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ORITRON

ORIENT POWER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 615)
(the "Company")

SUBSCRIPTION OF EQUITY CAPITAL IN JOINT VENTURE COMPANY DISCLOSEABLE TRANSACTION

On 10th March, 2005, the Subscriber agreed to invest US\$5 million (about HK\$39 million) in JV Co to increase its equity interest from 55% to 77.5% of the enlarged equity capital of JV Co.

The subscription constitutes a discloseable transaction of the Company under the Listing Rules.

A circular giving details of the subscription will be sent to shareholders within 21 days after publication of this announcement.

SUBSCRIPTION MADE ON 10TH MARCH, 2005

Parties:

Issuer : Orient Power (Wuxi) Digital Technology Co., Ltd. ("JV Co"), a jointly-controlled entity of the Company

Subscriber : Orient Power (Jiangsu) Electronics Limited (the "Subscriber"), a wholly owned subsidiary of the Company

Assets acquired:

On 10th March, 2005, the Subscriber agreed to invest US\$5 million (about HK\$39 million) in JV Co to increase its equity interest from 55% to 77.5% of the enlarged equity capital of JV Co after the subscription. The balance of the equity capital of JV Co is owned by 無錫市新中亞投資開發公司 (Wuxi Xinzhongya Investment & Development Corp.) (the "JV Partner"). According to the JV Partner, it is wholly owned by 無錫國聯發展 (集團) 有限公司 (Wuxi Guo Luen Investment and Development (Holdings) Ltd.), a state owned enterprise in the Peoples' Republic of China (the "PRC").

JV Co is an equity joint venture company established in the PRC on 31st January, 2000 for an authorised term of operation up to 30th January, 2020, with total investment of US\$15 million (approximately HK\$117 million) and paid up registered capital of US\$5 million (approximately HK\$39 million). It is principally engaged in the manufacture and sale of audio and video products.

Set out below is certain financial information of JV Co for the two years ended 31st December, 2003 and the six months ended 30th June, 2004:-

	For the year ended/as at 31st December, 2002 (Audited)	For the year ended/as at 31st December, 2003 (Audited)	For the six months ended/as at 30th June, 2004 (Unaudited)
Turnover	RMB327,628,929 (approximately HK\$309,083,895)	RMB351,777,064 (approximately HK\$331,865,155)	RMB107,210,398 (approximately HK\$101,141,885)
Profit/(Loss) before taxation or after taxation	RMB1,241,880 (approximately HK\$1,171,585)	RMB201,102 (approximately HK\$189,719)	(RMB3,238,933) (approximately (HK\$3,055,597))
Total assets value	RMB273,331,828 (approximately HK\$257,860,215)	RMB307,581,105 (approximately HK\$290,170,854)	RMB222,197,840 (approximately HK\$209,620,604)
Net assets value	RMB42,481,899 (approximately HK\$40,077,263)	RMB42,683,001 (approximately HK\$40,266,982)	RMB39,444,068 (approximately HK\$37,211,385)

No taxation was payable by JV Co for each of the two years ended 31st December, 2003 and the six months ended 30th June, 2004. Also, it had no extraordinary item for each of these periods.

The existing registered paid-up capital of US\$5 million of JV Co was contributed by the Subscriber and the JV Partner in 2000 and 2001 in the form of cash in the proportion of 55% and 45% respectively. On 4th March, 2005, JV Co decided to raise US\$9,090,909 (about HK\$70,909,090) to fund its intended expansion of sales in the PRC by way of offer to the Subscriber and the JV Partner to subscribe for additional equity capital in the proportion of US\$5 million and US\$4,090,909 respectively in accordance with their equity holdings in JV Co (the "Offer"). On 10th March, 2005, the Subscriber accepted the Offer. The JV Partner chose not to accept the Offer on 7th March, 2005. Accordingly, on completion of the subscription by the Subscriber, its interest in the equity capital of JV Co will increase from 55% to 77.5%. JV Co will raise the balance of the required fund by other means or adjust its expansion plan in the PRC market as necessary.

The existing board of directors of JV Co consists of 3 and 2 members nominated by the JV Partner and the Subscriber respectively. The subscription does not involve any change to the board of directors of JV Co. There has been no negotiation between the Subscriber and the JV Partner on the change of their proportion of board representation in JV Co. The Company has treated JV Co as a jointly controlled entity in accounting treatment and adopted an equity method of accounting in respect of its interests in JV Co. The Company will treat JV Co as a subsidiary and consolidate its accounts with that of the Company after completion of the subscription.

Based on the audited financial statement of JV Co for the year ended 31st December, 2003, completion of the subscription will arise a negative goodwill of approximately RMB671,500 (approximately HK\$633,491) to the net asset value of the Company and its subsidiaries (the "Group"). The amount of negative goodwill (calculated based on the net asset value of JV Co as at 10th March, 2005 being the date of acceptance of the Offer) will be recognised as income in the consolidated profit and loss account of the Company on the basis specified in HKFRS No.3 "Business Combinations".

Consideration:

US\$5 million in cash.

The directors of the Company consider that the terms of the subscription are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Payment terms:

The Subscriber deposited the subscription price with JV Co on 14th March, 2005 pending completion.

Funding:

The subscription price will be funded from internal resources.

Condition of the subscription:

Completion of the subscription is subject to the approval of the relevant authorities in the PRC.

JV Co will apply to the relevant authorities in the PRC for approval of the subscription.

Completion date:

The subscription is expected to be completed on or before 11th April, 2005 after it has become unconditional.

Reasons for the transaction:

JV Co requires additional working capital to finance the expansion in its sales and distribution in the PRC, after its establishment of a network of over 400 points of sales in major cities in the PRC in June 2004, in view of an expected significant growth of domestic sales in the next few years and so made the Offer to the Subscriber and the JV Partner. The Subscriber accepted the Offer as the subscription will allow it to increase its equity interest in JV Co and accordingly greater participation in the PRC market and the business expansion of JV Co will also benefit the Group in establishing its presence in the PRC market. The Company does not consider an immediate corresponding increase of its board representation in JV Co material in view of the fact that the existing legal representative of JV Co is nominated by the Subscriber.

Connection between the parties:

The Company confirms that, save as aforesaid, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, JV Co, the JV Partner and its ultimate beneficial owner are third party independent of and not connected with the Company or any connected person (as defined in the Listing Rules) of the Company.

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

For the Company, as the consideration ratio, revenue ratio and asset ratio (all as defined in the Listing Rules) related to the subscription are approximately 13.28%, 7.18% and 13.78% respectively, the subscription is a discloseable transaction under the Listing Rules.

A circular giving details of the subscription will be sent to shareholders within 21 days after publication of this announcement.

By Order of the Board
Poon Ka Hung
Chairman

Hong Kong, 17th March, 2005

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