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

(the “Company”)

(Incorporated in the Bermuda with limited liability)

(Stock Code: 632)

**(1) VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION;
(2) SPECIFIC MANDATE TO ISSUE NEW SHARES;
AND
(3) RESUMPTION OF TRADING**

On 9 January 2010, the Company and the Vendors entered into the Agreement pursuant to which the Vendors have agreed to sell to the Company the Sale Shares. The Sale Shares represent the entire issued share capital of Oasis, subsidiaries of which will be principally engaged in natural gas and petroleum production in the Areas located in Utah, USA.

Ownership interest in the Utah Gas and Oil Field which has a total net probable and possible natural gas reserve of 454.5 Bcf and oil reserve of 1.86 million barrels will be conditionally transferred to the Target Group pursuant to the Agreement.

Phase 1 Acquisition

The consideration for the Phase 1 Acquisition is US\$200 million (equivalent to approximately HK\$1,560 million and shall be satisfied by the Group at Completion (i) as to US\$50 million (equivalent to approximately HK\$390 million) by cash; and (ii) as to US\$150 million (equivalent to approximately HK\$1,170 million) by the issue of up to 847,810,000 Phase 1 Consideration Shares at a price (the “Price”) of HK\$1.38 per Share.

After completion of the Phase 1 Acquisition, Oasis shall own 70% of the Ownership Interest.

* For identification purposes only

The Company shall comply with the relevant requirements under Chapter 14 and/or Chapter 14A of the Listing Rules upon exercise of the option (see below).

Phase 2 Acquisition

The Company may, at its option, pay the JV Partner an aggregate sum of US\$25 million (equivalent to approximately HK\$195 million) for the remaining 30% Ownership Interest. The said amount of US\$25 million will be paid by cash in full or if the JV Partner elects, will be paid by cash as to US\$12.5 million and the remaining sum of US\$12.5 million (equivalent to approximately HK\$97.5 million) will be satisfied by the issue and allotment of 70,650,000 Phase 2 Consideration Shares at the Price of HK\$1.38 per Share to the Vendors (including the JV Partner).

The Consideration Shares represent (i) approximately 74.89% of the existing issued share capital of the Company of 1,226,416,960 Shares as at the date of this announcement; and (ii) approximately 42.82% of the issued share capital of the Company of 2,144,876,960 Shares as enlarged by the Proposed Issue.

Since the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Wong, being beneficial owner of one of the Vendors, is a substantial Shareholder. The Company has been informed that 15% interest in Oasis will be conditionally transferred from Marvel to Dr. Lew, being the Deputy Chairman and executive Director of the Company, prior to the Completion at a consideration of US\$30 million payable to Marvel, another Vendor. Accordingly, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules due to the acquisition of 15% interest of Oasis from Dr. Lew and 35% interest of Oasis from Charcon. Completion of the Acquisition involving the transactions contemplated under the Agreement and the issue of the Consideration Shares under the Specific Mandate is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. The Vendors, Mr. Wong, Dr. Lew and their associates shall abstain from voting at the SGM in respect of the Acquisition.

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 Acquisition and the transactions contemplated thereunder. Wallbank Brothers Securities (Hong Kong) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the transactions contemplated therein, and that the appointment has been approved by the Independent Board Committee.

A circular containing, among other things, details of the Acquisition and the transactions contemplated under the Agreement, financial information of the Group and the Target Group, a technical report on the Utah Gas and Oil Field prepared by HAAS in accordance with the requirements under Chapter 18 of the Listing Rules, a valuation report on the Utah Gas and Oil Field, the letter of advice from the independent financial adviser, the recommendation of the Independent Board Committee to the Independent Shareholders and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 January 2010 pending the release 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 26 January 2010.

The Board is pleased to announce that the Company entered into the Agreement with the Vendors on 9 January 2010 in relation to the Acquisition. Details of the Agreement are set out below.

THE AGREEMENT

Date: 9 January 2010

Parties

- (i) the Company, the purchaser;
- (ii) the Vendors, Charcon Assets Limited (“**Charcon**”) and Marvel Sunlight Limited (“**Marvel**”)

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Marvel and its beneficial owners are third parties independent of the Company and its connected persons. Charcon is a company wholly owned by Mr. Wong.

The Company has been informed that 15% interest in Oasis will be conditionally transferred from Marvel to Dr. Lew (“Dr. Lew’s Equitable Interest”) prior to Completion at a consideration of US\$30 million payable to Marvel by Dr. Lew. Such transfer was merely based on the negotiation and agreement between Marvel and Dr. Lew. Dr. Lew is not yet the legal owner of these 15% interest in Oasis at the date of this announcement.

Assets to be acquired

Pursuant to the Agreement, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of Oasis which shall include Dr. Lew’s Equitable Interest. After the Completion, Oasis will be a 100% owned subsidiary of the Company.

Ownership Interest in the Utah Gas and Oil Field which has a total net probable and possible natural gas reserve of 454.5 Bcf and oil reserve of 1.86 million barrels is currently held by the JV Partner and will be conditionally transferred to the Target Group by the JV Partner (as agreed by the Vendors and the JV Partner) pursuant to the Agreement in the following manner:

Phase 1 Acquisition

Consideration

The total consideration for the Phase 1 Acquisition is US\$200 million (equivalent to approximately HK\$1,560 million) which shall be satisfied by the Company as follows:

- (a) Upon the signing of the Agreement, the Company shall pay to Marvel a sum of US\$20 million (equivalent to approximately HK\$156 million) in cash as a refundable deposit (the “**Deposit**”) for the Acquisition, and upon the date of first completion of the Acquisition (the “**First Completion Date**”), the Vendors shall cause and procure 10.5% Ownership Interest be transferred to Shiny One USA (the “**Phase 1a Acquisition**”). The First Completion Date will be on the date on which all the Conditions Precedent are fulfilled or waived by the Company (as the case may be).
- (b) On or before 12 March 2010, the Company may, at its option, pay Marvel an aggregate sum of US\$80 million as consideration for the Vendors’ causing and procuring a further 31.5% Ownership Interest be transferred to Shiny One USA (the “**Phase 1b Acquisition**”), out of which US\$30 million (equivalent to approximately HK\$234 million) will be paid by cash and the remaining sum of US\$50 million (equivalent to approximately HK\$390 million) will be satisfied by the issue and allotment of 282,600,000 new Consideration Shares to Marvel. The completion date of the Phase 1b Acquisition will be on or before 12 March 2010 (the “**Second Completion Date**”).
- (c) On or before 12 May 2010, the Company may, at its option, pay an aggregate sum of US\$100 million as consideration for the Vendors’ causing and procuring a further 28% Ownership Interest be transferred to Shiny One USA (the “**Phase 1c Acquisition**”), out of which US\$30 million (equivalent to approximately HK\$234 million) will be satisfied by the issue and allotment of 169,560,000 new Consideration Shares to Dr. Lew and the remaining sum of US\$70 million (equivalent to approximately HK\$546 million) will be satisfied by the issue and allotment of 395,650,000 new Consideration Shares to Charcon. The Completion date of the Phase 1c Acquisition will be on or before 12 May 2010 (the “**Third Completion Date**”).

After completion of the Phase 1 Acquisition, the Company shall hold 100% equity interest of Oasis and Oasis shall own 70% of the Ownership Interest. A total of up to 847,810,000 new Shares (the “**Phase 1 Consideration Shares**”) will be issued by the Company to the Vendors for the Phase 1 Acquisition.

The Company shall comply with the relevant requirements under Chapter 14 and/or Chapter 14A of the Listing Rules upon exercise of the aforesaid option.

Phase 2 Acquisition

On or before 12 December 2011, the Company may, at its option, pay the JV Partner an aggregate sum of US\$25 million (equivalent to approximately HK\$195 million) (the “**Phase 2 Consideration**”) for the remaining 30% Ownership Interest (the “**Phase 2 Acquisition**”) to be transferred in Shiny One USA. The said amount of US\$25 million will be paid by cash in full or if the JV Partner elects, will be paid by cash as to US\$12.5 million and the remaining sum of US\$12.5 million (equivalent to approximately HK\$97.5 million) will be satisfied by the issue and allotment of 70,650,000 new Shares at the Price of HK\$1.38 per Share (the “**Phase 2 Consideration Shares**”) to the JV Partner. The completion date of the Phase 2 Acquisition will be within 14 days after the Company’s exercise of its option to proceed with the Phase 2 Acquisition (the “**Final Completion Date**”).

After the Final Completion Date, the Company shall own 100% of the Ownership Interest through its then wholly owned subsidiary, Oasis. In such circumstances, the Company and the Vendors (including the JV Partner) shall only share the Net Operating Income from the First 14 Wells, and all the Net Operation Income of any other new wells shall be received by the Company only (details of the share of the Net Operating Income are set out in the sub-section headed “Share of the Net Operating Income”).

The Company shall finance the Consideration by its internal resources or possible fund raising activities.

Price per Consideration Share

The Price of HK\$1.38 represents (i) a discount of approximately 30.3% to the closing price of HK\$1.98 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 17.9% to the average closing price per Share of approximately HK\$1.68 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 2.7% over the average closing price per Share of HK\$1.344 as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day.

The Price has been determined and has been negotiated on an arm’s length basis between the Vendors and the Company.

The Consideration Shares

The Consideration Shares represent (i) approximately 74.89% of the existing issued share capital of the Company of 1,226,416,960 Shares as at the date of this announcement; and (ii) approximately 42.82% of the issued share capital of the Company of 2,144,876,960 Shares as enlarged by the Proposed Issue.

Ranking of Consideration Shares

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

The Consideration was determined after arm's length negotiations between the parties.

In determining the Consideration, the Board has obtained a preliminary valuation report on 100% of Ownership Interest prepared by BMI, an independent valuer, and a technical report on the natural gas and petroleum resources prepared on 25 November 2009 by HAAS, a distinguished American petroleum engineering consultant, in which the reserves estimates conformed to the PRMS.

Taking into account, among other things, (i) the preliminary valuation of 100% Ownership Interest of the Utah Gas and Oilfield prepared by BMI of approximately US\$500 million (equivalent to approximately HK\$3.9 billion). The discount of approximately 55% represented by the Consideration to such indicated valuation; (ii) the technical report issued by HAAS on 25 November 2009, confirming that the Utah Gas and Oilfield has a total net probable and possible natural gas reserves of 454.5 Bcf and oil reserves of 1.86 million barrels.; and (iii) the expected total exploitation value of the Utah Gas and Oilfield of US\$2.5 billion with reference to the international market price of natural gas and oil at the end of December 2009, the Directors consider that the Consideration is fair and reasonable.

In addition, the Directors are also of the view that the acquisition of the Sale Shares by the Company which shall include Dr. Lew's Equitable Interest (subsequent to the transfer of Dr. Lew's Equitable Interest to Dr. Lew from Marvel) is fair and reasonable and in the interests of the Shareholders as a whole since the consideration of US\$30 million payable to Marvel by Dr. Lew equals to part of the Consideration (i.e. US\$30 million) to be received by Dr. Lew under the acquisition of the Sales Shares by the Company.

As advised by the Vendors, the original acquisition cost incurred by Charcon on 35% equity interest of Oasis was US\$70 million while Dr. Lew's original acquisition cost payable to Marvel was US\$30 million.

Conditions precedent

Completion of the Acquisition is subject to the following conditions precedent (the "**Conditions**"):

- (i) the passing of the necessary resolution(s) by the Independent Shareholders in a general meeting to approve the Agreement, the Proposed Issue and the transactions contemplated thereunder and the implementation thereof (including but not limited to, the acquisition of the Sale Share by the Company);
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;

- (iii) the Company being satisfied with the results of its due diligence review and investigation on Oasis and the Utah Gas and Oil Field including the legal title thereof;
- (iv) the approval required to be obtained from the Committee on Foreign Investment in the United States in respect of the Company's acquisition of Ownership Interest in the Utah Gas and Oil Field; and
- (v) the Company having obtained a legal opinion issued by USA legal advisers acceptable to the Company in respect of the due diligence on and the legal title of the Utah Gas and Oil Field confirming that it is in both form and substance and in all respects satisfactory to the Company.

The Company may at its absolute discretion at any time waive the above Conditions (iii) to (v) by written notice to the Vendors.

If the conditions above are not fulfilled or waived (as the case may be) on or before 12 May 2010 or such other date as the Company and the Vendors may agree in writing and/or the conditions (iii) to (v) do not remain fulfilled (and is not waived by the Company or, where applicable, the Vendors) on the date of Completion, all rights, obligations and liabilities of the parties under the Agreement shall cease and determine and none of the parties shall have any claim against the other save and except any antecedent breach, and the Vendors shall refund the Deposit to the Company within 3 days after the Company has given a written notice to the Vendors to cancel the Acquisition.

The transfer of total Ownership Interest to Shiny One USA is not one of the conditions precedent. Nevertheless, the Consideration will be paid in proportion upon different phases of transfer of the Ownership Interest pursuant to the Agreement as disclosed above.

Completion

Completion shall take place on the date falling on the third business day after the fulfillment or, where applicable, waiver of the relevant conditions precedent.

Share of the Net Operating Income

The Company has agreed to bear the costs (the "**Development Costs**") of re-development of 7 existing wells and the drillings of 7 new wells (together, the "**First 14 Wells**") in the Utah Gas and Oil Field in the aggregate sum of US\$15 million, by 3 instalments of US\$2.4 million, US\$7.2 million and US\$5.4 million on the First Completion Date, the Second Completion Date and the Third Completion Date respectively. The Company and the Vendors (including the JV Partner) will share the Net Operating Income from the First 14 Wells at the ratio of 70:30.

The Company shall have the right to provide additional funding to develop more new wells in the Utah Gas and Oil Field, if the Vendors (including the JV Partner) cannot contribute additional funding, then the Company and the Vendors (including the JV Partner) will share the Net Operating Income from these additional new wells at the ratio of 90:10. The Company shall comply with the Listing Rules requirements (if any) arising from the provision of the aforesaid funding.

The JV Partner does not hold any interests in Oasis nor have any relationship with the Company, its connected persons and its associates except that the JV Partner has business relationship (in relation to the Acquisition as it owns interests in the Utah Gas and Oil Field) with the Vendors.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are independent and are not connected persons of the Company and its associates.

The Company shall finance the Development Costs by its internal resources or possible fund raising activities.

Other Terms

An operating company (the “**Operating Company**”) will be responsible for the exploration, development and drillings of the existing and new wells and production in the Utah Gas and Oil Field. After the Third Completion Date and the Group's acquisition of 70% Ownership Interest, the Group shall have the right to appoint 3 (three) of the total 5 (five) directors of the Operating Company, its board of directors will decide the administration and finance matters of exploitation in the Utah Gas and Oil Field.

The JV Partner will participate in the operations of the Operating Company and will supervise that the day-to-day activities including exploration and exploitation of the Utah Gas and Oil Field.

INFORMATION ON OASIS

Oasis was incorporated in the British Virgin Islands which is an investment holding company. At the date of this announcement, the Target Group has not yet engaged in exploration or exploitation works. As at the date of the Agreement, Oasis was owned as to 65% by Marvel, and 35% by Charcon. The Company has been informed that 15% interest in Oasis may be conditionally transferred from Marvel to Dr. Lew prior to Completion at a consideration of US\$30 million payable to Marvel.

After completion of the Agreement, the Target Group will be principally engaged in the exploration, exploitation and production of natural gas and petroleum in the Areas. According to the unaudited consolidated management accounts of the Target Group, it recorded a loss before and after taxation of approximately HK\$1,036,000 during the first financial period from 29 September 2009 (date of incorporation) and up to 31 December 2009, representing mainly the legal and professional fee incurred by the Target Group. As at 31 December 2009, the net liabilities of the Target Group amounted to approximately HK\$4,950,000. After the Final Completion Date, the Company shall own 100% of the Ownership Interest through its then wholly owned subsidiary, Oasis. The preliminary valuation of the Utah Gas and Oilfield prepared by BMI on 19 January 2010 is approximately US\$500 million (equivalent to approximately HK\$3.9 billion).

Information on the Utah Gas and Oil Field

The Utah Gas and Oil Field are located in Uinta Basin gas and oilfield area, Utah, United States. It covers an area of around 3,692 acres. Haas Petroleum Engineering Services, Inc, a distinguished American petroleum engineering consultant, issued a technical report on 25 November 2009, confirming that this Utah Gas and Oilfield project has a total net Probable & Possible natural gas reserves of 454.5 Bcf and oil reserves of 1.86 million barrels. The Company has an intention to drill, explore and exploit 360 wells in the Utah Gas and Oil Field in coming years after Completion of the Acquisition.

The Utah Gas and Oil Field are located in the quality production area of Uinta Basin. It is surrounded by the renowned U.S. oil exploration companies, including Anadarko Petroleum Corporation (“**Anadarko**”) (NYSE: APC, market capitalization of US\$ 31.5 billion), Questar (NYSE: STR, market capitalization of US\$7.46 billion) and other oil exploration enterprises, which have successfully recorded excellent exploitation and operating results of natural gas in the region for many years.

There is an existing main natural gas pipeline across the Areas, therefore the natural gas to be produced in the Utah Gas and Oil Field can be sold soon after the commencement of the production of natural gas in the Utah Gas and Oil Field.

In accordance to the U.S. well-known and one of the world’s largest technical engineering companies, Halliburton, (NYSE: HAL, market capitalization of US\$ 27.3 billion, Mr. Dick Cheney, former U.S. Vice President was the former Chairman and CEO of Halliburton) has provided the entire oil and gas wells exploitation and distribution status in 1980 and 2007, which showed clearly the Utah Gas and Oil Field is at a ready-to-go stage with huge earning prospect.

Management of the Company has visited the Utah Gas and Oil Field and has also discussed with Halliburton and Anadarko on the prospects of the future gas and oil production and cooperation among each others. Halliburton and Anadarko will continue to give their marketing and professional services to the Utah Gas and Oil Field project, and Management has great confidence in the future economic benefits of our investment.

New Management Team

Ralph Curton Chief Operating Officer

Mr. Ralph Curton, will be appointed as the Chief Operating Officer (COO) of Pearl Oriental. Mr. Curton has 40 years of experiences in the operation and management in the oil and natural gas industry. In the 70’s, Mr. Curton invested 50,000 productive acres in oil and natural gas enterprise in East Texas and Louisiana, and had successfully developed more than 300 oil and gas wells.

Over the years, Mr. Curton has established close relationships with Halliburton and Anadarko. Upon completion of the Acquisition, Halliburton will continue to provide world-class professional technical and engineering services to the Utah Gas and Oil Field. As advised by Mr. Curton, Anadarko will continue to purchase all the natural gas produced by the Utah Gas and Oil Field. The Management Team has strong confidence that this Utah gas and oilfield project can create long term stable income.

Bryan Yam Chief Technical Officer

Mr. Yam will be appointed as the Chief Technical Officer (CTO) of Pearl Oriental, to be responsible for Pearl Oriental's development of energy and resources businesses and technical supervision. Mr. Yam has a Master degree in Aerospace Engineering and a Bachelor degree in Mechanical Engineering. He is a member of Society of Petroleum Engineers, Hong Kong Institute of Engineers and Professional Engineer registered in the State of Texas respectively.

Mr. Yam has more than 30 years of extensive management experience in the oil and natural gas sector. He has held senior management positions in the U.S. prestigious petroleum and technology companies such as Hughes Offshore, NL Rig Equipment and Kerr-McGee Corporation etc, to render diversified professional services including operation management, design co-ordination and international business expansion of natural gas and oilfield projects for various states in the U.S., Gulf of Mexico, North Sea, Asia Pacific and Australia etc.

Before joining Pearl Oriental, Mr. Yam was the Deputy JMC Chairman and Operation Manager for a famous US natural gas company, Anadarko's South China Sea deep water gas and oilfield project, which successfully exploited oil reserve of 150 million barrels. He is also the team member of the joint venture of China National Offshore Oil Corporation and Anadarko for Bohai Bay oilfield project.

Current status of Exploitation

The Operating Company will use around US\$2.4 million out of the Development Costs to repair and fix the 7 existing wells in the Utah Gas and Oil Field, and to the best of the Company's knowledge that, within 3 months after the commencement of the repair works, there will be natural gas production. Also, the Operating Company will spend the remaining US\$12.6 million of the Development Costs in total to drill 7 new wells on the Utah Gas and Oil Field. Currently, there is no production in the Utah Gas and Oil Field.

RISK FACTORS

No track record of operation

Potential risk is involved in the hydrocarbon future productions as a consequence of new drillings and the operation of new wells in the Areas. This is due to the lack of track record of operation in relation to the new drillings and the operation of new wells in the Areas. Therefore, no profit contribution has been recorded so far.

New business segment of the Group

The Acquisition constitutes an investment in a new business sector, being natural gas and petroleum exploitation and production. The Acquisition will not result in a change of business of the Company, but will result in a new business being injected into the Company. Therefore, the Board confirms that the Company will continue its existing business.

The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. The Company has no relevant experience and expertise to run and manage the new business in the past except that the Company will form a new Management Team comprising professional personnel from gas and oil industry as mentioned above.

Fluctuations on natural gas and petroleum prices

The fluctuations in supply and demand of natural gas and petroleum are caused by numerous factors beyond the Company's control, which include but not limited to global and domestic economic and political conditions and competition from other energy sources, and the growth and expansion in industries with natural gas and high petroleum demand. There is no assurance that the international demand for natural gas and petroleum and petroleum-related products will continue to grow, or that the international demand for natural gas and petroleum and petroleum-related products will not experience excess supply.

Significant and continuous capital investment

The natural gas and petroleum business requires significant and continuous capital investment. The major natural gas and petroleum exploration and exploitation projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for this business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

Laws and regulations

This business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the energy development and natural gas and petroleum exploitation projects may adversely affect the Company.

Country risk

The Company is entering a new business in the USA, in which the Company does not have any business presence. There can be a risk relating to the likelihood that changes in the business environment will occur which may affect the profitability of doing business in the USA. The change of political and economic conditions in the USA may also adversely affect the Company.

REASONS FOR THE ACQUISITION

After the disposal and cessation of its logistics assets and businesses in 2009, the Group's main focus is on energy and environmental recycling sectors.

Before the global financial tsunami took place in end of 2008, the highest international market prices of natural gas and oil was US\$15.5/Mcf and US\$147 per barrel respectively. After the financial crisis, as in December 2009, the prices of natural gas and oil were US\$5.2/Mcf and US\$74/barrel respectively, which were only 33.5% and 50.3% when compare to the highest prices. Hence, the natural gas has room for appreciation.

Countries around the world are striving for reducing emissions and solving the problems of global warming. A number of international energy enterprises are increasing their investments actively in the green energy sector. Therefore, the exploring, mergers and acquisitions of natural gas has become a crowded situation. Experts forecasted the future demand for natural gas will increase and the market price will definitely rise steadily which is favorable for increasing the operating profit.

Accordingly, the Group welcomed every investment opportunities which are beneficial to its long term development, with an aim to generate long term stable income. The Board believes that Acquisition is a good opportunity for the Group to achieve good investment returns in the energy sector.

Especially, as a result of the recent global financial tsunami, it is difficult for small non-listed gas and oil enterprises in United State to raise financing for their operations. In such situation, good opportunity for the Acquisition has therefore arisen.

Before the investment opportunity for the Acquisition was first introduced to the Group by the Vendors, Marvel has already reached an agreement with the JV Partner for its investment.

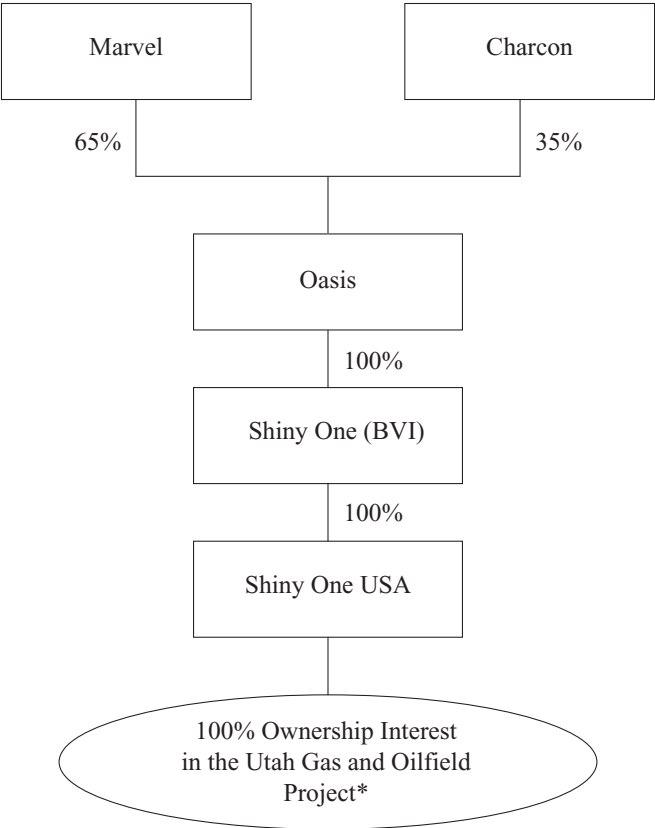
After market research on gas exploration and exploitation businesses and considered its development potential, the Company asked Marvel, Charcon and Dr. Lew to transfer their interests in this project to the Company. Therefore, the Company has entered into the Agreement with the Vendors to acquire the Target Group. The Directors consider the above arrangement is fair and reasonable and in the interest of the Company and Shareholders as a whole.

Based on the above, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SHAREHOLDING CHARTS

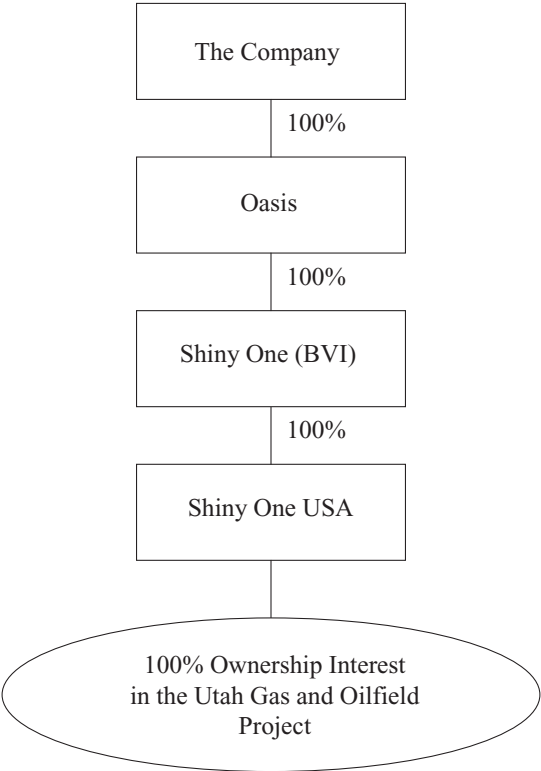
The following charts show the shareholding structure of the Target Group as at the date of this announcement and immediately upon Completion, and the relationship between the parties involved in the Acquisition.

Before the Acquisition



* after the transfer of the Ownership Interest to Shiny One USA as agreed by the Vendors and the JV Partner

After the Acquisition



FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
5 March 2009	Issue of Convertible notes	HK\$45 million	Partly for settlement of loan from Orient Day and partly as general working capital for the Group	Partly for settlement of loan from Orient Day and partly as general working capital for the Group
4 June 2009	Issue of Convertible notes	HK\$30 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	Partly as general working capital for the Group and partly for possible acquisition of overseas energy and natural resources projects	As the Deposit for the Acquisition
14 December 2009	Subscription for 65,000,000 Shares	HK\$64 million	For possible acquisition of overseas energy and natural resources projects	Has not yet been utilized

EFFECTS ON SHAREHOLDING STRUCTURE

	As at the date of this announcement		Assuming completion of the Acquisition and the Company exercising all options under the Agreement (Note 2)	
	(No. of Shares)	(%)	(No. of Shares)	(%)
Orient Day Developments Limited (Note 1)	517,084,800	42.16	517,084,800	24.11
Charcon Assets Limited (Note 1)	—	—	395,650,000	18.45
Sub-total for Mr. Wong Kwan	517,084,800	42.16	912,734,800	42.56
Marvel Sunlight Limited and its beneficial owner	25,077,800	2.04	307,677,800	14.34
JV Partner	—	—	70,650,000	3.29
Dr. Lew Mon Hung	—	—	169,560,000	7.91
Other Directors	6,912,090	0.56	6,912,090	0.32
Public Shareholders	677,342,270	55.24	677,342,270	31.58
Total	1,226,416,960	100.00	2,144,876,960	100.00

Note 1: Orient Day Developments Limited and Charcon Assets Limited are limited liability companies incorporated in the British Virgin Islands and wholly owned by Mr. Wong Kwan.

Note 2: Assuming the JV Partner elects the payment of US\$12.5 million (equivalent to approximately HK\$97.5 million) of the Phase 2 Consideration to be satisfied the Company by the issue and allotment of the Phase 2 Consideration Shares to the JV Partner.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in energy and recycling businesses.

Update on legal action

Reference is made to the Company's announcements dated 12 August 2008 and 28 November 2008 and also the Company's 2009 interim report, the Group and the other defendants have made applications for striking out of Zhang Jingyuan's ("Zhang") claims against the Group and the other defendants and also a summary judgment for counterclaims against Zhang for dividend from China Coal Energy Holdings Limited of HK\$80 million and other damages. The Group's (and the other defendants') said applications have been recently heard but have been dismissed by the Court with costs, and the parties to the legal action will proceed to trial on dates to be fixed.

After consulted with the Company's legal advisors, the Board has confidence that the Group's rights and interests can be fully protected during the coming trial.

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 Consideration Shares.

Since the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of the announcement, Mr. Wong, being beneficial owner of one of the Vendors, is a substantial Shareholder, Dr. Lew, being a party having interest in the Acquisition is the Deputy Chairman and an executive Director. Accordingly, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules due to the acquisition of 15% interest of Oasis from Dr. Lew and 35% interest of Oasis from Charcon. Completion of the Acquisition involving the transactions contemplated under the Agreement and the Proposed Issue 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 Vendors, Mr. Wong, Dr. Lew and their associates shall abstain from voting at the SGM in respect of the Acquisition.

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 Acquisition and the transactions contemplated thereunder. Wallbanck Brothers Securities (Hong Kong) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the transactions contemplated therein, and that the appointment has been approved by the Independent Board Committee.

A circular containing, among other things, details of the Acquisition and the transactions contemplated under the Agreement, financial information of the Group and Oasis, a technical report on the Areas prepared by HAAS in accordance with the requirements under Chapter 18 of the Listing Rules, a valuation report on the Utah Gas and Oil Field, the letter of advice from the independent financial adviser, the recommendation of the Independent Board Committee to the Independent Shareholders and the notice of the SGM will be dispatched to Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 January 2010 pending the release 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 26 January 2010.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of Oasis and in turn the Ownership Interest by the Company from the Vendors comprising the Phase 1 Acquisition and the Phase 2 Acquisition pursuant to the terms and conditions of the Agreement
“Agreement”	the agreement dated 9 January 2010 entered into among the Company and the Vendors in relation to the Acquisition
“Areas”	certain acreage in Township 9 South – Range 24 East, Uintah County, Utah, USA
“Bcf”	billion cubic feet
“BMI”	BMI Appraisals Limited, an independent valuer
“Board”	the board of Directors
“Company” or “Pearl Oriental”	Pearl Oriental Innovation Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on main board of the Stock Exchange
“Completion”	completion of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable in respect of the Acquisition pursuant to the Agreement comprising the Phase 1 Consideration and the Phase 2 Consideration

“Consideration Shares”	918,460,000 new Shares to be issued to the Vendors or their nominees as part of the Consideration for the Acquisition pursuant to the Agreement comprising the Phase 1 Consideration Shares and the Phase 2 Consideration Shares
“Director(s)”	director(s) of the board of the Company
“Dr. Lew”	Dr. Lew Mon Hung, the Deputy Chairman and executive Director of the Company
“Group”	the Company and its subsidiaries
“HAAS”	Haas Petroleum Engineering Services, Inc
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	An independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham who did not have material interests in the Acquisition
“Independent Shareholders”	Shareholders (Other than the Vendors, Mr. Wong, Dr. Lew and their respective concert parties and associates and those Shareholders who are involved in, or interested in the Acquisition) who are not required to abstain from voting on the resolutions to be proposed at the SGM to approve the Acquisition under the Listing Rules
“JV Partner”	Thurston Energy, LLC, a limited liability company incorporated in the USA which is owned by Mr. Ralph Curton and his partners
“Last Trading Day”	8 January 2010, being the last full trading day for the Shares immediately before the date of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mcf”	thousand cubic feet
“Mr. Wong”	Mr. Wong Kwan, Chairman and Chief Executive of the Company and an executive Director

“Net Operating Income”	Total revenue from gas and oil production less net tax severance, net tax ad valorem, royalties and operating expenses for the wells in the Utah Gas and Oil Field
“Oasis”	Festive Oasis Limited, a company incorporated in the British Virgin Islands
“Orient Day”	Orient Day Developments Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Wong
“Ownership Interest”	ownership interest in respect of oil, gas and/or mineral leases, title and related rights in the Utah Gas and Oil Field
“Phase 1 Acquisition”	the Phase 1a, 1b and 1c Acquisitions pursuant to the terms and conditions of the Agreement
“PRC”	The People’s Republic of China
“PRMS”	the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers
“Proposed Issue”	the proposed issue and allotment of the Consideration Shares
“Sale Shares”	the 1,000 shares of par value of US\$1.0 each in the share capital of Oasis, representing the entire issued share capital of Oasis which shall include Dr. Lew’s Equitable Interest
“SGM”	A special general meeting of the Company to be convened to, amongst other things, consider and approve the Acquisition; and the Proposed Issue
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shiny One (BVI)”	Shiny One Limited, a company incorporated in the British Virgin Islands which is a directly and wholly owned subsidiary of Oasis
“Shiny One USA”	Shiny One USA, LLC, a limited liability company incorporated in USA which is an indirectly and wholly owned subsidiary of Oasis
“Specific Mandate”	A specific mandate to be sought from the Independent Shareholders at the SGM for the Proposed Issue

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Oasis and all its subsidiaries to be acquired by the Company pursuant to the Agreement
“Utah Gas and Oil Field”	Certain natural gas and oilfield located in the Areas in the Uinta Basin, Uintah County, Utah, USA
“Vendors”	Charcon and Marvel
“US\$”	United States dollars, the lawful currency of the United States of America
“USA”	the United States of America
“%”	per cent

For the purpose of this announcement and for reference only, unless otherwise specified exchange of US\$1.00 to HK\$7.80 is adopted.

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

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

Hong Kong, 25 January 2010

* *For identification purposes only*