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

*(the “Company”)*

(Incorporated in Bermuda with limited liability)

(Stock Code : 632)

## **SUBSCRIPTION FOR NEW SHARES UNDER GENERAL MANDATE**

**AND**

## **RESUMPTION OF TRADING**

### **SUBSCRIPTION FOR SHARES**

The Company will issue in aggregate 327,750,000 new Shares under the General Mandate.

More than six Purchasers and Subscribers have reached the Agreements with the Vendor (as the case may be) and the Company. Pursuant to the Share Sale and Subscription Agreements, the Vendor agreed to sale an aggregate of 188,225,000 existing Shares, to the Purchasers who and whose ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules) at a price of HK\$1.40 per Sale Share. Pursuant to the Subscription Agreements, the Subscribers have conditionally agreed to subscribe for an aggregate of 139,525,000 Subscription Shares at a price of HK\$1.40 per Subscription Share.

There are more than six Purchasers for the Sale Shares including without limitation the British Rowland Family, Senrigan Capital Group Limited, Wellchamp Capital Limited and other institutional investors.

Pursuant to the Agreements, the Vendor and the Subscribers conditionally agreed to subscribe for an aggregate of 327,750,000 Subscription Shares at a price of HK\$1.40 per Subscription Share. The Sale Price (or the Subscription Price) of HK\$1.40 represents (i) a discount of approximately 10.26% to the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a discount of approximately 10.14% to the average closing price per Share of approximately HK\$1.558 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date.

The Sale Shares (or the Subscription Shares) represent (i) approximately 19.75% of the existing issued share capital of the Company of 1,659,218,960 Shares as at the date of this announcement; and (ii) approximately 16.49% of the issued share capital of the Company of 1,986,968,960 Shares as enlarged by the Subscription. The Subscription is conditional upon, among other things, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and (ii) completion of the Sale. The gross proceeds from the Subscription will be approximately HK\$458.85 million. The net proceeds of approximately HK\$442.8 million from the Subscription is intended to be partially utilized for possible the acquisitions of some potential oil and gas projects including but not limited to the remaining 30% ownership interest in the Utah Gas and Oil Field, partially utilized as costs for the exploitation of new wells of the Utah Gas and Oil Field partially as its working capital.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 29 October 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 5 November 2010.

## **SUBSCRIPTION FOR SHARES**

### **SHARE SALE AND SUBSCRIPTION AGREEMENTS**

#### **Dates**

During the period from 28 October 2010 (after trading hours) to 4 November 2010

#### **Parties involved**

The Company, the Purchasers and the Vendor

## **Purchasers**

There are more than six Purchasers for the Sale Shares including without limitation the British Rowland Family, Senrigan Capital Group Limited, Wellchamp Capital Limited and other institutional investors.

British Rowland Family has been investing globally for 50 years with offices in London, Guernsey, Monaco and Luxembourg, and operating private banking business through its subsidiary, Bank Havilland.

## **SUBSCRIPTION AGREEMENTS**

### **Dates**

During the period from 3 November 2010 to 4 November 2010

### **Parties involved**

The Company and the Subscribers

Pursuant to the Subscription Agreements, the Subscribers have conditionally agreed to subscribe for an aggregate of 139,525,000 Subscription Shares at a price of HK\$1.40 per Subscription Share.

All the Agreements have similar terms and conditions, and each of the Agreements is independent and not-interconditional.

### **Independence of the Purchasers and the Subscribers**

To the best knowledge of the Company, the Purchasers and the Subscribers and their ultimate beneficial owners (as the case may be) are not connected persons of the Company and are third parties independent of, and not connected with, and not acting in concert with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

### **Sale Price**

The Sale Price (or the Subscription Price) of HK\$1.40 represents (i) a discount of approximately 10.26% to the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a discount of approximately 10.14% to the average closing price per Share of approximately HK\$1.558 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date.

The Sale Price has been determined with reference to the prevailing market price of the Share and has been negotiated on an arm's length basis between the Vendor, the Company and the Purchasers. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **The Sale Shares**

The 188,225,000 Sale Shares (or the Subscription Shares) represent (i) approximately 11.34% of the existing issued share capital of the Company of 1,659,218,960 Shares as at the date of this announcement; and (ii) approximately 9.47% of the issued share capital of the Company of 1,986,968,960 Shares as enlarged by the Subscription.

### **Ranking of Sale Shares**

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

### **Condition of the Sale**

The Sale is unconditional.

### **Completion**

The Sale is expected to be completed on or about 9 November 2010.

### **The Subscription Price**

The Subscription Price is HK\$1.40 per Share. The Subscription Price is the same to the Sale Price and has been determined after arm's length negotiation between the Company, the Vendor and the Subscribers with reference to the Sale Price of the Sale Shares.

### **Number of Subscription Shares**

The number of Subscription Shares is being 327,750,000 Shares, out of which 188,225,000 Shares and 139,525,000 Shares will be subscribed for by the Vendor and the Subscribers respectively.

### **Ranking of Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

## **The Subscription Shares**

The Subscription Shares represent (i) approximately 19.75% of the existing issued share capital of the Company of 1,659,218,960 Shares as at the date of this announcement; and (ii) approximately 16.49% of the issued share capital of the Company of 1,986,968,960 Shares as enlarged by the Subscription.

The Subscription Shares will be issued under the General Mandate and not subject to Shareholders' approval. Pursuant to the General Mandate granted to the Directors at the AGM, the total number of new Shares that the Company is authorized to allot and issue are 327,756,792 Shares (up to 20% of the then issued share capital of the Company). Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

## **Conditions of the Subscription**

The Subscription is conditional upon, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (ii) completion of the Sale.

## **Completion**

It is expected that the Subscription will be completed on or before 18 November 2010.

In the event that the conditions of the Subscription are not fulfilled by 18 November 2010, the Company, the Subscribers and the Vendor may elect, to postpone completion of the Subscription to a later date to be agreed between the Company, the Subscribers and the Vendor.

## **REASON FOR THE PLACING AND USE OF PROCEEDS**

The Directors have considered various ways of raising funds and believe that the Subscription represent a good opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Agreements are in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription will be approximately HK\$458.85 million. The net proceeds of approximately HK\$442.80 million from the Subscription is intended to be partially utilized for possible acquisitions of some potential oil and gas projects including but not limited to the remaining 30% ownership interest in the Utah Gas and Oil Field, partially utilized as costs for the exploitation of new wells of the Utah Gas and Oil Field and partially as its working capital. The net price per Subscription Share is approximately HK\$1.351.

The Utah Gas and Oil Field, in which the Company currently holds 70% ownership interest, has successfully produced gas since 10 October 2010, and the remaining 30% ownership interest was valued at HK\$982.8 million (equivalent to US\$126 million). The Directors believe that if the Company exercises the option to acquire such 30% ownership interest at a consideration of HK\$195 million (equivalent to US\$25 million) will increase the Company's oil and gas reserve portfolio, make contribution to the profit of the Company and improve the net assets position of the Company.

#### **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

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

| <b>Date of announcement</b> | <b>Event</b>                        | <b>New proceeds (approximately)</b> | <b>Intended use of proceeds as announced</b>   | <b>Actual use of proceeds</b>  |
|-----------------------------|-------------------------------------|-------------------------------------|--|--|
| 11 December 2009            | Subscription of 115,680,000 Shares  | HK\$114 million                     | Partly as general working capital for the Group and partly for possible acquisition of overseas energy and natural resources projects  | As consideration 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 consideration for the Acquisition   |
| 20 April 2010               | Subscription for 231,367,000 Shares | HK\$310 million                     | Partially utilized for the acquisition of the Utah Gas and Oil Field, the balance of the proceeds shall be utilized as costs for the exploitation & exploration of existing and new wells of the Utah Gas and Oil Field. | Partially utilized for the acquisition of the Utah Gas and Oil Field, the balance of the proceeds shall be utilized as costs for the exploitation & exploration of existing and new wells of the Utah Gas and Oil Field. |
| 3 May 2010                  | Issue of Convertible Notes          | HK\$70 million                      | As general working capital for the Group   | As general working capital for the Group   |

## EFFECTS ON SHAREHOLDING STRUCTURE

|                                  | As at the Last Trading Date |               | After the Completion of the Agreements |               |
|----------------------------------|-----------------------------|---------------|--|---------------|
|                                  | (No. of Shares)             | (%)           | (No. of Shares)                        | (%)           |
| Orient Day <i>(Note)</i>         | 710,952,800                 | 42.85         | 710,952,800                            | 35.78         |
| Other Directors                  | 15,375,000                  | 0.93          | 15,375,000                             | 0.78          |
| Public Shareholders              |                             |               |  |               |
| - the Purchasers and Subscribers | --                          | --            | 327,750,000                            | 16.49         |
| - Other public Shareholders      | 932,891,160                 | 56.22         | 932,891,160                            | 46.95         |
| Total                            | <u>1,659, 218,960</u>       | <u>100.00</u> | <u>1,986,968 ,960</u>                  | <u>100.00</u> |

*Note: Orient Day Developments Limited, the Vendor, is a company incorporated with limited liability in the British Virgin Islands and is wholly and beneficially owned by Mr. Wong Kwan.*

## INFORMATION ON THE GROUP

The principle activity of the Company is an investment holding company. It is principally engaged in energy and recycling businesses.

### GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 29 October 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 5 November 2010.

## Terms and definitions

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

|                     |   |
|---------------------|---|
| “Acquisition”       | the acquisition of the entire issued share capital of Festive Oasis Limited and in turn the Ownership Interest by the Company comprising the Phase 1 Acquisition and the Phase 2 Acquisition pursuant to the terms and conditions of an agreement by dated 9 January 2010 in respect of the Utah Gas and Oil Field Project as disclosed in the Company’s circular dated 24 May 2010 |
| “AGM”               | the annual general meeting of the Company held on 25 May 2010   |
| “Agreements”        | the Share Sale and Subscription Agreements and the Subscription Agreements  |
| “associates”        | has the meaning given to that term in the Listing Rules   |
| “Board”             | the board of Directors  |
| “Company”           | Pearl Oriental Innovation Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange  |
| “Director(s)”       | director(s) of the board of the Company   |
| “General Mandate”   | the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM   |
| “Group”             | the Company and its subsidiaries  |
| “Hong Kong”         | Hong Kong Special Administrative Region of the PRC  |
| “Last Trading Date” | 28 October 2010, being the last full trading day for the Shares before this announcement  |
| “Listing Rules”     | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mr. Wong”          | Mr. Wong Kwan, Chairman and Chief Executive of the Company and an executive Director  |



|  |   |
|--|---|
| “PRC”                                    | The People’s Republic of China  |
| “Purchasers”                             | the purchasers who purchase the Sale Shares from the Vendor under the Agreements.   |
| “Sale”                                   | the sale of 188,225,000 existing Shares in aggregate beneficially owned by the Vendor to the Purchasers pursuant to the terms of the Share Sale and Subscription Agreements                                 |
| “Share Sale and Subscription Agreements” | various share sale and subscription agreements between the Company, the Vendor and the Purchasers entered into on between 28 October 2010 and 4 November 2010 in relation to the Sale and this Subscription |
| “Sale Price”                             | HK\$1.40 per Sale Share   |
| “Sale Share(s)”                          | an aggregate of 188,225,000 existing Shares beneficially owned by the Vendor and to be sold pursuant to the Share Sale and Subscription Agreements  |
| “Shareholder(s)”                         | holder(s) of the Share(s)   |
| “Share(s)”                               | ordinary share(s) of HK\$0.10 in the share capital of the Company   |
| “Stock Exchange”                         | The Stock Exchange of Hong Kong Limited   |
| “Subscribers”                            | the subscribers who subscribe for the Subscription Shares under the Subscription Agreement  |
| “Subscription”                           | the subscription for in aggregate 327,750,000 new Shares by the Vendor and the Subscribers pursuant to the terms of the Agreements  |
| “Subscription Agreements”                | various share subscription agreements between the Company and the Subscribers entered into on between 3 November 2010 and 4 November 2010 in relation to the Subscription                                   |
| “Subscription Price”                     | HK\$1.40 per Subscription Share   |
| “Subscription Shares”                    | 327,750,000 new Shares to be subscribed for by the Vendor and the Subscribers pursuant to the Agreements  |

|                          |   |
|--------------------------|---|
| “Utah Gas and Oil Field” | Certain natural gas and oil field located in the Uinta Basin, Uintah County, Utah, USA and details of which are set out in the Company’s circular dated 24 May 2010 |
| “Vendor” or “Orient Day” | Orient Day Developments Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Wong                          |
| “HK\$”                   | Hong Kong dollars, the lawful currency of Hong Kong   |
| “%”                      | per cent.   |

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

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

Hong Kong, 4 November 2010

\* *For identification purposes only*