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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Pearl Oriental Innovation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 632)**

**CONNECTED TRANSACTION**  
**SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE**  
**REFRESHMENT OF GENERAL MANDATE**  
**REFRESHMENT OF SCHEME MANDATE LIMIT OF**  
**SHARE OPTION SCHEME**

**Independent financial adviser to the Independent Board Committee  
and Independent Shareholders**



**WALLBANCK BROTHERS**  
**Securities (Hong Kong) Limited**

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A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the Further Subscription and the refreshment of Existing General Mandate is set out on page 12 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Further Subscription and the refreshment of Existing General Mandate is set out on pages 13 to 32 of this circular.

A notice convening the SGM to be held on at Suite 1908, 19th Floor, 9 Queen's Road Central, Hong Kong at 4:30 p.m. on 20 January 2010 is set out on pages 39 to 41 of this circular. Whether or not you intend to attend the SGM in person, you are strongly urged to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon, and to lodge them with the branch share registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

\* For identification purposes only

4 January 2010

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## DEFINITIONS

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“AGM”	the annual general meeting of the Company held on 26 May 2009
“Agreements”	various Share sale and subscription Agreements between the Company, the Vendor and the Purchasers entered into on between 9 December 2009 and 11 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
“Existing 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
“Existing Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other schemes, not exceeding 10% of the total number of Shares in issue as at the date of Shareholders’ approval of the Share Option Scheme
“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
“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
“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
“Further Subscription”	the subscription for 65,000,000 new Shares by the Vendor pursuant to the terms of the Further Agreements
“Further Subscription Shares”	65,000,000 new Shares to be subscribed for by the Vendor pursuant to the Further Agreements
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Financial Advisor” or “Wallbanck Brothers”	Wallbanck Brothers Securities (Hong Kong) Limited, a licenced corporation to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the Further Subscription and the refreshment of the Existing General Mandate
“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
“Latest Practicable Date”	30 December 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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
“New General Mandate”	the general mandate proposed to be granted to the Directors to allot and issue up to 20% of the issued share capital of the Company as at the date of the SGM
“PRC”	The People’s Republic of China
“Sale”	the sale of 115,680,000 existing Shares in aggregate beneficially owned by the Vendor to the Purchasers pursuant to the terms of the Agreements
“Sale Price”	HK\$1.02 per Sale Share
“SFC”	Securities and Futures Commission
“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
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“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
“Subscription”	the subscription for 115,680,000 new Shares by the Vendor pursuant to the terms of the Agreements
“Subscription Price”	HK\$1.02 per Subscription Share
“Subscription Shares”	115,680,000 new Shares to be subscribed for by the Vendor pursuant to the 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.

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## LETTER FROM THE BOARD

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# 東方明珠創業有限公司\*

## Pearl Oriental Innovation Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 632)**

*Executive directors:*

Wong Yuk Kwan (alias: Wong Kwan)  
Lew Mon Hung  
Cheung Kwok Yu  
Zhou Li Yang  
Zheng Yingsheng  
Johnny Yuen

*Independent non-executive directors:*

Yu Jianmeng  
Fung Hing Chiu, Cyril  
Lam Ka Wai, Graham

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Suite 1908, 19th Floor  
9 Queen's Road Central  
Hong Kong

4 January 2010

*To the Shareholders*

Dear Sirs,

**CONNECTED TRANSACTION  
SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE  
REFRESHMENT OF GENERAL MANDATE  
REFRESHMENT OF SCHEME MANDATE LIMIT OF  
SHARE OPTION SCHEME**

### INTRODUCTION

On 14 December 2009, the Company announced the Further Sale and the Further Subscription.

### PLACING OF AND SUBSCRIPTION FOR SHARES

Reference is made to the Company's announcement dated 14 December 2009 (the "Announcement"). The Vendor has informed the Board that, it has agreed to sell 65,000,000 Shares at the price of HK\$1.02 per Share and will subscribe for 65,000,000 new Shares at the price of HK\$1.02 per Share.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### 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 the 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 Last Trading Date; 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.

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## LETTER FROM THE BOARD

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### **Ranking of Further Sale Shares**

The Further Sale Shares rank pari passu among themselves and with Shares in issue as at the Latest Practicable Date.

### **Condition of the Further Sale**

The Further Sale is unconditional.

### **Completion**

The Further Sale has been 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;
- (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; and
- (iii) completion of the Further Sale.

### **Completion**

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



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## LETTER FROM THE BOARD

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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 Latest Practicable Date:

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	Has not yet been utilized

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## LETTER FROM THE BOARD

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### EFFECTS ON SHAREHOLDING STRUCTURE

	As at the Last Trading Date		After Completion of the Agreements and the Further Agreements	
	(No. of Shares)	(%)	(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	5,961,090	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	495,491,070	41.21
Total	<u>1,016,236,960</u>	<u>100.00</u>	<u>1,199,216,960</u>	<u>100.00</u>

*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.

### REFRESHMENT OF GENERAL MANDATE

The Board proposes to seek approval from the Independent Shareholders to refresh the Existing General Mandate to issue Shares in the SGM pursuant to Rule 13.36(4).

The Directors were authorized to allot and issue up to 116,280,790 Shares pursuant to the Existing General Mandate which was granted by the Shareholders at the AGM held on 26 May 2009.

The Directors have exercised their powers conferred by the Existing General Mandate to issue 115,680,000 Subscription Shares, the balance of the Existing General Mandate is 600,790 Shares. In order to give the Company greater flexibility in the issuance of Shares in future as and when the Company considers desirable for the benefit of the development of the Company, the Company will seek to refresh the Existing General Mandate by the Independent Shareholders at the SGM to give the

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## LETTER FROM THE BOARD

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Directors the New General Mandate to allot, issue and deal with new Shares for an aggregate nominal amount up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM. There was no refreshment of the general mandate since the AGM.

Based on the 1,134,216,960 Shares in issue as at the Latest Practicable Date and assuming no Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, upon approval of the refreshment of the Existing General Mandate at the SGM, the Directors will be able to allot and issue up to 226,843,392 Shares, representing 20% of the issued share capital of the Company as at the date of the SGM.

An Independent Board Committee is formed and Wallbanck Brothers is appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the proposed refreshment. In accordance with the requirements of the Listing Rules, the proposed refreshment will be voted by poll as an ordinary resolution. The controlling shareholder of the Company, Orient Day, and its associates will abstain from voting in favour thereon.

### **REFRESHMENT OF SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME**

The Board proposes to seek approval of the Shareholders to refresh the Existing Scheme Mandate Limit. Under the Existing Scheme Mandate Limit, which being the maximum number of new Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company, the Directors were authorized to grant options to subscribe for up to 58,140,396 Shares, representing 10% of the issued share capital of the company as at the date of adoption of the Share Option Scheme. As at the Latest Practicable Date, 33,000,000 options were granted under the Existing Scheme Mandate Limit entitling the grantees to subscribe for in aggregate 33,000,000 Shares, which represents 2.91% of the existing issued share capital. 8,800,000 of these options have been exercised as at the Latest Practicable Date.

In order to provide the Company with greater flexibility in granting options to eligible persons under the Share Option Scheme as incentive or reward for their contribution to the Company, the Board decides to seek approval from the Shareholders at the SGM to refresh the Existing Scheme Mandate Limit. The Directors consider that the refreshment of the Existing Scheme Mandate Limit is in the interest of the Company and the Shareholders as a whole.

Based on the 1,134,216,960 Shares in issue as at the Latest Practicable Date and assuming no Consolidated Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, upon approval of the refreshment of the Existing Scheme Mandate Limit at the SGM, the Directors will be able to grant options to subscribe for up to 113,421,696 Shares, representing 10% of the issued share capital of the Company as at the date of the SGM.

An ordinary resolution will be proposed at the SGM to approve the refreshment of the Existing Scheme Mandate Limit. None of the Shareholders are required to abstain from voting at the SGM pursuant to Rule 17.03 of the Listing Rules.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the new Consolidated Shares, representing 10% of the total issued share capital of the Company as at the date of the SGM, in relation to the refreshment of the Existing Scheme Mandate Limit.

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## LETTER FROM THE BOARD

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### 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 Developments Limited, a company wholly owned by Mr. Wong Kwan, who is a majority Shareholder, chairman and executive Director of the Company and a connected person of the Company, and its associates shall abstain from voting at the SGM in respect of the Further Subscription. No other Shareholders are required to abstain from voting at the SGM.

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 exercised their powers conferred by the Existing General Mandate to issue 115,680,000 Subscription 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.

### THE SGM AND PROXY ARRANGEMENT

A notice convening the SGM to be held at Suite 1908, 19/F, 9 Queen's Road Central, Hong Kong on 20 January 2010 at 4:30 p.m. is set out on pages 39 to 41 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that all the proposed resolutions in the SGM are in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of all the resolutions to be proposed at the SGM in respect thereof.

Yours faithfully,  
For and on behalf of the Board  
**Pearl Oriental Innovation Limited**  
**Lew Mon Hung**  
*Deputy Chairman and Executive Director*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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東方明珠創業有限公司\*

Pearl Oriental Innovation Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 632)

4 January 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE  
REFRESHMENT OF GENERAL MANDATE**

We refer to the circular of the Company dated 4 January 2010 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the Further Agreements and the proposed grant of the New General Mandate, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Having considered the terms of the Further Subscription, the New General Mandate and the advice of the Independent Financial Adviser in relation thereto as set out on pages 13 to 32 of this Circular, we are of the opinion that the terms of the Further Subscription and the proposed grant of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Further Subscription and the New General Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Yu Jianmeng**

**Fung Hing Chiu, Cyril**

**Lam Ka Wai, Graham**

\* For identification purposes only

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## LETTER FROM WALLBANCK BROTHERS

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*The following is the full text of a letter of advice from Wallbanck Brothers, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Further Subscription and the refreshment of the Existing General Mandate, for the purpose of incorporation into this circular.*



**WALLBANCK BROTHERS  
Securities (Hong Kong) Limited**

2310, Tower 2, Lippo Centre,  
89 Queensway, Central,  
Hong Kong

4 January 2010

*To the independent board committee and  
the independent shareholders of  
Pearl Oriental Innovation Limited*

Dear Sirs,

**CONNECTED TRANSACTION –  
SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE  
AND  
REFRESHMENT OF GENERAL MANDATE**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Further Subscription and the refreshment of Existing General Mandate, details of which are set out in the letter from the Board contained in the circular dated 4 January 2010 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

It was announced on 14 December 2009, the Vendor has informed the Board that, it has agreed to sell 65,000,000 Shares at the price of HK\$1.02 per Share and will subscribe for 65,000,000 new Shares at the price of HK\$1.02 per Share.

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 Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham (all being independent non-executive Directors) has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Further Subscription

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## LETTER FROM WALLBANCK BROTHERS

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Agreement and the transactions contemplated thereunder and the refreshment of Existing General Mandate. We, Wallbanck Brothers, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in this circular were true and accurate at the time when they were made and will continue to be accurate at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in this circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from the Further Subscription Agreement and the transactions contemplated thereunder and the refreshment of Existing General Mandate as these are particular to the individual circumstances of each Shareholder. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her decision to the Further Subscription Agreement and the transactions contemplated thereunder and the refreshment of Existing General Mandate. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.



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## LETTER FROM WALLBANCK BROTHERS

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Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date.

Our opinions are formulated only and exclusively for the purpose of the Further Subscription Agreement and the transactions contemplated thereunder and the refreshment of Existing General Mandate and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions.

Our opinions are based on the Directors' representation and confirmation that there are no undisclosed private agreements/ arrangements or implied understanding with anyone concerning the Further Subscription Agreement and the transactions contemplated thereunder and the refreshment of Existing General Mandate.

Our opinions are based on the Directors' confirmation of receipt of our advice that the Directors and the management of the Company are responsible to take all reasonable steps to ensure that the information and representations provided in any press announcement, circular and prospectus concerning the Further Subscription Agreement and the transactions contemplated thereunder and the refreshment of Existing General Mandate are true, accurate, complete and not misleading, and that no material information or facts have been omitted or withheld.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Further Subscription Agreement and the transactions contemplated thereunder and the refreshment of Existing General Mandate, we have taken into consideration the following principal factors and reasons:

#### (I) Further Subscription

##### 1. *The Further Subscription Agreement*

###### a) *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.

The Further 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 the 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.

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## LETTER FROM WALLBANCK BROTHERS

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*b) 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.

As stated in the Letter from the Board, the Further Subscription Shares will be issued under the Specific Mandate.

*c) 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.

*d) 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;
- (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; and
- (iii) completion of the Further Sale.

*e) 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.

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## LETTER FROM WALLBANCK BROTHERS

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### 2. *Business overview of the Group*

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

Table 1 summarized the financial performance of the Group for the two years ended 31 March 2007 and 31 December 2008, for the nine months ended 31 December 2007 and for the six months ended 30 June 2008 and 30 June 2009:

**Table 1: Financial performance of the Group**

	<b>For the six months ended 30 June 2009 (HK\$'000) (unaudited)</b>	<b>For the six months ended 30 June 2008 (HK\$'000) (unaudited)</b>	<b>For the year ended 31 December 2008 (HK\$'000) (audited)</b>	<b>For the nine months ended 31 December 2007 (HK\$'000) (audited)</b>	<b>For the year ended 31 March 2007 (HK\$'000) (audited)</b>
Turnover	12,959	38,270	78,783	55,620	65,344
Gross profit	4,456	13,668	27,688	15,348	14,283
Gross profit margin (%)	34.39	35.71	35.14	27.59	21.86
Profit/(Loss) before taxation	(13,096)	(20,276)	(39,845)	34,228	(54,316)
Profit/(Loss) after taxation	(13,096)	(20,283)	(41,265)	33,125	(55,484)
		<b>As at 30 June 2009 (HK\$'000) (unaudited)</b>	<b>As at 31 December 2008 (HK\$'000) (audited)</b>	<b>As at 31 December 2007 (HK\$'000) (audited)</b>	<b>As at 31 March 2007 (HK\$'000) (audited)</b>
Cash and cash equivalents		16,211	15,787	31,617	11,184
Net assets		545,204	521,943	476,245	427,742
Gearing ratio (bank borrowings/total assets)		8.6%	9%	10%	11%

*Source: the interim and annual reports of the Company*

For the nine months ended 31 December 2007, the Group recorded an audited consolidated turnover of approximately HK\$55,620,000, representing a decrease of approximately 14.88% from HK\$65,344,000 for the financial year ended 31 March 2007. Profit after taxation amounted to approximately HK\$33,125,000 for the nine months ended 31 December 2007, as compared to a loss of approximately HK\$55,484,000 for the year ended 31 March 2007.

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## LETTER FROM WALLBANCK BROTHERS

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According to the annual report of the Group for the nine months period ended 31 December 2007, the financial status of the Group was improved. The profit attributable to shareholders for the period under view amounted to HK\$38,422,000 (31 March 2007: Loss HK\$53,278,000), turnaround from loss to profit. Such increases were mainly attributable to the share of profit from associates.

The net assets of the Group as at 31 December 2007 was HK\$476,245,000 (31 March 2007: HK\$427,742,000), representing an increase of 11.34% as compared with those as at 31 March 2007. As at 31 December 2007, the Group's cash and cash equivalents totaled approximately HK\$31,617,000 (31 March 2007: HK\$11,184,000), representing an increase of 182.70% against the balance as at 31 March 2007. The gearing ratio was 10% (bank borrowings/ total assets) as at 31 December 2007 (31 March 2007: 11%).

For the year ended 31 December 2008, the Group recorded an audited consolidated turnover of approximately HK\$78,783,000, representing an increase of approximately 41.65% from HK\$55,620,000 for the nine months ended 31 December 2007. Loss after taxation amounted to approximately HK\$41,265,000 for the year ended 31 December 2008, as compared to a profit of approximately HK\$33,125,000 for the nine months ended 31 December 2007.

According to the annual report of the Group for the year ended 31 December 2008, the global economic downturn has impacted the entire export and logistics industries substantially, and in turn, the Group's business. The loss attributable to shareholders for the year under review amounted to HK\$38,310,000 (2007: Profit of HK\$38,422,000). Such loss was mainly attributed to various litigations, due to which the income generated from the coal business of China Coal Energy Holdings Limited ("China Coal"), the Group's 39.93% equity interest owned company, was not reflected in the income statement despite the surge in domestic market average selling price of coal experienced last year. Moreover, the share of annual profit after tax of HK\$40,000,000 guaranteed by the joint venture partner was unable to realize as a result of the litigations.

The net assets of the Group as at 31 December 2008 was HK\$521,943,000 (31 December 2007: HK\$476,245,000), representing an increase of 9.60% as compared with those as at 31 December 2007. As at 31 December 2008, the Group's cash and cash equivalents totaled approximately HK\$15,787,000 (31 December 2007: HK\$31,617,000), representing a decrease of 50.07% against the balance as at 31 December 2007. The gearing ratio was 9% (bank borrowings/ total assets) as at 31 December 2008 (31 December 2007: 10%).

For the six months ended 30 June 2009, the Group recorded an unaudited consolidated turnover of approximately HK\$12,959,000, representing a decrease of approximately 66.14% from HK\$38,270,000 of the six months ended 30 June 2008. Loss after taxation amounted to approximately HK\$13,096,000 for the six months ended 30 June 2009, as compared to a loss of approximately HK\$20,283,000 for six months ended 30 June 2008.

According to the interim report of the Group for the six months ended 30 June 2009, the decrease in turnover was mainly due from Pearl Oriental Logistics (Shenzhen) Ltd has decreased in warehouse and logistics business as a result of the effect of global financial crisis in the first half of 2009 and also the completion of the disposal of the business in Guangzhou Pearl Oriental Logistics Limited ("GZPO") in February 2009. In addition, Euro Resources China Limited has become a subsidiary of the Company in November 2008. However, the gross profit was HK\$4,456,000 (2008: HK\$13,668,000) for the six months ended 30 June 2009, which represented

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## LETTER FROM WALLBANCK BROTHERS

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a decrease of approximately 67.4% over the corresponding period last year and the gross profit margin has decreased from 35.21% to 34.39%. The loss attributable to the shareholders for the six months ended 30 June 2009 decreased from HK\$18,695,000 to HK\$11,430,000 is due to the completion of the disposal of the loss-making business in GZPO in February 2009 and the gain on the disposal of GZPO amounting to HK\$8,169,000.

The net assets of the Group as at 30 June 2009 was HK\$545,204,000 (31 December 2008: HK\$521,943,000), representing an increase of 4.46% as compared with those as at 31 December 2008. As at 30 June 2009, the Group's cash and cash equivalents totaled approximately HK\$16,211,000 (31 December 2008: HK\$15,787,000), representing an increase of 2.69% against the balance as at 31 December 2008. The gearing ratio was 8.6% (bank borrowings/ total assets) as at 30 June 2009 (31 December 2008: 9%).

### ***3. Reason for the Further Subscription and use of proceeds***

As stated in the Letter from the Board, 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.

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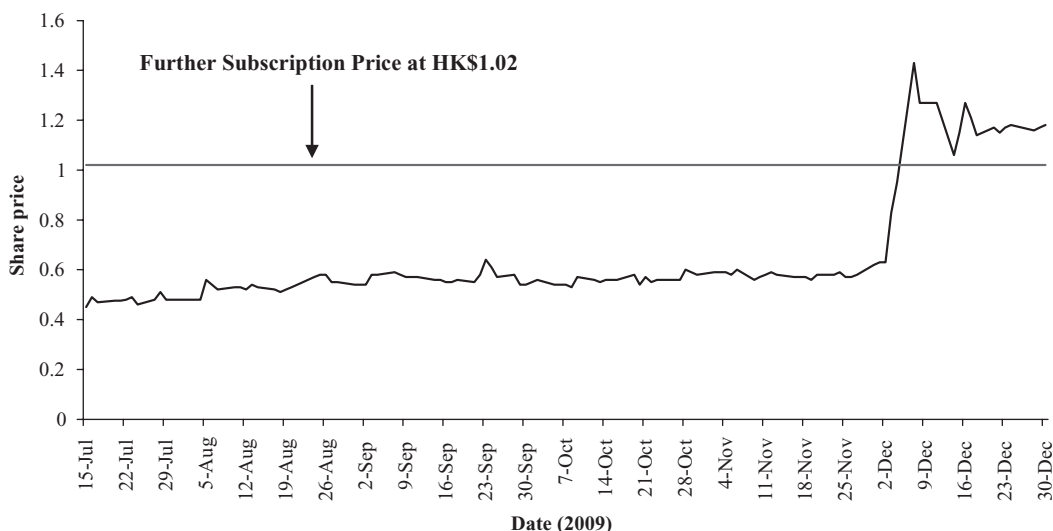
## LETTER FROM WALLBANCK BROTHERS

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### 4. The historical share price performance of the Company

Chart 1 below shows the Further Subscription Price and the historical closing prices of the Share as quoted on the Stock Exchange during the period commencing from 15 July 2009 (six months before the date of the announcement in relation to the Further Agreements) up to and including the Latest Practicable Date (the “**Review Period**”):

**Chart 1: Historical share price performance of the Company**



*Notes:*

1. Trading in the Shares was suspended from 31 July 2009 to 4 August 2009, pending the release of relevant announcement.
2. Trading in the Shares was suspended on 27 October 2009, pending the release of relevant announcement.
3. Trading in the Shares was suspended from 9 December 2009 to 11 December 2009, pending the release of relevant announcement.
4. On market days when the Shares are not traded, the closing price equals to that of the preceding trading days.

*Source: Stock Exchange website*

As indicated in the graph above, the closing price of the Share was generally in a narrow range between HK\$0.4 and HK\$0.6 before December 2009. However, the closing price of Share soared from HK\$0.63 per Share on 2 December 2009 to HK\$1.43 per Share on 7 December 2009. Subsequent to the release of the Company's announcement dated 14 December 2009, there was an immediate drop of the Share price to HK\$1.06 per Share from HK\$1.27 per Share before suspension. Thereafter, the Share price continued to fluctuate between HK\$1.06 and HK\$1.27 and closed at HK\$1.18 as at the Latest Practicable Date.

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## LETTER FROM WALLBANCK BROTHERS

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Although the Further Subscription Price was set at a discount of approximately 3.8% to the closing price of HK\$1.06 per Share on the date of the Announcement, the Further Subscription Price is at (i) a premium of approximately 67.21% over the average closing price of the Share of HK\$0.61 for the Review Period; and (ii) falls in the price range for the Review Period from HK\$0.4 to HK\$1.43.

### 5. *Review on trading liquidity of the Shares*

Table 2 below sets out the average daily turnover per month and the respective percentages of the shares' average daily turnover as compared to the total number of Shares in issue as at the Latest Practicable Date and the total number of shares held by the Independent Shareholders as at the Latest Practicable Date of the Group during the Review Period:

**Table 2: Historical trading volume of the Shares**

<b>Month</b>	<b>Average daily turnover (in number of Shares)</b>	<b>Percentage of average daily turnover to total number of Shares in issue (Note 1) (%)</b>	<b>Percentage of average daily turnover to total number of Shares held by the Independent Shareholders (Note 2) (%)</b>
2009			
July (from 15 July 2009 to 31 July 2009)	185,730	0.016	0.027
August	2,851,063	0.251	0.422
September	709,909	0.063	0.105
October	507,829	0.045	0.075
November	402,667	0.036	0.060
December (up to and including the Latest Practicable Date)	24,463,233	2.157	3.618

*Notes:*

1. Based on 1,134,216,960 total issued shares of the Group as at the Latest Practicable Date.
2. Based on the total number of shares held by the Independent Shareholders of 676,171,070 Shares as at the Latest Practicable Date.
3. Trading in the Shares was suspended from 31 July 2009 to 4 August 2009, pending the release of relevant announcement.
4. Trading in the Shares was suspended on 27 October 2009, pending the release of relevant announcement.
5. Trading in the Shares was suspended from 9 December 2009 to 11 December 2009, pending the release of relevant announcement.

*Source: Stock Exchange website*

## LETTER FROM WALLBANCK BROTHERS

Although none of the trading days during Review Period recorded nil trading volume (except for the trading days which Shares were suspended in trading), the trading volume was generally thin.

During the Review Period, save and except for the month of December 2009, the daily average trading volume of the Shares was traded well below 1% of the total issued shares of the Company and the issued shares of the Company held by the Independent Shareholders. The maximum daily trading occurred on 14 December 2009, the date immediately after the release of the Announcement, with a trading volume of 169,598,160 shares and accounted for approximately 14.95% and 25.08% of the total issued shares and shares held by the Independent Shareholders respectively.

The aggregate amount of the Further Subscription Shares represents approximately 13.6 times of the average daily trading volume for the Review Period. Based on the above, we consider that the trading of the Shares was relatively thin and inactive during the Review Period.

### 6. *Comparison with other share subscriptions or placing exercises*

In assessing the fairness and reasonableness of the Further Subscription Price, we have reviewed the recent transactions announced by the main board and GEM listed companies on the Stock Exchange in November 2009 (being the full calendar month before the release of the Announcement) involving placing and subscription of shares. To the best of our knowledge and based on the information from the Stock Exchange's website, we understand that there is no company listed on main board that is engaged in identical business with the Company. In order to ensure there is reasonable number of comparable companies even though they are not in similar business with the Company, we have identified 17 transactions of both the main board and GEM listed companies for our comparison purpose (the "**Market Comparables**"). Set out below is a summary of our findings:—

Date of announcement (2009)	Name of list issuer (stock code)	Placing price/ subscription price (HK\$)	Premium/ (discount) to the closing share price of the last trading day before release of the announcement (%)	Premium/ (discount) to the closing share price for the last five trading days before release of the announcement (%)
2-Nov	New World Mobile Holdings Limited (862)	3.00	(16.67)	(10.34)
3-Nov	AV Concept Holdings Limited (595)	0.681	(19.88)	(17.15)
9-Nov	Kiu Hung Energy Holdings Limited (381)	0.36	(16.28)	(19.82)
10-Nov	China Energine International (Holdings) Limited (1185)	0.80	(14.90)	(10.30)
10-Nov	Everpride Biopharmaceutical Company Limited (8019)	0.159	(19.70)	16.91



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## LETTER FROM WALLBANCK BROTHERS

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Date of announcement (2009)	Name of list issuer (stock code)	Placing price/ subscription price (HK\$)	Premium/ (discount) to the closing share price of the last trading day before release of the announcement (%)	Premium/ (discount) to the closing share price for the last five trading days before release of the announcement (%)
12-Nov	China Solar Energy Holdings Limited (155)	0.136	(10.53)	(3.68)
12-Nov	Zhongda International Holdings Limited (909)	0.713	(19.89)	(15.12)
12-Nov	Orange Sky Golden Harvest Entertainment (Holdings) Limited (1132)	0.539	(19.55)	(16.56)
12-Nov	Overseas Chinese Town (Asia) Holdings Limited (3366)	2.80	(17.65)	(13.31)
13-Nov	Superb Submmmit International Timber Company Limited (1228)	0.215	(18.87)	(18.87)
16-Nov	China Precious Metal Resources Holdings Co., Ltd. (1194)	0.60	(18.92)	(16.20)
16-Nov	Long Success International (Holdings) Limited (8017)	0.20	(5.66)	(5.30)
16-Nov	Netel Technology (Holdings) Limited (8256)	0.2778	(19.48)	6.85
18-Nov	Singamas Container Holdings Limited (716)	1.30	(14.47)	(16.13)
20-Nov	China Daye Non-Ferrous Metals Mining Limited (661)	0.64	(18.99)	(19.19)
24-Nov	Silver Grant International Industries Limited (171)	2.00	(15.97)	(9.91)
24-Nov	GCL-Poly Energy Holdings Limited (3800)	1.79	(22.51)	(16.74)
		<b>mean</b>	<b>(17.05)</b>	<b>(10.87)</b>
		<b>maximum</b>	<b>(5.66)</b>	<b>16.91</b>
		<b>minimum</b>	<b>(22.51)</b>	<b>(19.82)</b>
<b>14-Dec</b>	<b>the Company</b>	<b>1.02</b>	<b>(3.80)</b>	<b>(0.20)</b>

Source: Stock Exchange website

The above table shows that (i) the premium over/ discount to the closing share prices of the last trading days before the release of the relevant announcements of the Market Comparables ranged from a discount of 22.51% to a discount of 5.66% (the “**First Comparable Range**”), with the mean at a discount of approximately 17.05%; and (ii) the premium over/ discount to the average closing share prices for the last five days before the release of the relevant announcements of the Market Comparables ranged from a discount of approximately 19.82% to a premium of approximately 16.91% (the “**Second Comparable Range**”), with the mean at a discount of approximately 10.87%.

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## LETTER FROM WALLBANCK BROTHERS

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The Further Subscription Price, being at a discount of approximately 3.80% to the closing price of HK\$1.06 per Share on the Last Trading Date, is out of the First Comparable Range and at a lower discount than the Market Comparables.

The Further Subscription Price, being at a discount of approximately 0.20% to the closing price of HK\$1.022 per Share over the last five consecutive trading days up to and including the Last Trading Date, is within the Second Comparable Range and is at a smaller discount than the mean of the Second Comparable Range.

In view of the above comparison of the discount of the Further Subscription Price to the closing price of Last Trading Date and the 5-day average closing price up to and including the Last Trading Date, it is fair and reasonable to infer that the Further Subscription Price is more favourable to the Company as compared to normal market practice.

### **7. *Other alternatives of financing***

We have further enquired into the Directors of other fund raising methods and the Directors advised that the Group would normally consider both debt financing and equity financing for fulfilling its capital requirements. As confirmed by the Directors, given (i) the Group's poor financial performance in the past few years; and (ii) the recent financial turmoil and the resulting global credit crunch has tightened the availability of fund and increased the cost of funding for the Company, it might be difficult for the Group to obtain significant borrowings/debts from banks or other financial institutions with favourable terms.

With respect to other equity financing such as open offer and rights issue, most would incur substantial costs in form of placing commission or underwriting commission. Although both open offer and rights issue may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising exercises would be relatively time consuming as compared to the Further Subscription and any arm's length underwriting is normally subject to standard force majeure clause in favour of the underwriter. In addition, based on the present unsatisfactory business performance of the Company, the Company would have difficulties in procuring commercial underwriting.

Having all these being the case, the Directors believe that the Further Subscription offer the best balance in terms of financing flexibility and relatively low recurring interest expense and it is fair and reasonable to infer that the Further Subscription is a feasible, cost and time effective fund raising alternative currently available to the Company and is in the interest of the Company and the Independent Shareholders as a whole.

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## LETTER FROM WALLBANCK BROTHERS

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### 8. *Potential dilution to the shareholdings of the Independent Shareholders*

Set out below is the table for the shareholding in the Company (i) as at the Latest Practicable Date; and (ii) after completion of the Agreements and the Further Agreements:

Shareholders	As at the Latest Practicable Date		After Completion of the Agreements and the Further Agreements	
	(No. of Shares)	(%)	(No. of Shares)	(%)
Orient Day Developments Limited				
<i>(Note)</i>	452,084,800	39.86	517,084,800	43.12
Other Directors	5,961,090	0.53	5,961,090	0.50
Public Shareholders				
– the Purchasers	115,680,000	10.20	115,680,000	9.65
– the Further Purchasers	65,000,000	5.73	65,000,000	5.42
– Other public Shareholders	495,491,070	43.68	495,491,070	41.31
<b>Total</b>	<b><u>1,134,216,960</u></b>	<b><u>100.00</u></b>	<b><u>1,199,216,960</u></b>	<b><u>100.00</u></b>

*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.

As at the Latest Practicable Date, the total number of issued shares of the Company was 1,134,216,960. After the Completion of the Agreements and the Further Agreements, the equity interest held by the public shareholders will be decreased from 59.61% to 56.38% and the equity interest held by the public shareholders other than the Purchasers and the Further Purchasers will be diluted from 43.68% to 41.31%

Although the shareholding interests of the existing Independent Shareholders are subject to dilution of certain extent as a result of the possible conversion of the Convertible Notes, as balanced by (i) the poor financial performance of the Group in the previous years; (ii) the continual need of funding for the Group's operations and for new investment opportunities when they arise; and (iii) the difficulties of fund raising by debt financing and other equity financing, it is fair and reasonable to infer that the said changes in shareholding of the Independent Shareholders maybe acceptable.

### 9. *Possible financial impacts of the Further Subscription*

#### a) **Impact on net assets value**

According to the interim report of the Group for the six months ended 30 June 2009, the net assets value of the Group (including minority interest) was approximately HK\$545,204,000 as at 30 June 2009. The Directors represented that the Further Subscription will increase the net assets of the Group.

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## LETTER FROM WALLBANCK BROTHERS

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### **b) Impact on working capital and cash position**

According to the Directors, the net proceeds from the Further Subscription are approximately HK\$64 million and the Group intends to use it for the Group's possible acquisition of overseas energy and natural resources projects. The Directors represent that the Further Subscription will enhance the working capital and cash position the Group.

### **c) Impact on gearing**

According to the interim report for the six months ended 30 June 2009, the gearing level of the Group, which is calculated as bank borrowings divided by total assets, was approximately 8.6% as at 30 June 2009.

As stated in the announcement dated 18 December 2009 of the Company, the disposal of the 100% equity interest in Good Value Holdings Limited by Pearl Oriental Logistics Holdings Limited has been completed, and the Group does not have any outstanding bank loan upon the said completion.

Upon Completion of the Further Subscription, the gearing ratio should remain as zero as the bank borrowings remain as zero.

## **RECOMMENDATION**

Having considered the principal factors and reasons as discussed above and as summarized below:

- (i) the Group has been loss-making for the previous years;
- (ii) the Further Subscription is an appropriate means to finance the continual need of funding for the Group's operations and for new investment opportunities when they arise;
- (iii) the difficulties of fund raising by debt financing and other equity financing;
- (iv) the very thin trading volume of the Shares in the Review Period;
- (v) the Further Subscription Price, being at a discount of approximately 3.8% to the closing price of HK\$1.06 per Share on the Last Trading Date, is out of the First Comparable Range and at a lower discount than the Market Comparables;
- (vi) the Further Subscription Price, being at a discount of approximately 0.20% to the closing price of HK\$1.022 per Share over the last five consecutive trading days up to and including the Last Trading Date, is within the Second Comparable Range and is at a smaller discount than the mean of the Second Comparable Range;
- (vii) the Further Subscription is a feasible, cost and time effective fund raising alternative currently available to the Company;
- (viii) the possible change of shareholding of the Independent Shareholders maybe acceptable; and
- (ix) the possible positive financial impacts on the net assets value, working capital and cash position and gearing of the Group.

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## LETTER FROM WALLBANCK BROTHERS

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Having considered the above factors and reasons and Directors' representations, on balance, we are of opinion that in such circumstances of the Group, the terms of the Further Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Further Subscription, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the forthcoming SGM to approve the Further Subscription and the transactions contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

### **(II) Refreshment of Existing General Mandate**

#### **1. Background to the Refreshment of Existing General Mandate**

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

According to the Letter from the Board, the Directors were authorized to allot and issue up to 116,280,790 Shares pursuant to the Existing General Mandate which was granted by the Shareholders at the AGM held on 26 May 2009.

The Directors have exercised their powers conferred by the Existing General Mandate to issue 115,680,000 Subscription Shares, the balance of the Existing General Mandate is 600,790 Shares. There has not been any refreshment of the Existing General Mandate since the AGM.

#### **2. Reasons for the Refreshment of General Mandate**

According to the Letter from the Board, in order to provide the Company with greater flexibility in issuance of Shares in future as and when the Company considers desirable for the benefit of the development of the Company, the Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM. The New General Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, under Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate will be subject to the Independent Shareholders' approval at the SGM.

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## LETTER FROM WALLBANCK BROTHERS

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### 3. Fund raising activities of the Company in the past twelve months

As stated in the Letter from the Board, the Company has conducted the following equity fund raising activities in the 12 months prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
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	Has not yet been utilized

According to the interim report of the Group for the six months ended 30 June 2009, we note that the cash and cash equivalents and the total indebtedness (being all the interest-bearing bank borrowings) of the Group amounted to approximately HK\$16.211 million and HK\$56.676 million as at 30 June 2009 respectively.

We consider that it is not unreasonable for the Directors to propose the refreshment of the Existing General Mandate in the SGM in order to give the Company greater flexibility in the issuance of new Shares and/or convertible instruments in future as and when the Company considers desirable for the benefit of the development of the Company.

### 4. Status of Utilization of the Existing General Mandate

According to the Letter from the Board, the Existing General Mandate was granted at the AGM held on 26 May 2009 and has not been refreshed since the annual general meeting. From the date of the granting of the Existing General Mandate to the Latest Practicable Date, the Existing General Mandate had been utilized as to 115,680,000 Shares, representing approximately 99.48% of the Existing General Mandate.

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## LETTER FROM WALLBANCK BROTHERS

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The Company had in issue an aggregate of 1,134,216,960 Shares as at the Latest Practicable Date. Subject to the passing of the proposed resolution for the approval of the New General Mandate and the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the New General Mandate would allow the Directors to allot and issue up to a maximum of 226,843,392 Shares, representing 20% of the aggregate nominal amount of the issued Shares at the SGM. The New General Mandate to issue Shares will, if granted, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-laws; and (iii) its revocation or variation by ordinary resolutions of the Shareholders in general meeting.

### **5. Financial Flexibility**

Given that equity financing is interest free and security free by nature, the Directors consider that equity financing serves as a cost effective means of raising additional capital for the Group as general working capital and to fund any additional investment requirements of existing or other new project development opportunities that may be identified in the future. In addition, the Directors are of the view that equity financing has merits over bank/debt financing to fund the Group's capital needs as the former could broaden the shareholder base of the Company without creating any additional interest burden to the Company. When comparing various equity financing methods, the Directors perceive that placing of new Shares would enable the Company to raise funds in a more commercially expedient time frame and would preserve shareholders' value due to the relatively small dilution effect on shareholdings of exiting Shareholders.

### **6. Other Alternatives of Financing**

We are represented that it is the Directors' belief that the New General Mandate will provide the Company with an additional alternative of equity funding when there is funding requirement or when any business opportunities arise in the future. It is reasonable to suggest that the New General Mandate could enhance the financing flexibility of the Company to raise equity funds, if and when required, by way of the issuance of new Shares and/or convertible instruments for further development of the Group. In addition, although the Directors have no concrete plan for exercising the New General Mandate to issue and allot Shares at the moment, the Board believes that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole by virtue of maintaining the financial flexibility for the Group's future business development and opportunities of funding which may arise at any time. The granting of the New General Mandate would provide the Group with higher degree of flexibility as allowed under the Listing Rules to issue new Shares and/or convertible instruments to raise capital and strengthen the capital base of the Company as consideration or otherwise for such potential investments and/or acquisitions in the future as and when such opportunities arise.

On the above basis, we hold the view that there are reasonable grounds for the Directors to propose the refreshment of the Existing General Mandate at the SGM.

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## LETTER FROM WALLBANCK BROTHERS

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### 7. Potential dilution to shareholding interests of the Independent Shareholders

Based on information available from public source and from the Directors, we set out below a table setting out the shareholding structure of the Company as at the Latest Practicable Date and upon full utilization of the New General Mandate:

Shareholders	As at the Latest Practicable Date		Upon full utilization of the New General Mandate	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Orient Day Developments Limited ( <i>Note</i> )	452,084,800	39.86	452,084,800	33.22
Other Directors	5,961,090	0.53	5,961,090	0.44
Public Shareholders				
– shares issued under the New General Mandate	–	–	226,843,392	16.67
– other public Shareholders	<u>676,171,070</u>	<u>59.61</u>	<u>676,171,070</u>	<u>49.67</u>
Total	<u>1,134,216,960</u>	<u>100.00</u>	<u>1,361,060,352</u>	<u>100.00</u>

*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.

*Source:* the records from the Company reflecting the shareholding structure of the Company on the Latest Practicable Date

Assuming that (i) the New General Mandate will be granted at the SGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive); and (iii) upon full utilization of the New General Mandate, 226,843,392 Shares are to be issued, representing 20% and approximately 16.67% of the existing issued share capital as at the Latest Practicable Date and the enlarged issued share capital of the Company respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 59.61% to approximately 49.67% upon full utilization of the New General Mandate.

Taking into consideration that the New General Mandate will increase the amount of capital which may be raised thereunder and provides more options to the Group for financing further development of its business as well as other investments/acquisitions as and when such opportunities arise and the fact that the shareholding of all the Shareholders will be diluted to the same extent upon any utilization of the New General Mandate, we consider that the potential dilution to the shareholding of the Shareholders is acceptable.



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## LETTER FROM WALLBANCK BROTHERS

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Shareholders should note that the Existing General Mandate will be revoked upon approval at the SGM of the New General Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed at the SGM by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with the Listing Rules.

### **8. Terms of the New General Mandate**

Pursuant to Rule 13.36(4) of the Listing Rules, any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the refreshment of the Existing General Mandate to be proposed at the SGM. Orient Day Developments Limited, a company wholly owned by Mr. Wong Kwan, who is a majority Shareholder, chairman and executive Director of the Company and a connected person of the Company, and its associates shall abstain from voting at the SGM in respect of the refreshment of the Existing General Mandate. No other Shareholders are required to abstain from voting at the SGM. Pursuant to Rule 13.39(4)(b) of the Listing Rules, the vote of the Independent Shareholders in respect of the refreshment of the Existing General Mandate at the SGM will be taken by way of poll.

As mentioned before, it is further stipulated that upon approval of the refreshment of the Existing General Mandate at the forthcoming SGM, the Existing General Mandate will be revoked and the New General Mandate will be and continue to be effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-Laws; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with Rule 13.36(3) of the Listing Rules.

In view of the said stringent provisions and requirements of the Listing Rules, we have reasons to believe that there to be sufficient control and measures to guide the refreshment of the Existing General Mandate and the continuity of the New General Mandate. In this respect, we hold the view that the terms of the granting of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM WALLBANCK BROTHERS

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### RECOMMENDATION

Having considered the above principal factors and reasons and Directors' representations, on balance, we are of the opinion that in such circumstance the refreshment of the Existing General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the refreshment of the Existing General Mandate is in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the refreshment of the Existing General Mandate at the SGM.

Yours faithfully,  
For and on behalf of  
**WALLBANCK BROTHERS**  
**Securities (Hong Kong) Limited**  
**Phil Chan**  
*Chief Executive Officer*

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

<i>Authorised:</i>	<i>HK\$</i>
200,000,000,000 Shares of HK\$0.1 each	20,000,000,000
<i>Issued and fully paid:</i>	<i>HK\$</i>
1,134,216,960 Shares of HK\$0.1 each	113,421,696

**3. DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were 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 the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

**LONG POSITIONS****(a) ORDINARY SHARES OF HK\$0.10 EACH OF THE COMPANY**

Name of directors	Number of Shares held in the Capacity of				Percentage of the issued share capital of the Company
	Beneficial Owner	Held by trust	Held by controlled corporation	Total number of shares held	
Wong Kwan ( <i>Note</i> )	—	—	452,084,800	452,084,800	39.86%
Johnny Yuen	640,000	—	—	640,000	0.06%
Fung Hing Chiu, Cyril	—	1,272,000	—	1,272,090	0.11%
Cheung Kwok Yu	3,000,000	—	—	3,000,000	0.26%
Zheng Yingsheng	1,049,000	—	—	1,049,000	0.09%

*Note:* These Shares were held by Orient Day Developments Limited, which is wholly-owned by Mr. Wong Kwan.

## (b) Share options

Name of Directors	Capacity	Number of options held	Exercise Period	Exercise Price (HK\$)
Wong Kwan	Beneficial owner	3,000,000	05/08/2009- 14/07/2019	0.56
Zhou Li Yang	Beneficial owner	3,000,000	05/08/2009- 14/07/2019	0.56
Zheng Yingsheng	Beneficial owner	1,000,000	05/08/2009- 14/07/2019	0.56
Johnny Yuen	Beneficial owner	3,000,000	05/08/2009- 14/07/2019	0.56
Yu Jian Meng	Beneficial owner	1,000,000	05/08/2009- 14/07/2019	0.56
Dong Zhixiong ( <i>Note</i> )	Beneficial owner	3,000,000	05/08/2009- 14/07/2019	0.56
Fung Hing Chiu, Cyril	Beneficial owner	3,000,000	05/08/2009- 14/07/2019	0.56
Lam Ka Wai, Graham	Beneficial owner	3,000,000	05/08/2009- 14/07/2019	0.56
Lew Mon Hung	Beneficial owner	3,000,000	03/12/2009- 14/07/2019	0.83

*Note:* Mr. Dong resigned on 29 September 2009.

Save as disclosed above, none of the directors, chief executive nor their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which were 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 position which the Directors and chief executive were deemed or taken to have under such provisions of SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for securities Transactions by Directors of Listed Companies contained in the Listing Rules.

#### 4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 December 2008, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Orient Day Developments Limited ( <i>Note</i> )	Beneficial owner	452,084,800	39.86%

*Note:* Orient Day Developments Limited is wholly owned by Mr. Wong Kwan.

Save as disclosed above, the Directors and chief executive of the company are not aware of any person (other than a Director or chief executive of the Company) who as at the Latest Practicable Date had interests and/or short position in the shares and underlying shares of the Company which would full to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 5. LITIGATION

The Group have below litigation at the date of this circular.

- (a) The Group had three pending litigation claims with the ex-directors of a disposed subsidiary, Dransfield Holdings Limited (“DHL”), who claim against the Group for a total sum of not less than HK\$11.4 million. As disclosed in the Company’s announcement dated 23 August 2005, the Company’s interest in DHL was disposed of on 23 July 2005. It was alleged in these claims that by disposing of all its shares in DHL, the Company was evading liabilities and denying these claimants’ benefits of the debts owned by DHL. A judgment was given in favour of Horace Yao Yee Cheong, Habile International Holdings Limited and Makdavy Holdings Limited (collectively, the “Plaintiffs”) against the Company on 22 May 2009 for the aggregate sum of approximately HK\$6.9 million together with interests thereon and legal costs. The Company has filed an appeal against the judgment.
- (b) As announced by the Company on 12 August 2008, on 7 August 2008, Zhang Jingyuen (formerly know as Zhang Genyu (“Zhang”)) issued and served a writ (“the Writ”) in the High Court of Hong Kong against, inter alia, the Company, Get Wealthy, Champion Merry Investment Limited (“Champion”), a subsidiary of the Company and Mr. Wong Kwan, Chairman, Chief executive, executive director and also a majority beneficial shareholder of the Company, in which Zhang claimed, inter alias, against the Company and Champion for damages for alleged breaches of a Joint Venture Agreement dated 15 July 2006 (the “Joint Venture Agreement”), and Zhang also applied for an order that the joint venture agreement and the deed of charge dated 25 October 2006 in favour of the Company in respect of all of

Zhang's shares in China Coal Energy Holdings Limited ("China Coal") be rescinded. After considering opinion from the Company's legal advisors, the Company is of the view that all the claims in the Writ are of no substance and groundless, and the Board will strongly defend and has confidence to defeat such claims and the Company has issued counterclaim against Zhang, including without limitation, the dividend from China Coal of HK\$80,000,000, damages for breaches of the Joint Venture Agreement and other relief. In addition, China Coal has taken legal action against Zhang and other 4 persons for their breaches of duties as directors of Taiyuan Sanxing Coal Gasification Company Limited in the High Court of Shanxi.

## **6. MATERIAL ADVERSE CHANGES**

The Directors are of the opinion that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up. In line with the worldwide economic slowdown however it is possible that its financial or trading position may deteriorate in the future, in which case the Company will make further disclosure pursuant to the Listing Rules if necessary.

## **7. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

## **8. DIRECTOR'S INTERESTS IN THE COMPANY AND ITS SUBSIDIARIES' ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

## **9. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**10. EXPERT AND CONSENT**

- (a) The following are the qualifications of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Wallbanck Brothers	a licensed corporation for carrying out types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO

- (b) As at the Latest Practicable Date, Wallbanck Brothers does not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Wallbanck Brothers does not have any interest either directly or indirectly, in any assets which had been, since 31 December 2008 (being the date to which the latest published accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.
- (c) Wallbanck Brothers has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and/or references to its name in the form and context in which it appears.

**11. MISCELLANEOUS**

- A. The company secretary of the Company is Mr. Cheung Kwok Yu, who is qualified as a solicitor in Hong Kong.
- B. The principal share registrar and transfer office of the Company is Codan Services Limited whose address is 2 Church Street, Hamilton HM11, Bermuda.
- C. The registered office of Wallbanck Brothers is located at Room 2310, Tower 2, Lippo Centre, 89 Queensway, Central, Hong Kong.
- D. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**12. MATERIAL CONTRACTS**

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular are or may be material:

- (a) A share subscription agreement dated 31 December 2007 entered into between the Company and Orient Day pursuant to which Orient Day would subscribe for 77,456,000 new ordinary Shares at a subscription price of HK\$1 per Share;

- (b) The Company entered into a loan facilities agreement with Orient Day Developments Limited (“Orient Day”) on 5 September 2008 in relation to the grant of a loan facility of not exceeding HK\$25,000,000. Orient Day is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Wong Kwan. The loan due to Orient Day is unsecured, bears interest at Prime Rate as quoted by HSBC and repayable at the end of each calendar month commencing from one year after the drawdown date;
- (c) A sale and purchase agreement dated 5 November 2008 entered into between Allfair Limited, a wholly-owned subsidiary of the Company, and Grand Asscend Investments Limited in relation to the acquisition by the Group of the 30% equity interest in Euro Resources China Limited for a total consideration of HK\$9,800,000;
- (d) The sale and purchase agreement dated 22 January 2009 between Pearl Oriental Logistics Holdings Limited, a wholly-owned subsidiary of the Company as vendor and Sunny Villa Investments Limited as purchaser in respect of the disposal of 60% of the entire share capital of Pearl Oriental Express Holdings Limited at HK\$3,000,000;
- (e) A conditional convertible note agreement dated 4 March 2009 between the Company and the Subscriber in respect of the subscription of convertible notes of up to HK\$45,000,000;
- (f) A sale and purchase agreement dated 27 May 2009 between the Company and Mr. Wong Chok Wah in respect of the acquisition of 100% equity interest of Get Wealthy Investments Limited;
- (g) A sale and purchase agreement dated 27 May 2009 between the Company and Favour Good Investments Limited in respect of the acquisition of 0.18% equity interest of China Coal Energy Holdings Limited;
- (h) A Merger Agreement dated 30 July 2009 entered into between the Company and Mr. Cheung Mo Kit in relation to the formation of China Environmental Resources Limited; and
- (i) A sale and purchase agreement dated 30 July 2009 between the Company and Mr. Tan Kian Chung in respect of the acquisition of 100% equity interest of Poly Keen Limited.

### **13. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at Suite 1908, 19th floor, 9 Queen’s Road Central, Hong Kong from the date of this circular up to and including 20 January 2010:

- (a) the bye-laws of the Company;
- (b) the Agreements.



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## NOTICE OF THE SPECIAL GENERAL MEETING

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# 東方明珠創業有限公司\*

## Pearl Oriental Innovation Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 632)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Pearl Oriental Innovation Limited (the “Company”) will be held at Suite 1908, 19th Floor, 9 Queen’s Road Central, Hong Kong at 4:30 p.m., on 20 January 2010 for the purpose of considering and, if though fit, passing with or without amendments, the following resolutions of the Company:

### ORDINARY RESOLUTIONS

1. **“THAT** the execution of the sale share and subscription agreements (the “Further Agreements”) dated 12 December 2009 and 13 December 2009 and entered into between the Company and Orient Day Developments Limited as subscriber in relation to the further subscription for 65,000,000 shares of HK\$0.10 each in the share capital of the Company (“Further Subscription Shares”) at a price of HK\$1.02 per Further Subscription Share (the “Further Subscription”), a copy of which has been produced to the meeting marked “A” and initiated by the chairman of the meeting for identification purpose, and the issue of the Further Subscription Shares and the performance by the Company thereof and the transactions contemplated thereby be and are hereby confirmed, ratified and approved; and that any one or more of the directors of the Company (the “Directors”) be and are hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary or desirable for the purpose of giving effect to the Further Agreements and completing the transactions contemplated by the Further Agreements with such changes as any such Director(s) may consider necessary, desirable or expedient.”
2. **“THAT:**
  - (a) subject to paragraph 2(c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.10 each (the “Shares”) in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which might require the exercise of such power be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph 2(a) above shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an

\* For identification purposes only

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## NOTICE OF THE SPECIAL GENERAL MEETING

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issue of Shares under any options granted under the share option scheme adopted by the Company; (iii) an issue of Shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company; (iv) an issue of Shares in lieu of the whole or part of a dividend pursuant to any scrip dividend scheme or similar arrangement in accordance with the Bye-laws of the Company; and (v) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to in (ii) and (iii) above, in the price at which Shares shall be Subscribed, and/or in the number of Shares which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe or other securities, shall not exceed:

- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue as at the time of passing this resolution; and
  - (ii) the aggregate nominal amount of share capital of the Company repurchased by the Company after the date of passing this resolution pursuant to the general mandate to repurchase Shares given by the Company to the Directors from time to time (subject to a maximum number equivalent to 10% of the then existing issued share capital of the Company).
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum of Association and Bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Right Issue” means an offer of Shares open for a period fixed by the Directors to holders of the Shares on the register of members on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusive or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange).”

3. **“THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the Shares (representing a maximum of 10% of the Shares in issue as at the date of the passing of this resolution) to be issued pursuant to the exercise of options which may be granted under the Company’s share option scheme adopted on 15 July 2009 (the “Scheme”), the refreshment of the scheme mandate limit on grant of options under the Scheme and any other share option schemes of the Company up to 10% of the Shares in issue as at the date of the passing of this resolution

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## NOTICE OF THE SPECIAL GENERAL MEETING

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(the “Refreshed Scheme Mandate Limit”) be and is hereby approved and any Director be and is hereby authorized to do such act and execute such document to effect the Refreshed Scheme Mandate Limit.”

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

Hong Kong, 4 January 2010

*Principal place of business:*

Suite 1908, 19th Floor  
9 Queen’s Road Central  
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. To be valid, the form of proxy, together with the notarially certified power of attorney or other authority (if any) under which it is signed must be lodged at the Company’s branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.
3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of member of the Company in respect of such share shall alone be entitled to vote in respect of it.
4. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.
5. The votes to be taken at the meeting for the resolutions will be by way of poll.