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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)

**UPDATE ON LEGAL ACTIONS AND SITUATIONS REGARDING
CHINA COAL, TAIYUAN SANXING, SHANXI SANXING AND EURO RESOURCES
AND
RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

It has recently come to the Company’s attention that there is a dispute over the title of the mining permit of a coal mine (the “Coal Mine”) owned by Shanxi Sanxing Coal and Coke Limited (山西三興煤焦有限公司) (“Shanxi Sanxing”). In particular, 山西省臨縣林家坪鎮白家峁村民委員會 (the “Village”) has sued the Department of Land and Resources, Shanxi Province (山西省國土資源廳) and claimed that the Department of Land and Resources, Shanxi Province (山西省國土資源廳) has wrongfully transferred the title of the Coal Mine from the Village to other party and to obtain an administrative judgment of revoking such change. The Company understands that the Department of Land and Resources, Shanxi Province (山西省國土資源廳) has filed its appeal against the judgment but, to the best of the Company’s knowledge, the appeal has been dismissed by the People’s High Court of Shanxi Province (山西省高級人民法院). As a result of the judgment, the transfer of the title of the Coal Mine to Shanxi Sanxing in April 2002 has been confirmed as an illegal administrative action, and the mining permit of Shanxi Sanxing issued by the Department of Land and Resources, Shanxi Province (山西省國土資源廳) in December 2006 should be cancelled.

The Company has made its investments in Taiyuan Sanxing and Shanxi Sanxing in July 2006 according to the records of the title of the Coal Mine formally issued by the Department of Land and Resources, Shanxi Province (山西省國土資源廳). According to the legal advice of the Company’s PRC lawyers, the Company and China Coal, as the controlling stakeholder

of Sanxing and the Coal Mine have paid genuine consideration as bona fide purchasers and the investments have been approved by the Department of Commerce, Shanxi Province (山西省商務廳), the Department of Land and Resources, Shanxi Province (山西省國土資源廳) and the Department of Industrial and Commercial Administration, Shanxi Province (山西省工商行政管理局), therefore the investments should be protected by the PRC laws. The Company also indicates that it will reserve its rights of taking necessary legal actions against the relevant government authorities of Shanxi Province for compensations should the Company incur any damages suffered from loss of the title of the Coal Mine as a result of the issue being not resolved reasonably and lawfully by the government of Shanxi Province.

Since Zhang Xinyu, Zhang Jingyuan, Gao Shanhe, Zhang Zhenwu and Wang Jifeng have refused to execute the resolutions of China Coal, the sole shareholder of Taiyuan Sanxing, refused to account for profits of Taiyuan Sanxing, obviously failed to perform their fiduciary duties as directors of Taiyuan Sanxing and also caused damages to lawful rights and interests of China Coal as a foreign investor, China Coal has therefore issued a writ against them in the People's High Court of Shanxi Province (山西省高級人民法院) to claim for damages against breaches of their fiduciary duties and their conducts amounted to wilful embezzling (侵佔) of assets of Taiyuan Sanxing which are clearly contrary to the laws of the PRC.

The Company has also noted from various reliable sources of the PRC media that there was a violent incident in the Coal Mine caused serious casualties of certain persons of the Village. The Company and the Directors strongly condemn the violent incident and express deep sympathy for the casualties suffered by the victims in the Village. The Company and Directors are willing to assist the government of Shanxi Province to fight against triad gang for the justice.

On 27 October 2009, Grand Ascend, a wholly owned subsidiary of the Company issued an indorsement of claim at the High Court of Hong Kong against Laurent Kim and Ung Phong as guarantors for damages in the sum of approximately Euro 9.83 million (equivalent to approximately HK\$ 113.63 million) as a result of their breaches of profit guarantee under the agreement dated 29 July 2006 between them and Grand Ascend.

The Shareholders and public investors are advised to exercise caution when dealing in shares in the Company.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 27 October 2009 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 28 October 2009.

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

Reference is made to the Company's circular (the "Circular") and announcement (the "Announcement") dated 15 September 2006 and 28 November 2008 respectively. Terms defined in the Circular and the Announcement shall have the same meanings when used herein unless the context requires otherwise.

Administrative Judgment regarding Shanxi Sanxing

It has recently come to the Company's attention that there is a dispute over the title of the mining permit of a coal mine located at 山西省臨縣林家坪鎮白家峁村 (the "Coal Mine") owned by Shanxi Sanxing Coal and Coke Limited (山西三興煤焦有限公司) ("Shanxi Sanxing"). In particular, 山西省臨縣林家坪鎮白家峁村民委員會 (the "Village") has sued the Department of Land and Resources, Shanxi Province (山西省國土資源廳) in the People's Intermediate Court of Taiyuan (太原市中級人民法院) and claimed that the Department of Land and Resources, Shanxi Province (山西省國土資源廳) has wrongfully transferred the title of the Coal Mine from the Village to other party and to obtain an administrative judgment of revoking such change. The Company understands that the Department of Land and Resources, Shanxi Province (山西省國土資源廳) has filed its appeal against the judgment but, to the best of the Company's knowledge, the appeal has been dismissed by the People's High Court of Shanxi Province (山西省高級人民法院). As a result of the judgment, the transfer of the title of the Coal Mine to Shanxi Sanxing in April 2002 has been confirmed as an illegal administrative action, and the mining permit of Shanxi Sanxing issued by the Department of Land and Resources, Shanxi Province (山西省國土資源廳) in December 2006 should be cancelled.

The Company has made its investments in Taiyuan Sanxing and Shanxi Sanxing in July 2006 according to the records of the title of the Coal Mine formally issued by the Department of Land and Resources, Shanxi Province (山西省國土資源廳).

Shanxi Sanxing has been conducting its business of coal exploitation in a normal manner for almost three years after it has become a subsidiary of Taiyuan Sanxing which has been duly approved by the Department of Commerce, Shanxi Province (山西省商務廳) in January 2007.

According to the legal advice of the Company's PRC lawyers, the Company and China Coal, as the controlling stakeholder of Sanxing and the Coal Mine have paid genuine consideration as bona fide purchasers and the investments have been approved by the Department of Commerce, Shanxi Province (山西省商務廳), the Department of Land and Resources, Shanxi Province (山西省國土資源廳) and the Department of Industrial and Commercial

Administration, Shanxi Province (山西省工商行政管理局), therefore the investments should be protected by the PRC laws. They have relied on the legality of Shanxi Sanxing as the registered owner of the title of the Coal Mine according to the records in the Department of Land and Resources, Shanxi Province (山西省國土資源廳), the Department of Commerce, Shanxi Province (山西省商務廳) and the Department of Industrial and Commercial Administration, Shanxi Province (山西省工商行政管理局). The Company has already taken immediate steps and measures including, but not limited to, reporting to the People's Government of Shanxi Province (山西省人民政府), the People's High Court of Shanxi Province (山西省高級人民法院), the Department of Commerce, Shanxi Province (山西省商務廳) and the Department of Land and Resources, Shanxi Province (山西省國土資源廳) to request suspension of execution of the administrative judgment made by the People's High Court of Shanxi Province (山西省高級人民法院) and also requesting the case should be fairly handled in accordance with the laws and facts in order to protect our rights and interests in the Coal Mine. The Company also indicates that it will reserve its rights of taking necessary legal actions against the relevant government authorities of Shanxi Province for compensations should the Company incur any damages suffered from loss of the title of the Coal Mine as a result of the issue being not resolved reasonably and lawfully by the government of Shanxi Province.

Legal Proceedings regarding Taiyuan Sanxing

As disclosed in the Announcement, in November 2008, unknown to the Company, Zhang Xinyu has instituted legal proceedings (the "Legal Proceedings") against Taiyuan Sanxing in the Taiyuan Intermediate People's Court, and the Legal Proceedings have been wilfully concealed to the Company and China Coal. Taiyuan Sanxing is a wholly foreign owned enterprise incorporated in China and wholly owned by China Coal.

Since Zhang Xinyu, Zhang Jingyuan, Gao Shanhe, Zhang Zhenwu and Wang Jifeng have refused to execute the resolutions of China Coal, the sole shareholder of Taiyuan Sanxing, refused to account for profits Taiyuan Sanxing, obviously failed to perform their fiduciary duties as directors of Taiyuan Sanxing and also caused damages to lawful rights and interests of China Coal as a foreign investors, China Coal has therefore issued a writ against them in the People's High Court of Shanxi Province (山西省高級人民法院) to claim for damages against breaches of their fiduciary duties and their conducts amounted to wilful embezzling (侵佔) of assets of Taiyuan Sanxing which are clearly contrary to the laws of the PRC.

Recently, a delegation of judges from the People's High Court of Shanxi Province (山西省高級人民法院) has visited certain legal professionals and the Company in Hong Kong in order to understand more on the factual situations regarding China Coal and certain legal issues and positions from the view points of the laws of the HKSAR, their procedures of facts

finding in Hong Kong have already completed. Formal legal opinion on the laws of the HKSAR in favour of the case of China Coal has already been issued and submitted to the People's High Court of Shanxi Province (山西省高級人民法院). In the circumstances, the directors of China Coal are very confident in the Legal Proceedings.

Violence caused casualties in the Coal Mine

The Company has also noted from various reliable sources of the PRC media that there was a violent incident in the Coal Mine caused serious casualties of certain persons of the Village. It was noted that a triad gang has attacked certain victims of the Village in the Coal Mine.

The Company and the Directors strongly condemn the violent incident and express deep sympathy for the casualties suffered by the victims in the Village.

The Company, as the ultimate controlling stakeholder of Shanxi Sanxing and the Coal Mine, and the Directors are willing to assist the relevant government authorities of Shanxi Province to fight against triad gang for the justice.

Legal action regarding Euro Resources

Reference is made to the Company's announcement dated 6 November 2008 in relation to Euro Resources.

Grand Ascend Investments Limited ("Grand Ascend"), a wholly owned subsidiary of the Company issued an indorsement of claim on 27 October 2009 at the High Court of Hong Kong against Laurent Kim and Ung Phong as guarantors for damages in the sum of approximately Euro 9.83 million (equivalent to approximately HK\$ 113.63 million) as a result of their breaches of profit guarantee under the agreement dated 29 July 2006 between them and Grand Ascend. In addition, Grand Ascend claimed against them and Christine Tran Kim, wife of Laurent Kim for an order of declarations that :-

- (i) Laurent Kim is the sole beneficial owner of 5,000,000 shares (the "Shares") in the Company registered in the name of Christine Tran Kim which have been issued by the Company as part of the consideration for the Group's acquisition of 50% shares in Euro Resources in 2007;
- (ii) Grand Ascend is entitled to levy execution of judgment to be obtained on the Shares.

The Shareholders and public investors are advised to exercise caution when dealing in the shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 27 October 2009 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 28 October 2009.

Further announcement will be published if the Company has any updated information on the above legal actions and situations when appropriate and necessary.

TERMS USED IN THE ANNOUNCEMENT

In this announcement, the following terms have the following meanings:

“China Coal”	China Coal Energy Holdings Limited, a company incorporated in Hong Kong with limited liability
“Euro Resources”	Euro Resources China Limited, a company incorporated in Hong Kong with limited liability, which is a subsidiary of the Company
“HKSAR”	Hong Kong Special Administrative Region
“Taiyuan Sanxing”	Taiyuan Sanxing Coal Gasification (Group) Co. Ltd., a company incorporated in the PRC with limited liability which is wholly owned by China Coal

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. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Kai, Graham.

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

Hong Kong, 27 October 2009

* For identification purposes only