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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)

(Stock Code: 615)

Directors:

Poon Ka Hung
Wu Lai Ping
Lin Hoo Fun
Leung Chun Pong*
Jennifer Cheung Mei Ha*
Edward Fung Chi Kong*
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* *Non-executive directors*

** *Independent non-executive directors*

7th April, 2005

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF EQUITY CAPITAL IN
ORIENT POWER (WUXI) DIGITAL TECHNOLOGY CO., LTD.

INTRODUCTION

It was announced on 17th March, 2005 that Orient Power (Jiangsu) Electronics Limited (the “Subscriber”), a wholly owned subsidiary of Orient Power Holdings Limited (the “Company”), agreed on 10th March,

2005 to invest US\$5 million (about HK\$39 million) in Orient Power (Wuxi) Digital Technology Co., Ltd. (“JV Co”), a jointly-controlled entity of the Company to increase its equity interest from 55% to 77.5% of the enlarged equity capital of JV Co after the subscription (the “Subscription”).

For the Company, the Subscription 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 Subscription in accordance with the requirements of the Listing Rules.

THE SUBSCRIPTION

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 PRC income tax on assessable profits 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 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.

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 result in a negative goodwill of approximately RMB671,500 (approximately HK\$633,491), which will increase the net asset value of the Company and its subsidiaries (the “Group”). The actual amount of negative goodwill (which will be 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”. If the consolidated treatment were to be based on the unaudited financial statements of the Group and JV Co for the six months ended 30th June, 2004, the Subscription would not have any material effect on the net assets of the Group except for the slight adverse effect on the earning of the Group.

Consideration:

US\$5 million in cash.

The directors of the Company (the “Directors”) 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 of the Subscription.

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.

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.

GENERAL

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.

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

DISCLOSURE OF INTERESTS**Interests of Directors**

As at 1st April, 2005 (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 Issuers 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. Lin Hoo Fun (<i>Note 2</i>)	3,500,000	Corporate	0.69%
Mr. Leung Chun Pong	103,842	Personal	0.02%

Notes:

1. 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.
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.

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 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 Issuers 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 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	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 a family discretionary trust for family members of Wu Lai Ping	31.75%
UBS AG	53,482,000	Person having a security interest in shares	10.49%
Neon Liberty Capital Management, LLC	51,246,000	Investment manager	10.05%
Neon Liberty Emerging Markets Fund, LTD	34,744,000	Beneficial owner	6.82%
Chan Tit Sang, Peter (Note 2)	33,738,524	Beneficial owner and corporate	6.62%

Notes:

1. 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.
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 him.

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person 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.

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 per cent. 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, 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% or more of the issued shares of any subsidiary of the Company or any options in respect of such capital.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed 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\$590,000). The Defendant

filed its defence to the complaint in April, 2004. There has been no further action taken by either party since then and the proceedings have remained dormant. Based on the legal advice received, the Directors consider the Action has no merit or material impact to the Group, and so have not made any specific provision for the Action.

Save as disclosed above, 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.

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 a Certified Public Accountant of Hong Kong Institute of Certified Public 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 11 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, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.