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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)

PLACING OF EXISTING SHARES

AND

CONNECTED TRANSACTION

SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE

PLACING OF AND SUBSCRIPTION FOR SHARES

Reference is made to the Company’s announcement dated 11 December 2009 (the “Announcement”). The Vendor has informed the Board that, apart from the 115,680,000 Shares sold as set out in the Announcement, it has agreed to sell 65,000,000 Shares at the price of HK\$1.02 and will subscribe for 65,000,000 new Shares at the price of HK\$1.02 per Share.

The Vendor has reached the Further Agreements with the Purchasers and the Company. Pursuant to the Further Agreements, the Vendor agreed to sell an aggregate of 65,000,000 existing Shares, to the Purchasers who and whose ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules) at a price of HK\$1.02 per Sale Share.

Pursuant to the Further Agreements, the Vendor conditionally agreed to subscribe for an aggregate of 65,000,000 Subscription Shares at a price of HK\$1.02 per Further

Subscription Share. The Sale Price (or the Subscription Price) of HK\$1.02 represents (i) a discount of approximately 3.8% to the closing price of HK\$1.06 per Share as quoted on the Stock Exchange on the date of this announcement; (ii) a discount of approximately 0.2% to the average closing price per Share of approximately HK\$1.022 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; and (iii) a premium of approximately 26.2% over the average closing price per Share of HK\$0.808 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

The 65,000,000 Further Sale Shares (or the Further Subscription Shares) represent (i) approximately 6.40% of the existing issued share capital of the Company of 1,016,236,960 Shares as at the date of this announcement; and (ii) approximately 5.43% of the issued share capital of the Company of 1,196,916,960 Shares as enlarged by the Further Subscription and the Further Subscription. The Further Subscription is conditional upon, among other things, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Further Subscription Shares; and (ii) completion of the Further Sale. The gross proceeds from the Further Subscription will be approximately HK\$66 million. The net proceeds of approximately HK\$64 million from the Further Subscription is intended to be used for possible acquisition of overseas energy and natural resources projects.

The Vendor is a substantial Shareholder. Accordingly, the Further Subscription constitutes a connected transaction for the Company under the Listing Rules. Completion of the Further Subscription pursuant to the Specific Mandate is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. The Vendor and its associates shall abstain from voting at the SGM in respect of the Further 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 Further Subscription and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regards.

The Directors have, as set out in the Announcement, exercised their powers conferred by the General Mandate to issue 115,680,000 Shares. The Further Subscription Shares will not be issued under the General Mandate, but the Company will seek the grant of the Specific Mandate to allot and issue the Further Subscription Shares at the SGM to be convened and held by the Company.

A circular containing details regarding the Further Subscription and a notice of convening the SGM will be dispatched to the Shareholders as soon as possible.

PLACING OF AND SUBSCRIPTION FOR SHARES

Reference is made to the Company's announcement dated 11 December 2009 (the "Announcement"). Unless otherwise stated, terms defined herein shall have the same meaning as those defined in the Announcement. The Vendor has informed the Board that, apart from the 115,680,000 shares sold as set out in the Announcement, it has agreed to sell 65,000,000 Shares at the price of HK\$1.02 and will subscribe for 65,000,000 new Shares at the price of HK\$1.02 per Share.

FURTHER SHARE SALE AND SUBSCRIPTION AGREEMENTS

Dates

12 December 2009 and 13 December 2009

Parties involved

The Company, the Purchasers and the Vendor

Purchasers

There are more than six Purchasers for the Further Sale Shares.

All the Further Agreements have similar terms and conditions, and each of the Further Agreements are independent and not-interconditional.

Independence of the Purchasers

To the best knowledge of the Company, the Further Purchasers and their ultimate beneficial owners (as the case may be) are not connected persons of the Company and are third parties independent of, and not connected with, and not acting in concert with the directors, chief executives and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Sale Price

The Sale Price (or the Subscription Price) of HK\$1.02 represents (i) a discount of approximately 3.8% to the closing price of HK\$ 1.06 per Share as quoted on the Stock Exchange on the date of this announcement; (ii) a discount of approximately 0.2% to the average closing price per Share of approximately HK\$1.022 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; and (iii) a premium of approximately 26.2% over the average closing price per Share of HK\$0.808 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

The Sale Price has been determined with reference to the prevailing market price of the Shares and has been negotiated on an arm's length basis between the Vendor, the Company and the Purchasers. The Directors consider that the terms of the Further Subscription are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Further Sale Shares

The 65,000,000 Further Sale Shares (or the Further Subscription Shares) represent (i) approximately 6.40% of the existing issued share capital of the Company of 1,016,236,960 Shares as at the date of this announcement; and (ii) approximately 5.43% of the issued share capital of the Company of 1,196,916,960 Shares as enlarged by the Subscription and the Further Subscription.

Ranking of Further Sale Shares

The Further Sale Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

Condition of the Further Sale

The Further Sale is unconditional.

Completion

The Further Sale is expected to be completed on or about 16 December 2009.

The Further Subscription Price

The Further Subscription Price is HK\$1.02 per Share. The Further Subscription Price is the same to the Sale Price and has been determined after arm's length negotiation between the Company and the Vendor with reference to the Further Sale Price of the Further Sale Shares.

Number of Further Subscription Shares

The number of Further Subscription Shares is equivalent to the number of Further Sale Shares, being 65,000,000 Shares.

Ranking of Further Subscription Shares

The Further Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with Shares in issue at the time of issue and allotment of the Further Subscription Shares.

The Further Subscription Shares

The Further Subscription Shares will be issued under the Specific Mandate.

Conditions of the Further Subscription

The Further Subscription is conditional upon, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Further Subscription Shares; and
- (ii) the passing by the Independent Shareholders in the SGM of a resolution to approve the Further Subscription and the allotment of the Further Subscription Shares thereunder in accordance with the Listing Rules.
- (iii) completion of the Further Sale.

Completion

It is expected that the Further Subscription will be completed on or before 28 February 2010.

In the event that the conditions to the Further Subscription are not fulfilled by 28 February 2010, the Company and the Vendor may elect, to postpone completion of the Further Subscription to a later date to be agreed between the Company and the Vendor.

REASON FOR THE PLACING AND USE OF PROCEEDS

The Directors consider various ways of raising funds and consider that the Further Sale and Further Subscription represent an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Further Agreements are in the interest of the Company and the Shareholders as a whole.

The gross proceeds from the Further Subscription will be approximately HK\$66 million. The net proceeds of approximately HK\$64 million from the Further Subscription is intended to be used for possible acquisition of overseas energy and natural resources projects. The net price per Further Subscription Share is approximately HK\$0.99.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following is the fund raising activities conducted by the Group in the past 12 months immediately preceding the date of this announcement :

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
5 March 2009	Issue of Convertible notes	HK\$45 million	As general working capital for the Group	As general working capital for the Group
4 June 2009	Issue of Convertible notes	HK\$ 20 million	As general working capital for the Group	As general working capital for the Group
11 December 2009	Subscription of 115,680,000 Shares	HK\$114 million	As partly general working capital for the Group and partly for possible acquisition of overseas energy and natural resources projects	The Subscription has not been completed yet

EFFECTS ON SHAREHOLDING STRUCTURE

	As at the Last Trading Date (No. of Shares) (%)		After Completion of the Agreements and the Further Agreements (No. of Shares) (%)	
Orient Day Developments Limited (Note)	517,084,800	50.88	517,084,800	43.20
Other Directors	5,912,090	0.58	5,912,090	0.49
Public Shareholders				
- the Purchasers	--	--	115,680,000	9.66
- the Further Purchasers	--	--	65,000,000	5.43
- Other public Shareholders	493,240,070	48.54	493,240,070	41.21
Total	1,016,236,960	100.00	1,196,916,960	100.00

Note: Orient Day Developments Limited, the Vendor, is a company incorporated with limited liability in the British Virgin Islands and is wholly and beneficially owned by Mr. Wong Kwan.

DISPENSATION FROM RULE 26 OF THE TAKEOVERS CODE

As a result of the Sale and the Further Sale, the aggregate percentage shareholding of the Vendor and its concert parties will reduce from 50.88% to 33.10% (a decrease of approximately 17.78%) and as a result of the Subscription and the Further Subscription, its aggregate percentage shareholding will be increased from 33.10% to 43.20% (an increase of approximately 10.1%). Accordingly, the Vendor would be required to make a general offer under Rule 26 of the Takeovers Code unless a waiver from the SFC is granted. Pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code, a waiver under Rule 26 of the Takeovers Code is not required where a shareholder, together with persons acting in concert with him has continuously held more than 50% of the voting rights of a company for at least 12 months immediately preceding the relevant placing and transaction.

Given the Vendor and its concert parties has continuously held more than 50% of the voting rights of the Company for the past 12 months immediately preceding the Sale and the Further Sale, a waiver under Rule 26 of the Takeovers Code is not required.

INFORMATION ON THE GROUP

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

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Further Subscription Shares.

The Vendor is a substantial Shareholder. Accordingly, the Further Subscription constitutes a connected transaction for the Company under the Listing Rules. Completion of the Further Subscription pursuant to the Specific Mandate is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. The Vendor, namely Orient Day, and its associates shall abstain from voting at the SGM in respect of the Further 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 Further Subscription and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regards.

The Directors have, as set out in the Announcement, exercised their powers conferred by the General Mandate to issue 115,680,000 Shares. The Further Subscription Shares will not be issued under the General Mandate, but the Company will seek the grant of the Specific Mandate to allot and issue the Further Subscription Shares at the SGM to be convened and held by the Company.

A circular containing details regarding the Further Subscription and a notice convening

the SGM will be dispatched to the Shareholders as soon as possible.

Terms and definitions

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

“AGM”	the annual general meeting of the Company held on 26 May 2009
“Further Agreements”	various share sale and subscription agreements between the Company, the Vendor and the Purchasers entered into on 12 December 2009 and 13 December 2009 in relation to the Sale and the Subscription
“Board”	the board of Directors
“Company”	Pearl Oriental Innovation Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the board of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders (Other than the Vendor, Mr. Wong and their respective concert parties and associated and those Shareholders who are involved in, or interested in the Further Subscription) who are not required to abstain from voting on the resolutions to be proposed at the SGM to approve the Further Subscription under the Listing Rules.
“Last Trading Date”	8 December 2009, being the last full trading day for the Shares immediately before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wong”	Mr. Wong Kwan, Chairman and Chief Executive of the

	Company and an executive Director
“PRC”	The People’s Republic of China
“Further Purchasers”	the purchasers who purchase the Sale Shares from the Vendor under the Further Agreements.
“Further Sale”	the sale of 65,000,000 existing Shares in aggregate beneficially owned by the Vendor to the Purchasers pursuant to the terms of the Further Agreements
“Sale Price”	HK\$1.02 per Sale Share
“Further Sale Share(s)”	an aggregate of 65,000,000 existing Shares beneficially owned by the Vendor and to be sold pursuant to the Further Agreements
“SGM”	A special general meeting of the Company to be convened to consider and approve the issue of the Further Subscription and the allotment of the Further Subscription Shares
“SFC”	Securities and Futures Commission
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 in the share capital of the Company
“Specific Mandate”	A specific mandate to be sought from the Independent Shareholders) at the SGM for the allotment and issue of the Further Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Further Subscription”	the subscription for 65,000,000 new Shares by the Vendor pursuant to the terms of the Further Agreements
“Subscription Price”	HK\$1.02 per Subscription Share
“Further Subscription Shares”	65,000,000 new Shares to be subscribed for by the Vendor pursuant to the Further Agreements
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor” or “Orient Day”	Orient Day Developments Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Wong

“%”

per cent.

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

By Order of the Board

Pearl Oriental Innovation Limited

Dr. Lew Mon Hung

Deputy Chairman and Executive Director

Hong Kong, 14 December 2009

* For identification purposes only