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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
WHITEWASH WAIVER APPLICATION
PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL
CHANGE OF FINANCIAL YEAR END DATE
AND
RESUMPTION OF TRADING**

Financial Adviser to the Company

Hercules

Hercules Capital Limited

THE SUBSCRIPTION

On 31 December 2007, the Company entered into the Agreement with the Subscriber, pursuant to which, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue 77,456,000 Subscription Shares at a price of HK\$1.00 per Subscription Share.

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

WHITEWASH WAIVER

Assuming no further Shares will be issued by the Company prior to the completion of the Subscription, upon completion of the Agreement, the interests held by the Subscriber and parties acting in concert with it will increase from 46.53% to 55.45% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscriber and parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the completion of the Subscription. The Subscriber will apply to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code. The Whitewash Waiver shall be subject to the approval by the Independent Shareholders at the SGM on a vote taken by way of a poll whereby the Subscriber, its associates and concert parties will abstain from voting in respect of the Whitewash Waiver.

PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL

The Company proposes to increase its authorized share capital from HK\$300,000,000 divided into 600,000,000 Shares of HK\$0.5 each to HK\$3,000,000,000 divided into 6,000,000,000 Shares of HK\$0.5 each by the creation of an additional 5,400,000,000 unissued Shares.

CHANGE OF FINANCIAL YEAR END DATE

The Board also announces that the financial year end date of the Company has been changed from 31 March to 31 December with immediate effect.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders on the Subscription and the Whitewash Waiver and the Independent Board Committee has approved the appointment of Wallbanck Brothers Securities (Hong Kong) Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver in accordance with the Listing Rules and Takeovers Code.

A circular containing, among other things, further details of the Subscription, the Whitewash Waiver and the proposed increase in authorized share capital of the Company, the letter from the Independent Board Committee and the recommendation from the independent financial adviser on the terms of the Subscription and the Whitewash Waiver, together with a notice convening the SGM, will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 2 January 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 3 January 2008.

SHARE SUBSCRIPTION AGREEMENT

Date

31 December 2007

Parties involved

The Company as the issuer and the Subscriber as the subscriber. The Subscriber, a company wholly-owned by Mr. Wong Kwan, Chairman and Chief Executive of the Company and an executive Director, is a substantial Shareholder holding approximately 46.53% of the issued share capital of the Company as at the date of this announcement.

Subscription Price

HK\$1.00 per Subscription Share. The aggregate Subscription Price of HK\$77,456,000 shall be payable in cash upon completion of the Agreement. The Subscription Price was agreed after arm's length negotiations with reference primarily to the recent market prices of the Shares and represents (i) a discount of approximately 1.96% to the closing price of HK\$1.020 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) no discount/premium to/over the average closing price of approximately HK\$1.000 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 1.28% to the average closing price of approximately HK\$1.013 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Number of Subscription Shares

The number of Subscription Shares is 77,456,000, representing 20.00% of the existing share capital of the Company and approximately 16.67% of the share capital of the Company as enlarged by the issue of the Subscription Shares.

Ranking of Subscription Shares

The 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 Subscription Shares.

The Subscription Shares

The Subscription Shares will be issued under a special mandate to be considered by the Independent Shareholders in the SGM. 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 Subscription Shares.

Conditions of the Agreement

The Agreement is conditional upon, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) the Independent Shareholders in a special general meeting to be held approving the Agreement and the issue and allotment of the Subscription Shares to the Subscriber pursuant to the terms and conditions of the Agreement; and
- (iii) the Executive granting the Whitewash Waiver to the Subscriber under the Takeovers Code pursuant to the terms of the Agreement.

The above conditions cannot be waived by the parties to the Agreement. In the event that the conditions to the Agreement are not fulfilled by 3 March 2008 or such later date as may be agreed between the Company and the Subscriber, the obligations and liabilities of the Subscriber and the Company under the Subscription shall be null and void and neither the Company nor the Subscriber shall have any claim against the other for costs, damages, compensation or otherwise provided that the Company shall reimburse the Subscriber any legal fees and out-of-pocket expenses which the Subscriber shall be obliged to pay in connection with the Subscription.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company intends to apply the net proceeds of the Subscription of approximately HK\$77 million for general working capital of the Group. The Directors (excluding the independent non-executive Directors who will express their views after receiving advice from the independent financial adviser) consider that the Subscription is in the interest of the Company and the Shareholders as a whole as it will broaden the capital base of the Company and improve the financial position of the Group by increasing both the current assets and capital of the Company by an amount of approximately HK\$77 million.

LISTING RULES IMPLICATIONS

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

APPLICATION FOR WHITEWASH WAIVER

Assuming no further Shares will be issued by the Company prior to the completion of the Subscription, upon completion of the Agreement, the interests held by the Subscriber and parties acting in concert with it will increase from 46.53% to 55.45% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscriber and parties acting in concert with it will, in the absence of the

Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the completion of the Subscription. The Subscriber will apply to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code. The Whitewash Waiver shall be subject to the approval by the Independent Shareholders at the SGM on a vote taken by way of a poll whereby the Subscriber, Mr. Wong and their respective associates and concert parties will abstain from voting in respect of the Whitewash Waiver.

There are no dealings in the securities of the Company by the Subscriber, Mr. Wong and their respective concert parties during the six months prior to the date of this announcement and including the date of this announcement. Except as disclosed in the section headed “Effects on Shareholding” below, the Subscriber and its concert parties do not hold any other securities, or derivatives in respect of the securities in the Company.

EFFECTS ON SHAREHOLDING

The effects of the Subscription on the shareholding of the Company are shown as follows:

| | Shareholding as at the date of this announcement | | Shareholding upon completion of the Agreement | |
|---|---|----------------------|---|----------------------|
| | (No. of Shares) | (%) | (No. of Shares) | (%) |
| The Subscriber, Mr. Wong and their concert parties (<i>Note</i>) | 180,218,800 | 46.53 | 257,674,800 | 55.45 |
| Public shareholders | <u>207,063,160</u> | <u>53.47</u> | <u>207,063,160</u> | <u>44.55</u> |
| Total | <u><u>387,281,960</u></u> | <u><u>100.00</u></u> | <u><u>464,737,960</u></u> | <u><u>100.00</u></u> |

Note: The Subscriber is wholly and beneficially owned by Mr. Wong Kwan, Chairman and Chief Executive of the Company and an executive Director.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement, except the issue of new Shares as set out in the Company’s announcement dated 15 March 2007 in relation to the top-up placing of 29,500,000 new Shares of HK\$0.5 each at the price of HK\$2.59 per Share by the Company (the “Issue”). The net proceeds of the Issue of approximately HK\$74.5 million in total have been applied towards the general working capital of the Group as originally planned.

PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the authorized share capital of the Company is HK\$300,000,000 divided into 600,000,000 Shares, of which 387,281,960 Shares have been issued and fully paid or credited as fully paid. In order to provide the Group with flexibility in its future expansion and growth by means of issuing new Shares and fund-raising activities as the Directors may consider appropriate from time to time, the Directors propose to increase the authorized share capital of the Company to HK\$3,000,000,000 divided into 6,000,000,000 Shares by the creation of an additional 5,400,000,000 unissued Shares. The increase in the authorized share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM and no Shareholders are required to abstain from voting for such resolution.

CHANGE OF FINANCIAL YEAR END DATE

The Board also announces that the financial year end date of the Company has been changed from 31 March to 31 December with immediate effect.

The latest annual report of the Company containing the audited consolidated accounts of the Group for the financial year ended 31 March 2007 was issued on 27 July 2007. The interim report of the Company containing the unaudited consolidated accounts of the Group for the six months ended 30 September 2007 was issued on 20 December 2007. The Company's forthcoming financial results and reports for the period ended 31 December 2007 will be released as follows:—

The announcement containing the audited results of the Group for the nine months ended 31 December 2007 and the relevant annual report of the Company containing the audited accounts for the same period will be published and dispatched to the Shareholders on or before 30 April 2008. The audited financial statements for the twelve months ended 31 March 2007 will be disclosed as the comparative figures for the financial statements for the nine months ended 31 December 2007.

The Board considers that the change of the Company's financial year end date will enable the Company to have the same financial year end date as that of its major operating subsidiaries and associated companies engaged in the businesses of energy, natural resources and logistics, and such change will be beneficial to the operations of the Group.

The Company does not expect there will be any material financial impact on the Company after the change of financial year end date.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders on the Subscription and the Whitewash Waiver and the Independent Board Committee has approved the appointment of Wallbanck Brothers Securities (Hong Kong) Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver in accordance with the Listing Rules and Takeovers Code.

A circular containing, among other things, further details of the Subscription, the Whitewash Waiver and the proposed increase in authorized share capital, the letter from the Independent Board Committee and the recommendation from the independent financial adviser on the terms of the Subscription and the Whitewash Waiver, together with a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 2 January 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 3 January 2008.

DEFINITIONS

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

| | |
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| “Agreement” | a share subscription agreement between the Company and the Subscriber dated 31 December 2007 in relation to the Subscription |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “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 |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | director(s) of the board of the Company |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent board committee of the Board comprising all the independent non-executive Directors, namely Dr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril and Mr. Lai Shi Hong, Edward |

| | |
|----------------------------|---|
| “Independent Shareholders” | Shareholders (other than the Subscriber, Mr. Wong and their respective concert parties and associates and those Shareholders who are involved in, or interested in the Subscription and the Whitewash Waiver) who are not required to abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver under the Listing Rules and the Takeovers Code respectively |
| “Last Trading Day” | 31 December 2007, being the last full trading day for the Shares immediately before the issue of this announcement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Wong” | Mr. Wong Kwan, Chairman and Chief Executive of the Company and an executive Director |
| “PRC” | The People’s Republic of China |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “SGM” | a special general meeting of the Company to be convened to consider and approve the Subscription, the Whitewash Waiver and the proposed increase in authorized share capital of the Company |
| “Subscriber” | Orient Day Developments Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Wong |
| “Subscription” | the subscription of 77,456,000 new Shares by the Subscriber pursuant to the terms of the Agreement |
| “Subscription Price” | HK\$1.00 per Subscription Share |
| “Subscription Shares” | 77,456,000 new Shares to be subscribed by the Subscriber pursuant to the Agreement |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Share(s)” | ordinary share(s) of HK\$0.50 in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |

“Whitewash Waiver”

a waiver from the Executive pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber and parties acting in concert with it to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them which would otherwise arise as a result of completion of the Agreement

“%”

per cent.

As at the date hereof, the Board comprises six executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Chan Yiu Keung, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang, Mr. Zheng Yingsheng and Mr. Johnny Yuen and three independent non-executive Directors, namely Dr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril and Mr. Lai Shi Hong, Edward.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

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

Hong Kong, 2 January 2008

* *For identification purposes only*