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

ORITRON

ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 615)

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**

Tay Chee Hung**

Tang Tin Ying**

Principal Office:

Unit 7, 3rd Floor

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Hung Hom

Kowloon

Hong Kong

* *Non-executive directors*

** *Independent non-executive directors*

27th October, 2004

To the shareholders

Dear Sir or Madam,

DISPOSAL OF ASSETS DISCLOSEABLE TRANSACTION

INTRODUCTION

Orient Power Holdings Limited (the “Company”) announced on 6th October, 2004 that Orient Power Car Stereos Limited (the “Vendor”), its wholly owned subsidiary, entered into an agreement on 28th September, 2004 for the disposal of 49% of the issued share capital of Clarion Orient Co., Limited (“Clarion Orient”) to Clarion (H.K.) Industries Co., Limited (the “Purchaser”) for an aggregate cash consideration of HK\$50 million (the “Agreement”).

For the Company, the Agreement is a discloseable transaction under the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The purpose of this circular is to give you further details of the Agreement in accordance with the requirements of the Listing Rules.

UNCONDITIONAL AGREEMENT DATED 28TH SEPTEMBER, 2004

Parties:

Vendor: Orient Power Car Stereos Limited, a wholly owned subsidiary of the Company

Purchaser: Clarion (H.K.) Industries Co., Limited

Asset disposed:

49% of the issued share capital of Clarion Orient. The balance of the issued share capital of Clarion Orient is owned by the Purchaser.

Clarion Orient is a company incorporated in Hong Kong on 27th October, 1994 and wholly owns Dongguan Clarion Orient Electronics Company Limited (東莞歌樂東方電子有限公司), a wholly foreign-owned enterprise established in the People’s Republic of China on 8th April, 1995 (together the “CO Group”). The CO Group is principally engaged in the manufacture and trading of car audio and video systems and accessories.

The audited total assets values of the CO Group as at 31st March, 2003 and 31st March, 2004 were HK\$256,502,380 and HK\$301,384,756 respectively and its unaudited total assets values and net asset value as at 30th June, 2004 were HK\$432,743,295 and HK\$101,006,478 respectively.

For each of the two years ended 31st March, 2004, the audited turnover of the CO Group were HK\$1,083,962,030 and HK\$1,282,605,184 respectively.

For each of the two years ended 31st March, 2004, the audited consolidated net profits before taxation of the CO Group were HK\$15,048,561 and HK\$15,423,615 respectively, and its audited consolidated net profits after taxation were HK\$13,210,995 and HK\$13,046,637 respectively. It had no extraordinary items during the two years ended 31st March, 2004.

For the three months ended 30th June, 2004, the unaudited turnover of the CO Group was about HK\$379,592,000 while the unaudited consolidated net profits before taxation and consolidated net profits after taxation of the CO Group were about HK\$3,408,000 and about HK\$2,931,000 respectively.

The Company has adopted an equity method of accounting for its 49% interests in Clarion Orient. After the disposal, the Company will cease to have any shareholding in Clarion Orient.

Based on the unaudited financial statements of the Company for the six months ended 30th June, 2004, completion of the disposal will lead to a decrease of the Company’s non-current assets by HK\$49,166,010, being interests in associates while resulting in a capital gain of HK\$833,990 (without taking into account

dividends of Clarion Orient in the sum of HK\$8,575,000 to be paid to the Vendor mentioned below). As the counter-indemnities to the extent of 49% of losses that may be incurred by Clarion Co., Limited, the holding company of the Purchaser, for acting as guarantor for banking facilities granted to Clarion Orient given by the Company will terminate on completion, the contingent liabilities of the Company will then be reduced by about HK\$59,143,000, being the exposure under such counter-indemnities.

Share of profits and losses of Clarion Orient will no longer be included in the Company's financial statements after completion of the disposal. Such audited profits amounted to about HK\$7,067,000 during the year ended 31st December, 2003 and such unaudited profits amounted to about HK\$4,294,000 during the six months ended 30th June, 2004.

Consideration:

HK\$50 million in cash to be paid on the completion date.

The consideration was arrived at after arm's length negotiations and with reference to the audited consolidated net asset value of Clarion Orient of HK\$98,075,187 as at 31st March, 2004. Based on the consideration of the disposal and the audited consolidated net profits after taxation of Clarion Orient for the year ended 31st March, 2004, the disposal has price/earnings ratio of about 7.82.

The directors of the Company (the "Directors") consider that the terms of disposal are fair and reasonable and in the interests of the shareholders as a whole.

Based on the carrying value of Clarion Orient of HK\$49,166,010 as at 30th June, 2004 in the books of the Company, there will be a gain of HK\$833,990 arising from the disposal. Under the Agreement, the parties have agreed that Clarion Orient shall declare payment of dividends in the total sum of HK\$8,575,000 to the Vendor on the business day immediately prior to completion and shall pay such dividends to the Vendor on the completion date. There will be a gain of HK\$9,408,990 over the said carrying value after deduction of such dividends.

For comparison of price/earnings ratio, the Directors are not aware of any company listed in Hong Kong which principally engages in the manufacture and trading of car audio and video systems and accessories except subsidiaries of the Company. The Company has a price/earnings ratio of 2.83 as at 21st October, 2004, being the latest practicable date prior to bulk-printing of this circular (the "Latest Practicable Date"). The Directors consider the price/earnings ratio and the premium (represented by the gain of disposal) of the disposal stated above are fair and reasonable.

Payment terms:

The purchase price is due in cash on completion.

Use of proceeds:

The proceeds of the disposal will be used as additional working capital of the Company and its subsidiaries (the "Group"). Presently the Group has not designated any specific use of such proceeds.

Re-designation and resignation of director:

Parties to the Agreement have agreed to the arrangement that Mr. Leung Chun Pong will change from being an executive director to a non-executive director of the Company on completion and commence his new employment with the CO Group as managing director of Clarion Orient thereafter. He shall resign as a non-executive director of the Company on 22nd December, 2006.

Completion date:

The Agreement is scheduled to be completed on 21st December, 2004 (or such other date as the parties may agree).

Reasons for the transaction:

Two major subsidiaries of the Group are engaged in the development, manufacture and sale of in-car video and digital products. The products of the Group and the CO Group in their own respective brands are increasingly competing in the same market segments. The Vendor effects the disposal so that the Group can concentrate on the development of its own in-car video and digital products.

Connection between the parties:

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner (whose details are stated below) are independent third parties not connected with the Company, any directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

INFORMATION FOR SHAREHOLDERS

The Group is principally engaged in the development, manufacture, sale and distribution of information and entertainment products for home and automobiles, the development and provision of networking technology services, and the provision of integrated solutions and services for the cable TV industry.

The Purchaser is a wholly owned subsidiary of Clarion Co., Limited, a company incorporated in Japan on 18th December, 1940 and whose shares are listed on the Tokyo Stock Exchange. The principal activity of Clarion Co., Limited is manufacturing of car equipments, including car audios and car navigation systems, and it has operations or subsidiaries in many countries (collectively the "Clarion Group"). The Purchaser is principally responsible for, among other things, the operational control of all those companies within the Clarion Group that operate in Hong Kong and the People's Republic of China and has strategic control over the car audio business of the Clarion Group.

GENERAL

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

Yours faithfully,
Poon Ka Hung
Chairman

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 collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would made any statement herein misleading.

DISCLOSURE OF INTERESTS*Interests of Directors*

As at 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 Securities and Futures Ordinance (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	Settlor of a trust	31.75%
Mr. Leung Chun Pong	103,842	Personal	0.02%
Mr. Lin Hoo Fun (<i>Note 2</i>)	28,850,327	Corporate	5.66%

Notes:

- These shares were held by High Rate Investments Limited (“High Rate”), a company beneficially owned as to 50% by Mr. Poon Ka Hung and 50% by a family discretionary trust of which Mr. Wu Lai Ping is the settlor and his family members are beneficiaries. Both Mr. Poon Ka Hung and Mr. Wu Lai Ping are directors of High Rate.*
- 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.*

Save as disclosed above, 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 are 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 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.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, 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 (Note 1)	161,870,103	Interests of corporation controlled by Fidelitycorp Limited	31.75%
Fidelitycorp Limited (Note 1)	161,870,103	Trustee of family discretionary trust for Wu Lai Ping and his family members	31.75%
Neon Liberty Capital Management, LLC	51,246,000	Investment manager	10.05%
UBS AG	37,160,000	Person having a security interest in shares	7.29%
Chan Tit Sang, Peter (Note 2)	33,738,524	Beneficial owner and corporate	6.62%
Newray Int'l Limited	28,850,327	Beneficial owner	5.66%

Notes:

- These shares were held by High Rate, 50% of which is owned by a family discretionary trust of which Mr. Wu Lai Ping is the settlor and his family members are beneficiaries.*
- 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.*

Save as disclosed above, so far as is known to any Directors or chief executive of the Company, there was no person (other than a Director or chief executive of the Company) who had any interest or short position in the shares or 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 as at the Latest Practicable Date.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, 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 2,100,000 shares of HK\$1 each, representing 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 (Beijing Sunniwell Broadband Digital Technology Limited) was interested in 49% of the equity capital of Orient Power-Sunniwell IT Limited;
- (c) 江蘇省技術進出口公司 (China Jiangsu Technical Import & Export Limited) was interested in 49% of the equity capital of Jiangsu Orient Power Electronics Company Limited;
- (d) 西安華興衛星導航研究所 (Xi'an Huaxing Satellite Navigation Research Institute) 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 (Wuxi Xinzhongya Investment & Development Corp.) was interested in 45% of the equity capital of Orient Power (Wuxi) Digital Technology Company Limited.

Save as disclosed above, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the nominal value of the share capital carrying voting rights to vote in circumstances at general meetings of any member of the Group or any options in respect of such capital as at the Latest Practicable Date.

Service contracts

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

Competing business

None of the Directors or any of their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

LITIGATION

In January 2004, a former customer of the Group in Germany (the "Plaintiff") filed a civil complaint against Orient Power Video Manufacturing Limited (the "Defendant"), a wholly owned subsidiary of the Company, alleging that the Defendant had breached certain warranties under certain contracts for sale of the Defendant's audio and visual products to the Plaintiff, rendering the Plaintiff's liability to a third

party to the extent of US\$9,835,000 (about HK\$76,713,000) (the “Action”). The Plaintiff is claiming for US\$9,835,000 (about HK\$76,713,000) and legal costs of EURO58,000 (about HK\$571,000). The Defendant filed its defence to the complaint in April, 2004. There has been no further action taken by either parties since then and the proceedings has remained dormant. Presently the Directors do not consider the Action has merit or material impact to the Group based on legal advice received, therefore no provision has been made for the Action.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or is subject to any claim 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.

GENERAL

- (a) The secretary of the Company is Ms. Jennifer Cheung Mei Ha. She is a solicitor practising in Hong Kong.
- (b) The qualified accountant of the Company is Mr. Tino Lee. He is an Associate of Hong Kong Society of Accountants and a Certified Practising Accountant of CPA Australia. He holds a bachelor degree in Accountancy from Queensland University of Technology. Mr. Lee has over 10 years of auditing, financial and accounting experience in retail and manufacturing industries.
- (c) The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (d) The Hong Kong share registrar of the Company is Standard Registrars Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.