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If you have sold or transferred all your shares in Pearl Oriental Innovation Limited (the "Company"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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

**(1) SUBSCRIPTION OF NON-LISTED WARRANTS
AND CONNECTED TRANSACTION
(2) GRANT OF OPTIONS TO DIRECTORS
AND
(3) REFRESHMENT OF THE REFRESHED SCHEME MANDATE LIMIT
OF SHARE OPTION SCHEME**

**Independent Financial Adviser to
the Independent Board Committee and the Warrant/Option Independent Shareholders**



川盟融資有限公司
Chanceton Capital Partners Limited

A letter from the Board is set out on pages 7 to 22 of this circular. A letter from the Independent Board Committee containing its advice to the Warrant Independent Shareholders in connection with the Acquisition is set out on page 23 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Warrant/Option Independent Shareholders in connection with the Warrant Subscription and the grant of the Options is set out on pages 24 to 34 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 4:00 p.m. on Wednesday, 29 September 2010 is set out on pages 41 to 43 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.

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DEFINITIONS

“Acquisition”	the acquisition of the entire issued share capital of Festive Oasis Limited 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 dated 9 January 2010 (as supplemented by the Supplemental Agreement and the Further Supplemental Agreement) and as disclosed in the Company’s circular dated 24 May 2010
“Adjustment Events”	(1) alteration to the nominal amount of each of the Shares by reason of any subdivision or consolidation of Shares; or (2) issue of Shares by way of capitalization of profit or reserves; or (3) capital distribution to all Shareholders or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; or (4) offer to the Shareholders new Shares for subscription by way of rights; or grant of any options or warrants to all Shareholders to subscribe for new Shares, at a price which is less than 80% per cent; or (5) issue for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares; or (6) issue for cash any Shares at a price which is less than 80% of the market price; or (7) the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company
“Agreement”	the agreement dated 9 January 2010 entered into among the Company and the Vendors in relation to the Acquisition and as disclosed in the Company’s circular dated 24 May 2010
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

DEFINITIONS

“Company”	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
“connected persons”	has the meaning ascribed thereto in 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 and as disclosed in the Company’s circular dated 24 May 2010
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Options”	existing options which have been granted under the Share Option Scheme
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“INED(s)” or “All independent non-executive directors”	Independent non-executive director(s) of the Company, namely Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham
“Independent Board Committee”	a board comprising all the independent non-executive Directors to advise the Warrant Independent Shareholders as to the terms of the Warrant Subscription
“Independent Financial Adviser” or “Chanceton Capital”	Chanceton Capital Partners Limited, a licensed corporation for carrying out type 6 regulated activity (advising on corporate finance) under the SFO

DEFINITIONS

“JV Partner”	Thurston Energy, LLC, a limited liability company incorporated in the USA which is owned by Mr. Ralph Curton and his partners and as disclosed in the Company’s circular dated 24 May 2010
“Last Trading Day”	10 June 2010, being the last trading day for the Shares before the entering into the Warrant Subscription Agreement
“Latest Practicable Date”	9 September 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Options”	the 20,000,000 options in aggregate proposed to be granted to Mr. Wong and all INED(s) under the Share Option Scheme
“Option Independent Shareholders”	Shareholders other than Mr. Wong, all INEDs, all connected persons of the Company and their respective associates
“Ownership Interest”	ownership interest in respect of oil, gas and/or mineral leases, title and related rights in the Utah Gas and Oil Field and as disclosed in the Company’s circular dated 24 May 2010
“Phase 1 Acquisition”	acquisition of 100% equity interest of Festive Oasis Limited which will in turn own 70% of the Ownership Interest pursuant to the terms and conditions of the Agreement as supplemented by the Supplemental Agreement and the Further Supplemental Agreement and as disclosed in the Company’s circular dated 24 May 2010
“Phase 2 Acquisition”	the acquisition of the remaining 30% Ownership Interest and as disclosed in the Company’s circular dated 24 May 2010
“Phase 2 Consideration”	an aggregate sum of US\$25 million (equivalent to approximately HK\$195 million) payable by the Company for the Phase 2 Acquisition and as disclosed in the Company’s circular dated 24 May 2010

DEFINITIONS

“Phase 2 Consideration Shares”	70,650,000 new Shares which will be issued and allotted by the Company at the Price of HK\$1.38 per Share to satisfy part of the Phase 2 Consideration for the sum of US\$12.5 million (equivalent to approximately HK\$97.5 million) and as disclosed in the Company’s circular dated 24 May 2010
“PRC”	the People’s Republic of China
“Refreshed Scheme Mandate Limit”	the scheme mandate limit under the Share Option Scheme which sets out the maximum number of share options to be granted by the Company refreshed by the Shareholders on 20 January 2010, being 10% of the issued share capital of the Company as at 20 January 2010
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	A special general meeting of the Company to be convened to, amongst other things, consider and approve the Warrant Subscription Agreement, the issue of the Warrant Shares and grant of the Options
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Option Scheme”	Share Option Scheme adopted on 15 July 2009
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Orient Day Developments Limited
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Supplemental Agreement”	A supplemental agreement dated 29 June 2010 centered into among the Company and the Vendors to amend the number of warrants to be issued pursuant to the agreements
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Vendors”	Charcon Assets Limited and Marvel Sunlight Limited and as disclosed in the Company’s circular dated 24 May 2010
“Warrant(s)”	320,000,000 non-listed warrants to be issued by the Company at the Warrant Subscription Price, each entitles the holder thereof to subscribe for one Warrant Share at the Warrant Exercise Price (subject to adjustment) at any time during a period of thirty six (36) months commencing from the date of issue of the Warrants
“Warrant Exercise Price”	an initial exercise price of HK\$1.38 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for the Warrant Share(s)
“Warrant Independent Shareholders”	Shareholders other than the Subscriber, its associates and those who are required to abstain from voting in respect of the Warrant Subscription under the Listing Rules and their respective associates (if any)
“Warrant Share(s)”	up to 320,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants
“Warrant Subscription”	the subscription for 320,000,000 Warrants pursuant to the terms of the Warrant Subscription Agreement
“Warrant Subscription Agreement”	the conditional subscription agreement dated 10 June 2010 and entered into between the Company and the Subscriber in relation to the Warrant Subscription (as supplemented by a supplemental agreement dated 29 June 2010)
“Warrant Subscription Completion Date”	the second Business Day following the date on which the conditions precedent set out in the Warrant Subscription Agreement are fulfilled
“Warrant Subscription Price”	HK\$0.0102, being the issue price per Warrant payable in full on application under the Warrant Subscription Agreement

DEFINITIONS

“Whitewash Wavier”	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 its concert parties to make a mandatory general offer for all the Shares not already owned or will be acquired by them which would otherwise arise as a result of the issue of the Warrant Shares
“HK\$ and cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent



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
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

13 September 2010

To the Shareholders

Dear Sir or Madam,

**(1) SUBSCRIPTION OF NON-LISTED WARRANTS
AND CONNECTED TRANSACTION**

**(2) GRANT OF OPTIONS TO DIRECTORS
AND**

**(3) REFRESHMENT OF THE REFRESHED SCHEME MANDATE LIMIT
OF SHARE OPTION SCHEME**

INTRODUCTION

The Company announced that on 10 June 2010 (after trading hours), the Company entered into the conditional Warrant Subscription Agreement (as supplemented by a supplemental agreement dated 29 June 2010) with the Subscriber pursuant to which the Company has agreed to issue and the Subscriber has agreed to subscribe for the Warrants. Details of the Warrant Subscription Agreement (as supplemented by the supplemental agreement) are set out below.

As the Subscriber is beneficially owned by an executive Director and is a Substantial Shareholder and thus, a connected person of the Company, the subscription for the Warrants constitutes a non-exempt connected transaction on the part of the Company under the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements.

* For identification purpose only

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 9 June 2010 in which the Board announced that on 9 June 2010 (after trading hours), the Company has resolved to grant the Options to Mr. Wong and INEDs. Pursuant to Rule 17.04(1) of the Listing Rules, as the grantees are Mr. Wong is an executive Director and a Substantial Shareholder and INEDs, the grant of the 5,000,000 Options to each of them would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to them in the 12-month period representing in aggregate over 0.1% of the relevant class of securities in issue and having an aggregate value in excess of HK\$5 million, such grant of Options to them must be approved by the Option Independent Shareholders in general meeting by poll with all connected persons of the Company abstaining from voting in favour at the general meeting of the Company.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Warrant Subscription Agreement and the proposed issue of the Warrants; (ii) further information regarding the grant of the Options; (iii) the letter of recommendation from the Independent Board Committee on the terms of the Warrant Subscription Agreement and the proposed issue of the Warrants; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Warrant/Option Independent Shareholders regarding the terms of (a) the Warrant Subscription Agreement and the proposed issue of the Warrants, and (b) the grant of the Options; and (v) notice of the SGM.

1 THE WARRANT SUBSCRIPTION AGREEMENT

Date: 10 June 2010 (after trading hours)

Issuer

The Company

Subscriber

Orient Day Developments Limited which is wholly owned by Mr. Wong Kwan who is Chairman, an executive Director and a Substantial Shareholder and thus, a connected person of the Company. As at the Latest Practicable Date, Mr. Wong is beneficially interested in 710,952,800 Shares, representing approximately 43.30% of the entire issued share capital of the Company.

Number of Warrants

The higher of 320,000,000 Warrants and such number which represents 20% of the issued share capital of the Company at the date of the SGM.

Warrant Subscription Price

The Warrant Subscription Price is HK\$0.0102 per Warrant. The aggregate Warrant Subscription Price is approximately HK\$3.26 million payable by the Subscriber will be satisfied by payment of cash at completion of the Warrant Subscription.

LETTER FROM THE BOARD

Warrant Exercise Price

HK\$1.38 per Warrant Share, subject to adjustment upon the occurrence of any of the Adjustment Events and other dilutive events which may have adverse effects on the rights of the holder of the Warrants.

The aggregate of the Warrant Subscription Price of HK\$0.0102 per Warrant and the Warrant Exercise Price of HK\$1.38 per Share, i.e. approximately HK\$1.39, represented a premium of approximately 24.11% over the closing price of HK\$1.12 per Share quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 26.48% over the average of the closing prices of HK\$1.099 per Share for the last ten (10) trading days for the Shares prior to and including the Last Trading Day; and (iii) a discount of approximately 0.71% to the closing price of HK\$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Warrant Exercise Price of HK\$1.38 per Warrant Share represented: (i) a premium of approximately 23.21% over the closing price of HK\$1.12 per Share quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 25.57% over the average of the closing prices of HK\$1.099 per Share for the last ten (10) trading days for the Shares prior to and including the Last Trading Day; and (iii) a discount of approximately 1.43% to the closing price of HK\$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Both the Warrant Subscription Price and the Warrant Exercise Price are determined based on negotiations on an arm's length basis between the Company and the Subscriber with reference to the current market sentiment, liquidity flow in the capital market and the historical Share price. The Directors consider that both the Warrant Subscription Price and the Warrant Exercise Price are fair and reasonable.

Subject to the terms and conditions of the Warrant Subscription Agreement, the Warrant Exercise Price may be subject to adjustment upon, among other things:

- (1) consolidation or sub-division of the Shares;
- (2) capitalization issue of the Shares by the Company (other than in lieu of a cash dividend);
- (3) capital distribution (as defined in the instrument creating the Warrants) made by the Company or grant of rights to acquisition of assets of the Group;
- (4) an offer or grant by the Company to Shareholders of new Shares for subscription by way of rights or of options or warrants to subscribe for new Shares, at a price less than 80% of the market price (calculated in accordance with the terms of the Warrants);

LETTER FROM THE BOARD

- (5) an issue for cash of convertible securities by the Company, if the total effective consideration is less than 80% of the market price (calculated in accordance with the terms of the Warrants), or the terms of any such issue being altered so that the said total effective consideration is less than 80% of the market price (calculated in accordance with the terms of the Warrants);
- (6) an issue for cash of Shares by the Company at less than 80% of the market price (calculated in accordance with the terms of the Warrants); and
- (7) a cancellation of any Shares or convertible securities which have been purchased by the Company (other than on the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Every adjustment to the Subscription Price will be certified either by the auditors of the Company or an approved merchant bank selected by the company.

The Warrant Subscription Completion Date

Completion will take place on the Warrant Subscription Completion Date being on the second Business Day after the fulfillment of the conditions referred to in the section headed "Conditions of the Warrant Subscription" below.

Information of the Warrants

The Warrants will be issued to the Subscriber upon completion of the Warrant Subscription in registered form and constituted by a deed poll. Which is expected to take place on 4 October 2010 provided that all conditions have been fulfilled as referred to in the subsection headed "Condition of the Warrant Subscription". The Warrants will rank *pari passu* in all respects among themselves.

Each Warrant carries the right to subscribe for one (1) Warrant Share at the Warrant Exercise Price and is issued at the Warrant Subscription Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of 36 months commencing from the date immediately after the date of issue of the Warrants. Subject to the above the warrants are expected to expire on 3 October 2013. The Warrant Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then existing issued Shares of the Company.

The higher of 320,000,000 Warrants and such number which represents 20% of the issued share capital of the Company at the date of the SGM are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, assuming no further share will be issued between the latest practicable and the date of the SGM, a total of 320,000,000 Warrant Shares will be issued, representing (i)

LETTER FROM THE BOARD

approximately 19.5% of the issued share capital of the Company as at the date of this circular; (ii) approximately 12.50% of the issued share capital of the Company assuming the Acquisition shall be completed and the Consideration Shares shall have been issued prior to the Warrant Subscription Completion Date; and (iii) approximately 11.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants assuming the Acquisition shall be completed and the Consideration Shares shall have been issued prior to the Warrant Subscription Completion Date.

The Company will seek a specific mandate from the Warrant Independent Shareholders for the allotment and issue of the Warrant Shares. In this regard, the SGM will be convened and held to pass the necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Warrant Shares to be issued upon the exercise of all Warrants, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of the Company.

Transferability

The Warrants are transferable in integral multiples of 1,000,000 Warrants. In the event of a transfer of the Warrants to a connected person (as defined in the Listing Rules) of the Company, prior approval from the Company and the Stock Exchange will be obtained. The Company undertakes to comply with the relevant Listing Rules and to make necessary announcement(s), where appropriate, if and when the Subscriber makes any transfer of the Warrants to other parties requiring disclosure.

Conditions of the Warrant Subscription

Completion of the Warrant Subscription Agreement is conditional on, among the other matters, the fulfillment of the following conditions on or before 5:00 p.m. on 30 September 2010 (or such later time and date as the Company and the Subscriber shall agree in writing):

- (a) the passing by the Warrant Independent Shareholders at a special general meeting of the Company to be convened and held, of the necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Warrant Shares to the holder(s) of the Warrants);
- (b) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object and the satisfaction of such conditions; and

LETTER FROM THE BOARD

- (c) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Warrant Shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants.

In the event that the above conditions are not fulfilled by 5:00 p.m. on 30 September 2010 or such later date as may be agreed between the Company and the Subscriber, the Warrant Subscription Agreement will lapse and become null and void and the parties shall be released from all obligations hereunder, save the liabilities for any antecedent breaches hereof.

Voting rights for the holders of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Rights of the holders of the Warrants on the liquidation of the Company

If the Company is wound up during the subscription period of the Warrants, all subscription rights attaching to the Warrants which have not been exercised shall lapse, save for in the event of a voluntary winding-up, the holders of the Warrants shall be entitled within six weeks after the passing of such a resolution approving the winding-up to exercise the subscription rights attaching to the Warrants in accordance with the terms and conditions of the Warrants.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE WARRANT SUBSCRIPTION

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

The Board considers that the Warrant Subscription represents good opportunities to raise additional funds for the Company's future operations and possible investments while broadening the Shareholder and capital base of the Company. In addition, the Warrants are not interest bearing and the Warrant Subscription will not result in any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that will be raised upon

LETTER FROM THE BOARD

completion of the Warrant Subscription, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder of such Warrants during the subscription period.

In view of the immediate inflow of approximately HK\$3.26 million upon completion of the Warrant Subscription, coupled with the potential inflow of further capital upon the exercise of the subscription rights attaching to the Warrants, the Directors are of the view that the Warrant Subscription provides a good opportunity to strengthen the Company's financial position and in the event the Subscriber fully exercises his subscription rights attaching to the Warrants, funds received may cater for future needs for its operations in the energy sectors and general working capital, and also for possible future acquisition. Further, the Warrant Exercise Price of HK\$1.38 per Warrant Share represented a premium of approximately 25.57% over the average of the closing prices of HK\$1.099 per Share for the last ten (10) trading days for the Shares prior to and including the Last Trading Day.

In view of the above, the Board considers that the terms of the Warrant Subscription are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, it demonstrates Mr. Wong Kwan's great confidence in the Company's future development potential.

USE OF PROCEEDS

Assuming no further share will be issued between the Latest Practicable Date and the date of the SGM, the gross proceeds of the Warrant Subscription will amount to approximately HK\$3.26 million. The net proceeds from the Warrant Subscription, after the deduction of the legal fees, printing expenses and other related expenses, are estimated to be approximately HK\$3 million, representing a net issue price of approximately HK\$0.0094 per Warrant. The Directors intend to apply the net proceeds as general working capital of the Group.

Assuming no further share will be issued between the Latest Practicable Date and the date of the SGM, and the full exercise of the subscription rights attaching to the Warrants, it is expected approximately HK\$441,600,000 will be raised. The net proceeds of approximately HK\$441,300,000 (with a net subscription price of approximately HK\$1.379 per Warrant Share) will be used for future operations of the Group in the energy sectors, potential acquisitions in the future should suitable opportunities arise and general working capital of the Group.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
11 December 2009	Subscription for 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	As part of the Further Deposit for the Acquisition
20 April 2010	Subscription for 231,367,000 Shares	HK\$310 million	Partly as acquisition of Utah Gas and Oil Field and partly for costs for the exploitation and exploration of existing and new wells	As to HK\$170 million as the Further Deposit for the Acquisition
3 May 2010	Issue of Convertible Notes	HK\$70 million	As general working capital for the Group	Has not yet been utilized

2 GRANT OF OPTIONS TO DIRECTORS

On 9 June 2010, the Board resolved to grant 5,000,000 Options to each of Mr. Wong, an executive Director and a Substantial Shareholder, and all INEDs under the Share Option Scheme.

The proposed grant of 5,000,000 Options to each of them would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted to them in the 12-month period representing in aggregate over 0.1% of the relevant class of securities in issue and having an aggregate value, based on the closing price of the securities at the date of granted (i.e. 9 June 2010), in excess of HK\$5 million. Pursuant to Rule 17.04(1) of the Listing Rules, the grant of the Options has been approved by all the independent non-executive Directors on 9 June 2010. However, the grant of Options to Mr. Wong is also subject to the Option Independent Shareholders' approval to be obtained by the Company and details of which are set out in the paragraph headed "Implication under the Listing Rules" below.

LETTER FROM THE BOARD

Terms of the Options

Subject to the Option Independent Shareholders' approval to the obtained by the Company, the Options will be granted in accordance with the terms of the Share Option Scheme (details of which were set out in the Company's circular dated 25 June 2009) and summary of the principal terms of the Options are set out below:

(a) Duration and the condition

The Options have a life of nine years from 9 June 2010 to 14 July 2019, being the date of the grant of the Options to Mr. Wong and all INEDs, and exercisable upon obtaining Option Independent Shareholders' approval. There is no special condition or specific performance target to be fulfilled before the Options can be exercised.

The Shares fall to be issued upon exercise of the Options shall rank *pari passu* with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Shares. The Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on a liquidation of the Company) prior to their being exercised and the underlying Shares being issued.

(b) Subscription Price

The Options are exercisable at the Subscription Price of HK\$1.13 per Share, which is the highest of (i) HK\$0.10, being the nominal value of a Share; (ii) HK\$1.13, being the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of Options, and (iii) HK\$1.088, being the average of the closing prices of the Shares as stated in the daily quotations sheets on the Stock Exchange from 2 June 2010 to 8 June 2010, both dates inclusive (being the five trading days immediately preceding the date of the grant of Options).

(c) Reasons and consideration for the grant of the Options

5,000,000 Options each are proposed to be granted to them in recognition of their contribution to the growth of the Group in the past and as an incentive for their continuing commitment and contribution to the Group in the future. The consideration payable by each on acceptance of the 5,000,000 Options is HK\$1.00.

INFORMATION ON OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

115,600,000 share options have been granted under the Share Option Scheme up to the Latest Practicable Date, 1,000,000 share options has lapsed and 20,010,000 share options have been exercised. Assuming that the grant of the Options to Mr. Wong and all INEDs are approved by the Option Independent Shareholders at the SGM and that no options granted under the Share Option Scheme are exercised from the Latest Practicable Date up to the date of the SGM, the Company will have 94,590,000 share options

LETTER FROM THE BOARD

outstanding immediately after the SGM, representing approximately 5.76% of the total issued share capital of the Company. There is no special condition or specific performance target to be fulfilled before these options could be exercised. No directors of the Company who are trustees of the scheme or have a direct or indirect interest in the trustees.

The table below shows the details of the Options:

Name of Grantee	Entitlement of Shares upon exercise in full of the Options (value of such Shares based on the closing price of the Shares at the date of grant on 9 June 2010)	% of the Shares entitled upon exercise in full of the Options to the total issued share capital of the Company as at the Latest Practicable Date	% of the Shares entitled upon exercise in full of the Options to the issued share capital of the Company as enlarged by the Shares entitled upon exercise in full of the Options
Mr. Wong Kwan	5,000,000 Shares (HK\$5,650,000)	0.30%	0.29%
Mr. Yu Jianmeng	5,000,000 Shares (HK\$5,650,000)	0.30%	0.29%
Mr. Fung Hing Chiu, Cyril	5,000,000 Shares (HK\$5,650,000)	0.30%	0.29%
Mr. Lam Ka Wai, Graham	5,000,000 Shares (HK\$5,650,000)	0.30%	0.29%

The Board proposed to grant the Options, subject to the terms of the Share Option Scheme, to Mr. Wong Kwan, Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham at the consideration of HK\$1 payable on acceptance of the Options. The proposed exercise price of the Options is HK\$1.13 per Share, which is the highest of (i) HK\$0.10, being the nominal value of a Share; (ii) HK\$1.13, being the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of Options, and (iii) HK\$1.088, being the average of the closing prices of the Shares as stated in the daily quotations sheets on the Stock Exchange from 2 June 2010 to 8 June 2010, both dates inclusive (being the five trading days immediately preceding the date of the grant of Options). The period within which the Options may be exercised shall commence from the date of grant of the Options and shall expire on the last day of 10th year from the date of adoption of the Share Option Scheme, which is not more than 10 years from the date of grant of the Options.

LETTER FROM THE BOARD

An ordinary resolution will be proposed at the Forthcoming SGM to approve the grant of Options. According to Rule 17.04(1) of the Listing Rules, the connected persons of the Company will abstain from voting in favour of the grant of Options.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this circular, the Company has 1,641,793,960 Shares in issue. Assuming no further share will be issued between the Latest Practicable Date and the date of the SGM, the shareholding structure of the Company (i) as at the date of this circular; (ii) immediately after the completion of the Warrant Subscription assuming completion of the Acquisition and the Company exercising the option for the Phase 2 Acquisition under Agreement but before the full exercise of the subscription rights attaching to the Warrants; and (iii) assuming completion of the Acquisition and the company exercising the option for the Phase 2 Acquisition under Agreement and immediately after the completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants are as follows:

Shareholders	As at the Latest Practicable Date		Assuming completion of the Acquisition and the Company exercising the option for the Phase 2 Acquisition under the Agreement but before the exercise of the subscription rights attaching to the Warrants (Note 2)		Assuming completion of the Acquisition and the Company exercising the option for the Phase 2 Acquisition under the Agreement and immediately after the completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants (Note 2)	
	(No. of Shares)	(%)	(No. of Shares)	(%)	(No. of Shares)	(%)
The Subscriber (Note 1)	710,952,800	43.30	710,952,800	27.77	1,030,952,800	35.79
Charcon Assets Limited (Note 1)	–	–	395,650,000	15.45	395,650,000	13.74
Sub-total for Mr. Wong Kwan	710,952,800	43.30	1,106,602,800	43.22	1,426,602,800	49.53
Marvel Sunlight Limited and its beneficial owner	25,077,800	1.53	307,677,800	12.02	307,677,800	10.68
JV Partner	–	–	70,650,000	2.76	70,650,000	2.45
Dr. Lew Mon Hung	4,000,000	0.24	173,560,000	6.78	173,560,000	6.03
Other Directors	1,640,000	0.10	5,640,000	0.06	5,640,000	0.06
Public Shareholders	900,123,360	54.83	900,123,360	35.16	900,123,360	31.25
Total	<u>1,641,793,960</u>	<u>100.00</u>	<u>2,560,253,960</u>	<u>100.00</u>	<u>2,880,253,960</u>	<u>100.00</u>

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.

LETTER FROM THE BOARD

Shareholders	As at the Latest Practicable Date (No. of Shares) (%)		Immediately after the completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants (No. of Shares) (%)		Immediately after the completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants and immediately upon exercise of the Options (but excluding all other Existing Options) (No. of Shares) (%)		Immediately after the completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants and immediately upon exercise of all the Existing Options and the Options in full (No. of Shares) (%)	
The Subscriber (Note 1)	710,952,800	43.30	1,030,952,800	52.55	1,035,952,800	52.29	1,038,952,800	50.52
Marvel Sunlight Limited and its beneficial owner	25,077,800	1.53	25,077,800	1.28	25,077,800	1.27	25,077,800	1.22
Other Directors	5,640,000	0.34	5,640,000	0.29	20,640,000	1.04	49,640,000	2.41
Public Shareholders	900,123,360	54.83	900,123,360	45.88	900,123,360	45.4	942,713,360	45.84
Total	<u>1,641,793,960</u>	<u>100.00</u>	<u>1,961,793,960</u>	<u>100.00</u>	<u>1,981,793,960</u>	<u>100.00</u>	<u>2,056,383,960</u>	<u>100.00</u>

Note 1: Orient Day Developments Limited incorporated in the British Virgin Islands and wholly owned by Mr. Wong Kwan.

LISTING RULES IMPLICATIONS

As the Subscriber is an executive Director and a Substantial Shareholder and thus, a connected person of the Company, the subscription of the Warrants constitutes a non-exempt connected transaction on the part of the Company under the Listing Rules and is subject to reporting, announcement and the Warrant Independent Shareholders' approval requirements.

Mr. Wong Kwan is considered to have a material interest in the Warrant Subscription and therefore he has abstained from voting on the Board resolutions in respect of the Warrant Subscription.

Takeovers Code

Since the Subscriber and its concert parties will hold approximately 43.30% of the total issued share capital of the Company and its shareholding in the Company will further increase to 52.55% upon full exercise of the Warrants, it will be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Subscriber under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 has been obtained from the Executive.

LETTER FROM THE BOARD

As announced by the Company on 14 June 2010, the Subscriber will not apply for the Whitewash Wavier at this stage. Nevertheless, the Warrant Subscription will still proceed in accordance with the terms of the Warrant Subscription Agreement. The Subscriber has no present intention to exercise the subscription rights attaching to the Warrants to such an extent that will result in any obligation to make a mandatory offer under the Takeovers Code. However, in the event that such mandatory offer obligation arises, the Subscriber shall comply with the provisions in the Takeovers Code.

If to an extent that the Subscriber requires to make a mandatory offer under the Takeovers Code, the Subscriber will comply with the Takeovers Code to make a general offer (if required) for all Shares not already owned or agreed to be acquired by it and parties acting in concert with it.

REFRESHMENT OF SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME

The Board proposes to seek approval of the Shareholders to refresh the Refreshed Scheme Mandate Limit. Under the Refreshed 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 116,141,696 Shares, representing 10% of the issued share capital of the company as at the date of approval of the Refreshed Scheme Mandate Limit. As at the Latest Practicable Date, 82,600,000 options were granted under the Refreshed Scheme Mandate Limit entitling the grantees to subscribe for in aggregate 82,600,000 Shares, which represents 5.03% of the existing issued share capital, out of which 10,000 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 Refreshed Scheme Mandate Limit. The Directors consider that the refreshment of the Refreshed Scheme Mandate Limit is in the interest of the Company and the Shareholders as a whole.

Under the rules of the Share Option Scheme:

- (i) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time;
- (ii) no options may be granted under the Share Option Scheme and any other share option schemes of the Company if it results in the Refreshed Scheme Mandate Limit being exceeded, unless the approval of Shareholders has been obtained. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the 10% limit; and
- (iii) the Scheme Limit may be refreshed by Shareholders in general meeting provided that the total number of Share approval of the “refreshed” Scheme Limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding,

LETTER FROM THE BOARD

cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit as “refreshed”.

Based on the 1,641,793,960 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 Refreshed Scheme Mandate Limit at the SGM, the Directors will be able to grant options to subscribe for up to 164,179,396 Shares, representing 10% of the issued share capital of the Company as at the date of the SGM.

The Directors consider that the refreshment of the Refreshed Scheme Mandate Limit will be for the benefit of the Company and the Shareholders as a whole and that it enables the Company to reward and motivate participants of the Share Option Scheme to contribute to the success of the Group.

Refreshment of the Refreshed Scheme Mandate Limit is conditional upon:

- i. The approval by the Shareholders at the SGM; and
- ii. The granting of the listing of, and permission to deal in, any Shares to be allotted and issued upon exercise of the share options which may be granted under the Share Option Scheme at the Refreshed Scheme Limit (representing 10% of the total number of Shares in issue as at the date of the SGM) by the Listing Committee of the Stock Exchange.

An ordinary resolution will be proposed at the SGM to approve the refreshment of the Refreshed 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 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 Refreshed Scheme Mandate Limit.

GENERAL

Pursuant to Chapter 14A of the Listing Rules, the Subscriber and its associates are required to abstain from voting on the resolution at the SGM of the Company to approve the Warrant Subscription.

Save as disclosed, no Director or other Shareholders have material interest in the Warrant Subscription and the transactions contemplated thereunder and are required to abstain from voting in respect of the approval of the Warrant Subscription and the transactions contemplated thereunder at the forthcoming SGM.

The Independent Board Committee comprising all the independent non-executive Directors, will be formed to advise the Warrant Independent Shareholders as to the fairness and reasonableness of the Warrant Subscription. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Warrant/Option Independent Shareholders in this regard.

LETTER FROM THE BOARD

SGM AND PROXY ARRANGEMENT

The SGM will be convened at which resolution(s) will be proposed to seek approval of (i) the Warrant Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Warrants and the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (ii) the grant of the Options. At the Latest Practicable Date, (i) Mr. Wong and his associates own 710,952,800 Shares representing 43.30% of the total issued share capital of the Company. Mr. Wong and his associates are required to abstain from voting of the Warrant Subscription at the SGM; and (ii) Mr. Wong, Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril, Mr. Lam Ka Wai, Graham, their respective associates and all connected persons of the Company (i.e. Mr. Lew Mon Hung, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang and Mr. Johnny Yuen) are required to abstain from voting in favour of the grant of the Options at the SGM. As at the Latest Practicable Date, (a) Mr. Wong and his associates own 710,952,800 shares representing 43.30% of the total issued share capital of the Company, (b) Mr. Lew Mon Hung and his associates own 4,000,000 shares representing 0.24% of the total issued share capital of the Company, (c) Mr. Zhou Li Yang and his associates own 1,000,000 shares representing 0.06% of the total issued share capital of the Company, (d) Mr. Johnny Yuen and his associates own 640,000 shares representing 0.04% of the total issued share capital of the Company, (e) Mr. Cheung Kwok Yu, Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril, Mr. Lam Ka Wai, Graham and their associates own no shares.

A notice convening the SGM is set out on pages 41 to 43 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Rd East, Hong Kong 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. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

The resolutions to approve (i) the Warrant Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of the Options; and (iii) the refreshment of the Refreshed Scheme Mandate Limit at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the results of the SGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham, being all the independent non-executive Directors, has been established to advise the Warrant Independent Shareholders in respect of the Warrant Subscription and the transaction contemplated thereunder.

Chanceton Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee the Warrant/Option Independent Shareholders in respect of the Warrant Subscription and the transaction contemplated thereunder, and the grant of the Options.

LETTER FROM THE BOARD

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the Warrant Subscription Agreement was entered into on normal commercial terms and that the terms of the Warrant Subscription are fair and reasonable and in the interests of the Group so far as the Warrant Independent Shareholders are concerned and accordingly recommend the Warrant Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the SGM for approving the Warrant Subscription and the transaction contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on pages 23 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 24 to 34 of this circular.

RECOMMENDATION

The Directors consider that (i) the terms of the Warrant Subscription Agreement and the issue of the Warrants are fair and reasonable so far as the Warrant Independent Shareholders are concerned and are in the interests of the Company and the Warrant Independent Shareholders as a whole; (ii) the grant of Options are fair and reasonable so far as the Option Independent Shareholders are concerned and are in the interests of the Company and the Option Independent Shareholders as a whole; and (iii) the refreshment of the Refreshed Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend (i) the Warrant Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM to approve the Warrant Subscription Agreement and the transactions contemplated thereunder; (ii) the Option Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM to approve the grant of the Options; and all Shareholders to vote in favour of the resolution in respect of the refreshment of the Refreshed Scheme Mandate Limit to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
Pearl Oriental Innovation Limited
Cheung Kwok Yu
Executive Director and Company Secretary



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

(Incorporated in Bermuda with limited liability)

(Stock code: 632)

13 September 2010

To the Warrant Independent Shareholders

Dear Sir or Madam,

**SUBSCRIPTION OF NON-LISTED WARRANTS
AND CONNECTED TRANSACTION**

We refer to the circular of the Company dated 13 September 2010 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall bear the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider (i) the Warrant Subscription Agreement and the transactions contemplated thereunder and to advise the Warrant Independent Shareholders as to the fairness and reasonableness of the terms of the Warrant Subscription Agreement, the issue of the Warrants and the transactions contemplated thereunder and to recommend how the Warrant Independent Shareholders should vote at the SGM. Chanceton Capital has been appointed to advise the Independent Board Committee and the Warrant Independent Shareholders in this regard and recommend how the Warrant Independent Shareholders should vote at the SGM. Chanceton Capital has been appointed to advise the Independent Board Committee and the Warrant Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 22 of the Circular, and the letter from Chanceton Capital to the Independent Board Committee and the Warrant Independent Shareholders which contains its advice in respect of (i) the Warrant Subscription Agreement and the transactions contemplated, as set out on pages 24 to 34 of this Circular.

Having taken into account the advice of Chanceton Capital, we consider that (i) the terms of the Warrant Subscription Agreement and the transactions contemplated thereunder to be fair and reasonable so far as the Warrant Independent Shareholders are concerned and are in the interests of the Company and the Warrant Independent Shareholders as a whole. Accordingly, we recommend the Warrant Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Warrant Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Yu Jianmeng

Fung Hing Chiu, Cyril

Lam Ka Wai, Graham

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter received from Chanceton Capital Partners Limited setting out its advice to the Independent Board Committee and the Warrant/Option Independent Shareholders in respect of the Warrant Subscription and grant of the Options for inclusion in this circular.



川盟融資有限公司
Chanceton Capital Partners Limited

香港中環干諾道中64至66號廠商會大廈23樓A室
Unit A, 23/F, CMA Building, 64-66 Connaught Road Central, Hong Kong
Tel : (852) 2158 9999 Fax : (852) 2543 9311

13 September 2010

*To the Independent Board Committee
and the Warrant/Option Independent Shareholders*

Dear Sirs,

(1) SUBSCRIPTION OF NON-LISTED WARRANTS AND CONNECTED TRANSACTION (2) GRANT OF OPTIONS TO MR. WONG AND ALL INDEPENDENT NON-EXECUTIVE DIRECTORS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Warrant/Option Independent Shareholders with respect to (i) the Warrant Subscription; and (ii) the grant of the Options respectively, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 13 September 2010 issued by the Company (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as ascribed to them in the Circular.

On 10 June 2010 (after trading hours), the Company entered into the conditional Warrant Subscription Agreement (as supplemented by a supplemental agreement dated 29 June 2010) with the Subscriber pursuant to which the Company has agreed to issue and the Subscriber has agreed to subscribe for 320,000,000 Warrants conferring rights to subscribe for 320,000,000 Warrants Shares at the Warrant Exercise Price of HK\$1.38 per Warrant (subject to adjustment upon the occurrence of any of the Adjustment Events and other dilutive events which may have adverse effects on the rights of the holder of the Warrants). Each Warrant carries the right to subscribe for one (1) Warrant Share.

As the Subscriber is an executive Director and a Substantial Shareholder and thus, a connected person of the Company, the subscription of the Warrants constitutes a non-exempt connected transaction on the part of the Company under the Listing Rules and is subject to reporting, announcement and Warrant Independent Shareholders' approval requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 9 June 2010, the Company has resolved to grant the Options to Mr. Wong and INEDs. Pursuant to Rule 17.04(1) of the Listing Rules, as the grantees are Mr. Wong who is an executive Director and a Substantial Shareholder and INEDs, the grant of the 5,000,000 Options to them would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to them in the 12-month period representing in aggregate over 0.1% of the relevant class of securities in issue and having an aggregate value in excess of HK\$5 million, such grant of Options to them must be approved by the Option Independent Shareholders in general meeting by poll with all connected persons of the Company abstaining from voting in favour at the general meeting of the Company.

The Independent Board Committee comprising all the independent non-executive Directors, has been formed to advise the Warrant Independent Shareholders on whether the Warrant Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription Agreement are fair and reasonable. We are appointed as independent financial adviser to advise the Independent Board Committee in those regards and the Warrant/Option Independent Shareholders on (i) whether the Warrant Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription Agreement are fair and reasonable is in the interests of the Company and the Shareholders as a whole; and (ii) whether the grant of the Options to Mr. Wong and INEDs is in the interests of the Company and the Shareholders as a whole and the terms of the grant of the Options to Chairman and INEDs are fair and reasonable.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular was true and accurate at the time when they were made and continued to be true and accurate at the date hereof, and will continue to be true and accurate at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiries and considerations.

We have no reason 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 reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquires, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors, the management of the Company and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subscriber and its associates, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into consideration in assessing the Warrant Subscription and the grant of the Options to Mr. Wong and INEDs, and arriving at our opinion are set out below:

The Warrant Subscription

Background and reasons for the Warrant Subscription

The Group is principally engaged in energy and environmental recycling sectors. For the financial year ended 31 December 2009, the Group recorded audited turnover of approximately HK\$195 million (representing an increase of approximately 148.19% as compared to approximately HK\$79 million for the previous corresponding year), the substantial increase in the turnover was due to the formation of the joint venture company, China Environmental Resources Limited ("China Environmental"), which is 60% owned by the Group and its sales of plastic recycling materials accounted for over 80% of the Group's turnover during the year 2009, audited gross profit of approximately HK\$20 million (representing a decrease of approximately 26% as compared to approximately HK\$27 million for the previous corresponding year) and audited net loss attributable to Shareholders of approximately HK\$565 million (representing an increase of approximately 1562% as compared to approximately HK\$34 million for the previous corresponding year). As mentioned in the annual report 2008/2009 of the Company (the "Annual Report"), such significant loss is mainly attributed to a full provision for impairment loss on the coal mining assets owned by China Coal Energy Holdings Limited with a book value of approximately HK\$922,318,000, in which the Group held a 55.11% equity interest. As at 31 December 2009, the Group's cash and bank balances were approximately HK\$224 million, representing an increase of 13.2 times as compared with that of 2008, which manifested the Company financial condition.

Having discussed with the management of the Company, we noted that during the period from December 2009 to April 2010, the Company raised funds of approximately HK\$488 million from subscription of 412,047,000 Shares, which has been used to support an investment in an Utah Gas and Oil exploitation project (the "Utah Project"), including the deposit of the acquisition, and/or general working capital of the Group and approximately HK\$70 million from the issue of convertible notes announced on 3 May 2010, which has not yet been utilized as at the Latest Practicable Date. As stated in the annual report 2009 of the Company and as confirmed by the management of the Company, the Group will continue to maintain sufficient funds to meet its operational requirements as well as future development needs. Taking into account of the financial position of the Group as detailed above,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we consider that the Group's existing business operation and development had relied to a large extent on cash inflow from financing activities, including bank borrowings and equity fund raising exercises.

The Warrant Subscription would enable the Group to raise additional funds to the Group. The net proceeds from the Warrant Subscription are estimated to be approximately HK\$3,260,000. The Directors intends to apply the net proceeds as general working capital of the Group. Assuming the full exercise of the subscription rights attaching to the Warrants, after the deduction of the legal fees, printing expenses and other related expenses, it is expected that a net proceeds of approximately HK\$441.3 million will be raised, which is intended to be used for future operations of the Group in the energy sectors or any potential acquisition in the future should suitable opportunities arise and general working capital of the Group. The Board considers that the Warrant Subscription represents good opportunities to raise additional funds for the Company while broadening the capital base of the Company. The Board has considered other equity financing such as rights issue or open offer, but taking into account the loss-making record of the Group for the past two financial years and the relatively low liquidity of the Shares, it may not be possible for the Company to raise funds by rights issue or open offer without offering discounts to the prevailing market price of the Shares, and rights issue or open offer would cause immediate dilution effect of the shareholdings of those Shareholders who do not take up new Shares offered under such rights issue or open offer, while the Warrant Subscription will not result in any immediate dilution effect on the shareholding of the existing Shareholders. In addition, the Warrants are not interest bearing and would not incur additional interest burden to the Group as compared to debt financing. In addition to the net proceeds that will be raised upon completion of the Warrant Subscription, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder of such Warrants during the subscription period.

Taking into account (a) the financial result of the Group for the financial year ended 31 December 2009 and, in particular the deteriorated profitability; (b) saved for the HK\$70 million from the issue of convertible notes announced on 3 May 2010, the net proceeds from the previous fund raising exercises conducted by the Company have been utilised as mentioned above; and (c) the Adjustment Events mechanism which can ensure the Warrant Exercise Price will be appropriately adjusted in the event of share splits or other standard adjustment events, we consider that the Warrant Subscription would enable the Group to enhance its liquidity level with immediate cash inflow from the subscription of the Warrants for general working capital and further potential cash inflow upon any exercises of the subscription rights attaching to the Warrants for future operations of the Group in the energy sectors or any potential acquisition in the future should suitable opportunities arise and general working capital without incurring any interest burden to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Terms of the Warrant Subscription

Pursuant to the Warrant Subscription Agreement, the Subscriber agreed to subscribe for 320,000,000 Warrants conferring rights to subscribe for 320,000,000 Warrant Shares at the Warrant Exercise Price of HK\$1.38 per Warrant Share (subject to adjustment upon the occurrence of any of the Adjustment Events and other dilutive events which may have adverse effects on the rights of the holder of the Warrants). Each Warrant carries the right to subscribe for one (1) Warrant Share. The Warrants are to be subscribed at a Warrant Subscription Price of HK\$0.0102 per Warrant. The subscription rights attaching to the Warrants may be exercised at any time during a period of 36 months commencing from the date immediately after the date of issue of the Warrants. The Warrant Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then existing issued Shares of the Company.

The aggregate of the Warrant Subscription Price of HK\$0.0102 per Warrant and the Warrant Exercise Price of HK\$1.38 per Share, i.e. approximately HK\$1.39, (the “Aggregate Price”) represents (i) a premium of approximately 24.11% over the closing price of HK\$1.12 per Share quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 26.48% over the average of the closing prices of HK\$1.099 per Share for the last ten (10) trading days for the Shares prior to and including the Last Trading Day; and (iii) a discount of approximately 0.71% over the closing price of HK\$1.40 per Share quoted on the Stock Exchange on the Latest Practicable Date. As the Aggregate Price represents premiums to the prevailing closing prices of the Shares as illustrated above, we consider that the Aggregate Price is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

The Exercise Price

The Exercise Price of HK\$1.38 per Warrant Share represents:

	Shares price (HK\$)	Premium/ (Discount) of the Exercise Price over/to the closing price of the Shares %
As at the Latest Practicable Date	1.400	(0.71)
As at the Last Trading Day	1.120	23.21
Five-day average up to and including the Last Trading Day	1.114	23.88
Ten-day average up to and including the Last Trading Day	1.099	25.57

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The historical price of the Shares

The following table sets out the highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 10 June 2009 up to and including the Last Trading Day (the “Review Period”):

Month	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$
2009			
June	0.62	0.49	0.54
July	0.50	0.44	0.48
August	0.58	0.48	0.53
September	0.64	0.53	0.57
October	0.60	0.53	0.56
November	0.62	0.56	0.58
December	1.28	0.62	1.13
2010			
January	1.98	1.42	1.86
February	1.82	1.51	1.72
March	1.86	1.65	1.73
April	1.73	1.45	1.65
May	1.48	0.85	1.20
June (up to and including the Last Trading Day)	1.15	1.05	1.09

Source: the Stock Exchange web-site (www.hkex.com.hk)

As referred to the table above, the Exercise Price was at premium over the monthly average daily closing prices of the Shares during the Review Period with the exceptions of January 2010, February 2010, March 2010 and April 2010. As confirmed by the Directors, the Exercise Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares. In addition, based on the fact that the Exercise Price is above the average closing price of the Shares for the last ten trading days up to and including the Last Trading Day, the Directors are of the view that the Exercise Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Dilution of the shareholding interests of the existing public Shareholders

As at the Latest Practicable Date, 1,641,793,960 Shares were in issue. Upon the full exercise of the Warrants, a total 320,000,000 Warrant Shares will be issued, representing (i) approximately 19.49% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 16.31% of the issued share capital of the Company as enlarged by the Warrant Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As demonstrated above, the shareholding interests of the existing public Shareholders will be reduced from approximately 55.07% to approximately 46.01% immediately after the exercise of the Warrants in full.

Although the shareholding interests of the existing public Shareholders will be diluted as a result of the full exercise of the Warrants, as balanced by that (i) the Warrant Subscription is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Warrant Subscription Agreement were fairly and reasonably set; (iii) the Company's capital base will be enlarged upon the exercise of the Warrants (iv) the shareholding interests of all existing public Shareholders will be diluted in proportion to their respective shareholdings in the Company; and (v) the public float of the Company's shares should not be lower than 30%, we consider the aforementioned dilution effects to be acceptable.

Possible financial effect to the Company

As confirmed by the Directors, the Warrants would not have any major impact on the balance sheet of the Company at the time when they are issued. However, the Company's net assets and gearing position would be improved upon the possible exercise of the Warrants in the future. In addition, the working capital of the Company will also be increased by approximately HK\$441.3 million (after expenses) upon the possible exercise of the Warrants in full.

Based on the aforementioned financial effect of the Warrant Subscription to the Company, we are of the view that the Warrant Subscription is in the interests of the Company and the Shareholders as a whole.

It should be noted that the aforementioned analysis are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon completion of the Warrant Subscription.

The grant of the Options to Mr. Wong and INEDs

Background and reasons for the grant of the Options to Mr. Wong and INEDs

On 9 June 2010, the Board (excluding the directors who are grantees of the Options) resolved to grant Options to Mr. Wong Kwan, Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham under the Share Option Scheme, subject to Option Independent Shareholders' approval. Mr. Wong Kwan is the sole beneficial owner of Orient Day, which is the controlling shareholder of the Company holding approximately 43.30% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham are independent non-executive directors of the Company. The Shares to be issued to each grantee upon exercise of the Options represent over 0.1% of the relevant class of securities in issue and having an aggregate value, based on the closing price of the securities at the date of granted (i.e. 9 June 2010), exceeds HK\$5 million. As such, according to Rule 17.04(1) of the Listing Rules, Independent Shareholders approval is required for the grant of Options, with the connected persons of the Company abstaining from voting in favour.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Terms of the Options

The following are the details of the Options granted to each grantee under the Share Option Scheme:

(a) Duration and the condition

The Options have a life of nine years from 9 June 2010 to 14 July 2019 ("Life"). Pursuant to the Share Option Scheme, the Board may at its absolute discretion specify such conditions as it may think fit when granting the options under the Share Option Scheme.

(b) Exercise price

The exercise price of the Share Options granted is HK\$1.13 per Share, which represents a premium of approximately 3.86% over the average closing price of the Shares of HK\$1.088 as quoted on the Stock Exchange for the five business days immediately preceding the Date of Grant, and represent the closing price of the Shares of HK\$1.13 as quoted on the Stock Exchange on 9 June 2010.

(c) Reasons for the grant of the Options

The purpose of the Share Option Scheme is to motivate (a) an executive or an employee (whether full-time or part time) of any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to any member of the Group; and (g) a landlord or tenant (including sub-tenant) of any member of the Group ("Eligible Persons") to optimise their future contribution to the Group and/ or to reward them for their past contribution who are significant to the performance, growth or success of the Group. The Company believes the grant of Options to the directors and other staff can provide incentive to management and staff so as to encourage them to make effort and contribution to the Company. It also enables them to share results of the development of the Company and which is in the best interests of the Company as a whole.

Rationale for awarding Options to Mr. Wong and INEDs

Mr. Wong and INEDs and the 5,000,000 Options each are proposed to be granted to them in recognition of his contribution to the growth of the Group in the past and as an incentive for their continuing commitment and contribution to the Group in the future. The consideration payable by each one on acceptance of the 5,000,000 Options is HK\$1.00.

Fairness of exercise price

Under the Share Option Scheme and the Listing Rules, the exercise price is required to tie to the share value at and around the date of grant to avoid substantial discount provided to the grantee. Therefore, the exercise price was set to benefit both the grantee and the Company. It can provides incentive for the Chairman and INEDs to actively involve and contribute to the Group in order to make the Group more profitable and eventually benefits the Share price of the Company. Existing Shareholders can also benefits from further contribution from the Chairman and INEDs reflected in the Share price of the Company. The Directors confirmed that the determination of exercise price of the Share Options is based on the requirements of Rule 17.03(9). As no discount had been provided to each grantee, the interests of existing Shareholders were not diluted at the time of grant and therefore, we are of the view that the basis of the exercise price of the Options is justifiable and we concur with the Directors that the exercise price is in the interest of the Company and the Shareholders as a whole.

Benefits of the options as incentive scheme

The Directors have informed us that in view of the strategy and development plans of the Group, they believe that a merit-based incentive scheme will further align the interests of Eligible Persons with that of the Group.

In this connection, the Directors have considered several methods of providing incentives to the grantees, including lump sum cash bonuses, profit sharing schemes as well as the grant of options. After careful consideration of the various alternatives, the Directors consider that the grant of options to be most appropriate and in the best interest of the Group and the Option Independent Shareholders given that, as opposed to the other alternatives, a grant of options will enable the Group to conserve its cash resources while allowing added incentives to Eligible Persons. Since the economic benefits of options rely on an improvement in the Share price of the Company, the benefit of the options will only be realized when all the Shareholders are also in a position to benefit.

Cash flow implication

Upon exercise of the Options, it will generate a maximum of approximately HK\$22.6 million to the Company. Furthermore, granting of Options is a comparatively more suitable method than awarding cash bonuses to Chairman and INEDs in order to prevent too much cash outflow which may instantly affects cash position of the Company. In this regards, we are of the view that granting Options to Mr. Wong and INEDs not only prevent cash outflow of the Group, but also enhance the cash flow position of the Group upon exercise of the Options.

Potential impact to shareholding of the Independent Shareholders and Takeover Code Implications

Upon exercise in full of the Warrants and Options a total of 340,000,000 new Shares will be allotted and issued after the exercise of the Warrants and Options, representing approximately 20.70% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 17.16% of the issued share capital of the Company as enlarged by the exercise in full of the Warrants and Options. In such event, upon fully exercised of the Warrants and Options, the Subscriber and its concert parties will hold approximately 52.39% of the enlarged issued share capital of the Company, it will be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Subscriber under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 has been obtained from the Executive. As announced by the Company on 14 June 2010, the Subscriber will not apply for the Whitewash Wavier at this stage. Nevertheless, the Warrant Subscription will still proceed in accordance with the terms of the Warrant Subscription Agreement. The Subscriber has no present intention to exercise the subscription rights attaching to the Warrants to such an extent that will result in any obligation to make a mandatory offer under the Takeovers Code.

Taking into account (i) the merits of the Warrant Subscription as detailed in the paragraph headed “Background and reasons for the Warrant Subscription” under the section headed “The Warrants Subscription” above and the reasons for the grant of the Options as detailed in the paragraph headed “Background and reasons for the grant of the Options to Mr. Wong and INEDs” above; (ii) the Warrant Subscription and the grant of the Options would not cause immediate dilution effect on the existing shareholdings of the Company; (iii) the fairness and reasonableness of the Aggregate Price as detailed in the paragraph headed “Terms of the Warrant Subscription” above under the section headed “The Warrants Subscription” above and the Subscription Price as detailed in the paragraph headed “Terms of the Options to Mr. Wong and INEDs” above; and (iv) if to an extent that the Subscriber require to make a mandatory offer under the Takeovers Code, the Subscriber will follow the Takeovers Code to make a general offer for all Shares not already owned or agreed to be acquired by it and parties acting in concert with it in compliance with the Takeovers Code. We consider that the potential dilution effect on the existing shareholdings of the Company is acceptable, the Warrants Subscription and the grant of Options to Mr. Wong and INEDs are in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription and the grant of Options to Mr. Wong and INEDs are on normal commercial terms and fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons above, we consider that (i) the Warrant Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Warrant Independent Shareholders are concerned; (ii) the grant of the Options to Mr. Wong and INEDs is in the interests of the Company and the Shareholders as a whole and the terms of the grant of the Options are on normal commercial terms, fair and reasonable so far as the Company and the Option Independent Shareholders are concerned, we, therefore, advise the Warrant Independent Shareholders and the Independent Board Committee to recommend the Warrant/Option Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Warrant Subscription; and advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the grant of the Options to Mr. Wong and INEDs. The Warrant/Option Independent Shareholders should, however, take note of the potential dilution effect on their existing shareholdings upon any exercise of the subscription rights attaching to the Warrants and/or the Options.

Yours faithfully,
for and on behalf of
Chanceton Capital Partners Limited
WONG Kam Wah
Managing Director

1. RESPONSIBILITY STATEMENT

This document, for which the directors of the issuer collectively and individually accept full responsibility, 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 issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document 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>		HK\$
200,000,000,000	Shares of HK\$0.1 each	20,000,000,000
<i>Issued and fully paid:</i>		HK\$
1,641,793,960	Shares of HK\$0.1 each	164,179,396
320,000,000	Shares of HK\$0.1 each at the Latest Practicable Date to be issued for the Warrants	32,000,000
<hr/>		<hr/>
<u>1,961,793,960</u>		<u>196,179,396</u>

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			Total number of shares held	Percentage of the issued share capital of the Company
	Beneficial Owner	Held by trust	Held by controlled corporation		
Wong Kwan (<i>Note</i>)	-	-	710,952,800	710,952,800	43.30%
Lew Mon Hung	4,000,000	-	-	4,000,000	0.24%
Johnny Yuen	640,000	-	-	640,000	0.04%
Zhou Li Yang	1,000,000	-	-	1,000,000	0.06%

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
Lew Mon Hung	Beneficial owner	3,000,000	03/12/2009 – 14/07/2019	0.83
	Beneficial owner	5,000,000	09/06/2010 – 14/07/2019	1.13
Cheng Kwok Yu	Beneficial owner	5,000,000	09/06/2010 – 14/07/2019	1.13
Zhou Li Yang	Beneficial owner	2,000,000	05/08/2009 – 14/07/2019	0.56
	Beneficial owner	5,000,000	09/06/2010 – 14/07/2019	1.13
Johnny Yuen	Beneficial owner	3,000,000	05/08/2009 – 14/07/2019	0.56
	Beneficial owner	5,000,000	09/06/2010 – 14/07/2019	1.13
Yu Jianmeng	Beneficial owner	1,000,000	05/08/2009 – 14/07/2019	0.56

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 the Latest Practicable Date, 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 (Note)	Beneficial owner	710,952,800	43.30%

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. LITIGATIONS

As announced by the Company on 12 August 2008, on 7 August 2008, Mr. Zhang Jingyuan (formerly know as Zhang Genyu (“Mr. Zhang”)) issued and served a writ (“the Writ”) in the High Court of Hong Kong against, inter alios, the Company, Get Wealthy Investment Limited, Champion Merry Investment Limited (“Champion Merry”), 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 Mr. Zhang claimed, inter alias, against the Company and Champion Merry for damages for alleged breaches of a Joint Venture Agreement dated 15 July 2006 (the “Joint Venture Agreement”), and Mr. 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 Mr. Zhang’s shares in China Coal Energy Holdings Limited (“China Coal”) be rescinded.

On 31 July 2010, the Group entered into a Settlement Agreement with Mr. Zhang Jingyuan (“Mr. Zhang”). Pursuant to the Settlement Agreement, Mr. Zhang and the Group, inter alias, shall make relevant applications (the “Applications”) to withdraw or settle all their legal claims against any parties to those litigations in Hong Kong and Mainland China as soon as possible, and also the Group shall dispose of the Sale Shares which represents approximately 55.11% of the issued shares of China Coal Energy Holdings Limited (the “China Coal”) to Mr. Zhang (the “Disposal”). The net proceeds on the Disposal to be received by the Group will be HK\$168.6 million.

6. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

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

Save for Mr. Wong and Dr. Lew Mon Hung interest in the transactions under the Agreement as disclosed in the Company’s Circular dated 24 May 2010, in particular to be allotted and beneficially entitled to 395,650,000 and 169,560,000 Considerations Shares respectively as part of the Consideration for the Acquisition none of the Directors has any material interest in any contract or arrangement which is significant in relation to the business of the Group.

Save for Mr. Wong and Dr. Lew Mon Hung interest in the transactions under the Agreement as disclosed in the Company's circular dated 24 May 2010, in particular to be allotted and beneficially entitled to 395,650,000 and 169,560,000 Considerations Shares respectively as part of the Consideration for the Acquisition none of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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 experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Chanceton Capital Partners Limited	a licensed corporation for carrying out type 6 regulated activity (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, Chanceton Capital 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, Chanceton Capital does not have any interest either directly or indirectly, in any assets which had been, since 31 December 2009 (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) Chanceton Capital 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 the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- D. The head office and principal place of business of the Company in Hong Kong is at Suite 1908, 19th floor, 9 Queen's Road Central, Hong Kong.
- E. The registered office of Chanceton Capital is located at Unit A, 23/F, CMA Building, 64-66 Connaught Road Central, Hong Kong.
- F. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

12. 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 29 September 2010:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Warrant Subscription Agreement;
- (c) the written consents referred to under the section headed "Experts and consent" in this appendix; and
- (d) this circular.



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 4:00 p.m., on Wednesday, 29 September 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**

- (a) the conditional warrant subscription agreement (the “**Warrant Subscription Agreement**”) dated 10 June 2010 (as supplemented by a supplemental agreement dated 29 June 2010) and entered into between the Company as issuer and Orient Day Developments Limited as subscriber (the “**Subscriber**”) in relation to the subscription of the 320,000,000 non-listed warrants (the “**Warrants**”) by the Subscriber at the warrant subscription price of HK\$0.0102 per unit of Warrant, which entitles the holder(s) thereof to subscribe for an aggregate 320,000,000 in shares (the “**Shares**”) of HK\$0.10 each in the share capital of the Company at the initial warrant subscription price of HK\$1.38 (subject to adjustment) per Share during a period of thirty-six months commencing from the date of issue of the Warrants (a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the Warrants in accordance with the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder be and is hereby approved;
- (c) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Shares (the “**Warrant Shares**”) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants, the allotment and issue of the Warrant Shares to the relevant holder(s) of the Warrant(s) be and is hereby approved; and

* For identification purpose only

NOTICE OF THE SGM

- (d) any one director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion considers as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Warrant Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Warrants, and the allotment and issue of Warrant Share(s) of which may fall to be issued upon exercise of the subscription rights attaching to the Warrants.”
2. “**THAT** the grant of 5,000,000 Options each to Mr. Wong Kwan, Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham which result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted to in the 12-month period representing in aggregate over 0.1% of the relevant class of securities in issue be and are hereby approved, confirmed and ratified.”
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 (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, 13 September 2010

Principal place of business:
Suite 1908, 19th Floor
9 Queen’s Road Central
Hong Kong

NOTICE OF THE SGM

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.