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東方明珠創業有限公司*
Pearl Oriental Innovation Limited

(the "Company")

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

CONNECTED TRANSACTION

ISSUE OF CONVERTIBLE NOTES

AND

RESUMPTION OF TRADING

ISSUE OF CONVERTIBLE NOTES

The Board announces that on 4 March 2009, the Subscriber, a majority Shareholder and the Company entered into the Agreement pursuant to which the Company will issue the First Tranche Note to the Subscriber partially for the settlement of the Orient Day Loan upon Completion.

Upon full conversion of the Convertible Notes (including the First Tranche Note and the Second Tranche Note) at the Conversion Price of HK\$0.30 per Share, a total of approximately up to 150,000,000 Conversion Shares will be issued, representing approximately 32.28 % of the existing issued share capital of the Company and approximately 24.40% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Subscriber is a substantial Shareholder. Accordingly, the subscription constitutes a connected transaction for the Company under the Listing Rules. Completion of the Agreement is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. The Subscriber and its associates shall abstain from voting at the SGM in respect of the subscription.

An Independent Board Committee (comprising independent non-executive Directors only) will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

As Completion of the Proposed Issue is subject to a number of conditions, which may or may not be fulfilled, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

A circular containing details regarding the Proposed Issue and a notice of convening the SGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading of the Shares has been suspended with effect from 9:30 a.m. on 5 March 2009 pending the release of this announcement. Trading of the Shares will resume at 9:30 a.m. on 6 March 2009. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 6 March 2009.

INTORUDCTION

The Board announces that on 4 March 2009, the Subscriber, a majority Shareholder and the Company entered into the Agreement pursuant to which the Company will issue the First Tranche Note to the Subscriber partially for the settlement of the Orient Day Loan upon Completion.

CONVERTIBLE NOTES

The Convertible Notes consist of two tranches and the total principal amount is up to HK\$45,000,000.

Subject to fulfillment of the Conditions, the Subscriber shall subscribe for, and the Company shall issue, the First Tranche Note of a principal amount of HK\$30,000,000 as its full face value upon the Completion.

Subject to fulfillment of the Conditions and if the Subscriber elects to subscribe for, the Company may at its sole discretion give a written notice (the “Second Tranche Notice”) to the Subscriber on or before 31 December 2009 to invite for the subscription of the Second Tranche Note of a further principal sum of HK\$15,000,000 which shall have the same rights and interests and subject to the Conditions as the First Tranche Note.

CONVERSION SHARES

Assuming full conversion of the Convertible Notes at the Conversion Price, the Convertible Notes will be converted into approximately 150,000,000 Conversion Shares, representing approximately 32.28 % of the existing issued share capital of the Company and approximately 24.40% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares.

CONVERSION PRICE

The Conversion Price of HK\$0.30 per Conversion Share was arrived at after arm's length negotiation between the Subscriber and the Company and represents a premium of approximately 15.38% of the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on 4 March 2009, being the last trading day immediately before the date of the Agreement and a premium of approximately 13.21% to the average closing price of HK\$0.265 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 4 March 2009. The Conversion Price will be subject to adjustment, the details of which are summarized in the "Terms of the Convertible Notes" of this announcement.

CONDITIONS OF THE PROPOSED ISSUE

Completion of the Proposed Issue is conditional upon:

- the Listing Committee having granted approval for the listing of and permission to deal in the Conversion Shares; and
- the passing by the Independent Shareholders in the SGM of a resolution to approve the Proposed Issue and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules.

If any of the above conditions have not been fulfilled by 30 June 2009 (or such later date as the Company and the Subscriber may agree), the Agreement will lapse.

COMPLETION

Completion of the issue of the Convertible Notes will take place within three Business Days upon the fulfillment of the conditions of the Proposed Issue (or such other date as the parties may agree).

TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Subscriber and are summarized as follows:

Principal Terms:

| | | |
|-----------------------------|---|---|
| Aggregated Principal amount | : | HK\$45,000,000 |
| Conversion Price | : | HK\$0.30 per Conversion Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue. |
| Interest rate | : | Prime lending rate as quoted by HSBC from time to time |
| Maturity | : | the second anniversary of the date of issue of the Convertible Notes |

| | | |
|-------------------|---|---|
| Transferability | : | The Convertible Note shall be assignable and transferable in whole or in part at any time. Prompt notice will be given to the Stock Exchange of each transfer and the company has undertaken to the Stock Exchange that it will disclose to the Stock Exchange any dealing in the Convertible Notes by any connected person or his/her associates. |
| Conversion Period | : | The Convertible Notes are convertible at any time from the date of issue and up to the maturity date of the Convertible Notes |
| Conversion Rights | : | The Noteholder(s) has/have the right to convert all or part of the Convertible Notes into Conversion Shares at the Conversion Price of HK\$0.30 per Conversion Share during the Conversion Period. The Conversion Rights may only be exercisable in respect of not less than 10,000,000 Conversion Shares upon each conversion |
| Conversion Shares | : | The number of Conversion Shares to be issued upon full conversion of the Convertible Notes will be 150,000,000 Shares, representing approximately 32.28% of the existing issued share capital of the Company, 24.40% of the issued share capital as enlarged by the conversion of the Convertible Notes in full |
| Redemption | : | The company shall be entitled to redeem at 100% all or any part of the principal amount of the Convertible Notes, by giving not less than 7 days' written notice to the Noteholder(s) from time to time after the date of issue of the Convertible Notes provided that the Noteholder(s) shall have the right to exercise his/her Conversion Rights within 7 days from the date of the said notice. |
| Voting | : | The holders of the Convertible Notes will not be entitled to attend or vote at any general meetings of the Company by reason only of his/her being the Noteholder(s). |
| Listing | : | No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other securities exchange. |

This Conversion Shares will be issued under a special mandate proposed to be sought from the Independent Shareholders at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECT ON SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE PROPOSED ISSUE

Set out below is the table for the shareholding in the Company before and after completion of the Proposed Issue:

| Shareholders | Shareholding as at the date of this announcement | | Shareholding after conversion of the First Tranche Note (assuming no adjustment to the Conversion Price and no further issue of Shares as at the date of this announcement) | | Shareholding after full conversion of the Convertible Notes (assuming no adjustment to the Conversion Price and no further issue of Shares as at the date of this announcement) | |
|---|--|---------------------------|---|---------------------------|---|---------------------------|
| | <i>Shares</i> | <i>% of share holding</i> | <i>Shares</i> | <i>% of share holding</i> | | <i>% of share holding</i> |
| The Subscriber, Mr. Wong Kwan and their concert parties | 261,759,800 | 56.32 | 361,759,800 | 64.06 | 411,759,800 | 66.98 |
| Other Director | 640,000 | 0.14 | 640,000 | 0.11 | 640,000 | 0.10 |
| Public shareholders | 202,338,160 | 43.54 | 202,338,160 | 35.83 | 202,338,160 | 32.92 |
| Total | 464,737,960 | 100 | 564,737,960 | 100 | 614,737,960 | 100 |

As at the date of this announcement, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

CAPITAL-RAISING ACTIVITIES DURING PAST 12 MONTHS

The Company has not carried out any capital raising activities during the 12 months immediately preceding the date of this announcement.

REASONS FOR THE PROPOSED ISSUE

The principle activity of the Company is an investment holding company. It is principally engaged in the logistics, energy and recycling business.

The principle activity of the Subscriber is investment holding.

Owing to the recent turmoil in the financial market and the resulting credit crunch has tightened the availability of fund and increased the cost of funding for the Company. Thus, the Directors consider that the Proposed Issue is an appropriate means to reduce the debts and also improve the financial position of the Company.

The Board is of the view that the financial position of the Group has to be strengthened as the Group has been suffering losses and is unable to generate any dividend income from its main investee company, China Coal Energy Holdings Limited due to the recent litigations with Zhang Jingyuan as announced by the Company on 12 August 2008.

Given that the Conversion Price was at an approximately 15.38% premium to the closing price of the Shares on 4 March 2009, being the last trading day immediately before the date of the Agreement, the Directors (excluding the independent non-executive Directors who will express their views in the circular to the Shareholders) consider that are fair and reasonable under the current market conditions and in the best interest of Shareholders and the Company as a whole.

GENERAL

The Subscriber is a substantial Shareholder. Accordingly, the subscription constitutes a connected transaction for the Company under the Listing Rules. Completion of the Agreement is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. The Subscriber, namely Orient Day, and its associates shall abstain from voting at the SGM in respect of the subscription.

An Independent Board Committee (comprising independent non-executive Directors only) will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Convertible Notes Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

As Completion of the Proposed Issue is subject to a number of conditions, which may or may not be fulfilled, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

A circular containing details regarding the Proposed Issue and a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 5 March 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 6 March 2009.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

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| “Agreement” | A conditional convertible note agreement dated 4 March 2009 between the Company and the Subscriber in respect of the subscription of the Convertible Notes |
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|-------------------------------|---|
| “Board” | board of Directors |
| “Business Day” | Any day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business |
| “Company” | Pearl Oriental Innovation Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange |
| “Completion” | Completion of the issue of the Convertible Notes will take place within three Business Days upon the fulfillment of the conditions of the Proposed Issue (or such other date as the parties may agree) |
| “Conversion Shares” | Up to 150,000,000 new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes |
| “Conversion Price” | The conversion price of HK\$0.30 per Conversion Share (subject to adjustment) |
| “Convertible Notes” | the First Tranche Note and the Second Tranche Note |
| “Director(s)” | Director(s) of the Company |
| “First Tranche Note” | convertible note due after 2 years from the date of issuance in an aggregate principal amount of HK\$30,000,000 proposed to be issued to the Subscriber |
| “Group” | The Company and its subsidiaries |
| “HK Dollar(s)” “HK\$” | the lawful currency of Hong Kong |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | An independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham, who did not have material interest in the Subscription |
| “Independent Shareholders” | Shareholders (Other than the Subscriber, Mr. Wong and their respective concert parties and associates and those Shareholders who are involved in, or interested in the Subscription) who are not required to abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription under the Listing Rules |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |

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| “Orient Day Loan” | The loan in the principal amount of HK\$25 million advanced to the Company pursuant to the loan agreement between Orient Day and the Company dated 5 September 2008 |
| “Proposed Issue” | The proposed issue of the First Tranche Note and the Second Tranche Note |
| “Second Tranche Note” | convertible notes due after 2 years from the date of issuance in an aggregate principal amount of HK\$15,000,000 proposed to be issued if the Subscriber elects to subscribe for it |
| “SGM” | A special general meeting of the Company to be convened to consider and approve the issue of the Convertible Notes |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Share(s)” | Ordinary share(s) of HK\$0.10 in the share capital of the Company |
| “Subscriber” or “Orient Day” | Orient Day Developments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Wong Kwan which is a majority shareholder of the Company |
| “Subscription” | The subscription for the Convertible Notes by the Subscriber pursuant to the Agreement |
| “subsidiary” | Has the meaning ascribed to it under the Listing Rules |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

As at the date hereof, the Board comprises five executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Johnny Yuen, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang and Mr. Zheng Yingsheng; and three independent non-executive Directors, namely Mr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham.

By Order of the Board
Pearl Oriental Innovation Limited
Cheung Kwok Yu
Executive Director and Company Secretary

Hong Kong, 5 March 2009

** For identification purposes only*