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東方明珠創業有限公司*
Pearl Oriental Innovation Limited
(the “Company”)
(Incorporated in Bermuda with limited liability)
(Stock Code: 632)

CONVERSION OF CONVERTIBLE NOTES

The Directors are pleased to announce that the Subscriber, holding the Convertible Notes in an aggregate principal amount of HK\$35,000,000, has given a notice to the Company to convert all these Convertible Notes at the conversion price of HK\$0.30 per Share.

Reference is made to the announcement of the Company dated 5 March 2009 and circular dated 26 March 2009 (the “Circular”). Unless the context herein otherwise requires, terms used in this announcement shall have the same meanings as defined in the Circular.

Conversion of Convertible Notes

The Directors are pleased to announce that the Subscriber, holding the Convertible Notes in an aggregate principal amount of HK\$35,000,000, has given a notice to the Company to convert all these Convertible Notes at the conversion price of HK\$0.30 per Share (the “Conversion”). As a result of the Conversion, a total of 116,666,000 Shares of HK\$0.10 each (the “Conversion Shares”), representing approximately 25.10% of the issued share capital of the Company as at 20 May 2009 and approximately 20.07% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, will be allotted and issued. The Conversion Shares will be issued under the ordinary resolution approved by the Independent Shareholders at the SGM held on 16 April 2009.

The Subscriber, 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. The Subscriber may, at its sole discretion, subscribe for Convertible Notes of a further sum of HK\$10,000,000 on or before 31 December 2009 as disclosed in the Circular.

Terms of the Convertible Notes have been disclosed in the Circular. After the Conversion, the Subscriber will be interested in approximately 65.09% of the enlarged total issued share capital of the Company. Below is a table showing the shareholding structure of the Company before and after the Conversion.

Shareholders	Shareholding structure before the conversion of Convertible Notes		Shareholding structure after the conversion of Convertible Notes	
	<i>No. of Shares</i>	<i>% of share holding</i>	<i>No. of Shares</i>	<i>% of share holding</i>
The Subscriber	261,759,800	56.32	378,425,800	65.09
Other Director	640,000	0.14	640,000	0.11
Public shareholders	202,338,160	43.54	202,338,160	34.80
Total	464,737,960	100%	581,403,960	100%

As disclosed in the 2008 Annual Report, the litigations of China Coal Energy Holdings Limited (“China Coal”) are still in progress. According to the professional legal advices of our PRC and Hong Kong lawyers, the Company is confident about the chance of winning the lawsuits and have recourse to dividends of HK\$80 million in total for the year of 2007 and 2008 from the defaulting party. Management will implement all effective and beneficial measures to safeguard the interest of the Group’s investment in China Coal.

The Directors are of the view that the Conversion demonstrates Mr. Wong Kwan’s strong confidence in and his continual support to the Company and that the Conversion will strengthen the financial position of the Group.

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

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

Hong Kong, 21 May 2009

** For identification purposes only*