Company would bear the full liability of the loan facilities under HSBC and BOC in the aggregate amount of approximately HK\$59 million. Based on the financial position of the Group as at 30th June, 2003 after adjusting for the effect of the placing and subscription of the shares of the Company as mentioned above and assuming no material change thereafter, the Group’s gearing ratio would rise from approximately 22% to approximately 32% when the guarantees to HSBC and BOC were called upon. In addition, the cash and cash equivalents of the Group would decrease from approximately HK\$293 million to approximately HK\$234 million as a result of the discharge of such liabilities by the Group.

In respect of the guarantee to SPDB provided by OP Wuxi, which is a jointly controlled entity of the Company and of which the financial statements will not be consolidated into the Group’s financial statements, default by JOPE on the loan facility of approximately HK\$9 million from SPDB will not have any direct impact on the Group’s financial position. However, given the Group’s 55% beneficial interest in OP Wuxi, the obligation of OP Wuxi to bear the full liability of approximately HK\$9 million under its guarantee to SPDB could indirectly affect the financial positions of the Group. Such financial exposure might be estimated at approximately HK\$5 million, being the Group’s indirect share of the guarantee to SPDB by OP Wuxi (i.e. 55% of HK\$9 million).

In view of the analysis above, the Shareholders should note that the default by JOPE on any of the Loan Facilities may have an adverse impact on the Group’s financial position if the Guarantees are provided. Notwithstanding such potential adverse impact, Shareholders should also consider the management control by the Group over JOPE and, in particular, the control mechanism for the utilisation of the proceeds from the Loan Facilities as described above and that approximately 98% of JOPE’s sales turnover have been contributed by the Group. As the purpose of the Loan Facilities is to finance the short-term working capital requirements for JOPE’s operations in the manufacture of in-car electronics products which are of growing importance to the Group’s profitability, we consider that the benefits of

LETTER FROM AMS

maintaining JOPE as a contract manufacturer for the Group outweigh the risks associated with provision of the Guarantees.

RECOMMENDATION

Having considered the above factors and reasons and, in particular, the following:

1. as the Banks and the JV Partner (other than its equity interest in JOPE) are independent third party not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates, we consider that the interest of the Company will be in all respects the same as that of any of the Shareholders;
2. based on the growth in sales and profitability for each of the two years ended 31st December, 2002 and the six months ended 30th June, 2003 in respect of the Group's in-car electronics segment, we consider it essential for the Group to have continuous production support from JOPE, which is principally engaged in the production of in-car electronics and is currently one of the major contract manufacturers of such products to the Group. We also consider it important for JOPE to be able to meet its short-term working capital requirements; otherwise, the production operations and financial position of JOPE may be materially affected and this in turn may have an adverse impact on the Group. As a condition to the grant of the Loan Facilities, provision of the Guarantees will allow JOPE to meet its short-term working capital requirements;
3. given the effective management control by the Group on the operations of JOPE as well as the utilisation of the Loan Facilities, the Group would be in the position to ensure proper and efficient use of the Loan Facilities, and thereby safeguard against the risk of potential misuse of the Loan Facilities which might lead to having the Guarantees called upon;
4. based on the business level of JOPE, the total amount of the Loan Facilities of approximately HK\$68 million does not appear to be excessive; and
5. the default by JOPE on any of the Loan Facilities may have an adverse impact on the Group's financial position if the Guarantees are provided. However, we consider that the commercial benefits arising from having a well-established contract manufacturer of in-car electronics products which have contributed significantly to the overall profitability of the Group outweigh the risks associated with provision of the Guarantees,

we are of the opinion that provision of the Guarantees is, on balance, in the interest of the Company and the Shareholders as a whole and the terms of the Guarantees are fair and reasonable. Therefore, we would recommend the Shareholders to vote in favor of the resolution to approve provision of the Guarantees at the SGM.

Yours faithfully,
For and on behalf of
AMS Corporate Finance Limited
Jinny Mok
Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries and that to the best of their knowledge and belief there are no other facts the omission of which would made any statement therein misleading.

DISCLOSURE OF INTERESTS**Interests of Directors**

As the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Poon Ka Hung (<i>Note 1</i>)	161,870,103	Corporate	31.75%
Mr. Wu Lai Ping (<i>Note 1</i>)	161,870,103	Corporate	31.75%
Mr. Leung Chun Pong	103,842	Personal	0.02%
Mr. Lin Hoo Fun (<i>Note 2</i>)	48,850,327	Corporate	9.58%

Notes:

1. These Shares were held by High Rate Investments Limited, a company beneficially owned as to 1 share of US\$1 (representing 50% of its entire issued share capital) by Mr. Poon Ka Hung and 1 share of US\$1 (representing the balance of 50% of its entire issued share capital) by family discretionary trusts of which Mr. Wu Lai Ping and his family members are beneficiaries. Both Mr. Poon Ka Hung and Mr. Wu Lai Ping are directors of High Rate Investments Limited.
2. These Shares were held by Newray Int'l Limited, a company beneficially and wholly owned by Mr. Lin Hoo Fun and in which he is a director.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares	Nature of interest	Percentage of shareholding
High Rate Investments Limited	161,870,103	Beneficial owner	31.75%
Powerix Engineering Limited	161,870,103 (Note 1)	Interests of corporation controlled by Fidelitycorp Limited	31.75%
Fidelitycorp Limited	161,870,103 (Note 1)	Trustee of family discretionary trusts for Wu Lai Ping and his family members	31.75%
Newray Int'l Limited	48,850,327	Beneficial owner	9.58%
Chan Tit Sang, Peter	33,738,524	Beneficial owner (Note 2)	6.62%
Allianz Aktiengesellschaft	45,418,000	Investment manager	8.91%

Notes:

1. These Shares were held by High Rate Investments Limited in which the family discretionary trusts (Mr. Wu Lai Ping and his family members are beneficiaries) have 50% interest.
2. 18,221,211 Shares were held by Chan Tit Sang, Peter as beneficial owner and the remaining 15,517,313 Shares were held by Strong Luck Limited, a corporation controlled by Chan Tit Sang, Peter.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

- (a) Mr. Chan Wing Kee was interested in 30% of the issued share capital of Orient Power Injection Moulding Limited;
- (b) 北京朝歌寬帶數碼科技有限公司 was interested in 49% of the equity capital of Orient Power-Sunniwell IT Limited;
- (c) the JV Partner was interested in 49% of the equity capital of JOPE;
- (d) 西安華興衛星導航研究所 was interested in 49% of the equity capital of Orient Power Xian GPS Electronics Limited; and
- (e) 無錫市新中亞投資開發公司 was interested in 45% of the equity capital of OP Wuxi.

Interests of expert in the Group

AMS does not have any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Service contracts

There is no service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

Disclaimer

- (a) save as disclosed herein and other than certain nominee shares in subsidiaries of the Company held by Directors in trust for the Company's subsidiaries, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange;

- (b) save as disclosed herein, as at the Latest Practicable Date, the Directors were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10 percent or more of the issued shares of any subsidiary of the Company or any options in respect of such capital;
- (c) since 31st December, 2002, the date of the latest published audited financial statements of the Group, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group; and
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2002, being the date to which its latest published audited financial statements were made up.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

CONSENT

AMS has given and has not withdrawn its written consent to the issue of this circular with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

GENERAL

- (a) The secretary of the Company is Jennifer Cheung Mei Ha. She is a solicitor practising in Hong Kong.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) The Hong Kong share registrar of the Company is Standard Registrars Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

NOTICE OF SPECIAL GENERAL MEETING

ORITRON

ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of the abovementioned company (the “Company”) will be held at Salon III, 1st Floor, The Harbour Plaza, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on 10th December, 2003 at 12:00 noon for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the proposal relating to provision of guarantees by (i) the Company in favour of The Hongkong and Shanghai Banking Corporation Limited and The Bank of China and (ii) Orient Power (Wuxi) Digital Technology Company Limited in favour of Shanghai Pudong Development Bank in respect of loan facilities to Jiangsu Orient Power Electronics Company Limited as detailed in a circular of the Company dated 24th November, 2003 (a copy of which is tabled at the meeting and signed by the Chairman for the purpose of identification) be and is hereby approved and that the directors of the Company be and are hereby authorised to implement the same.”

By Order of the Board
Jennifer Cheung Mei Ha
Company Secretary

Hong Kong, 24th November, 2003

Principal Office:

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

Notes:

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