東方明珠石油有限公司*

Pearl Oriental Oil Limited

(the "Company")

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

INTERIM RESULTS ANNOUNCEMENT 2012

The Directors of Pearl Oriental Oil Limited (the "Company") announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 (the "Period") with comparative figures for the previous corresponding period. The results have not been audited but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Revenue			
Sales of oil and natural gas	*3*	**3,984**	332
Sales of plastic recycling materials	*3*	**196,271**	244,639
Other income		**4,525**	5,378
		204,780	250,349
Expenses			
Cost of sales of plastic recycling materials		**190,295**	235,350
Exploration, repair and maintenance expenses		**713**	5,439
Depreciation, depletion and amortisation		**1,593**	309
Selling, marketing and distribution costs		**1,960**	2,555
Other operating expenses		**1,293**	41
Administrative expenses		**20,452**	32,990
		216,306	276,684

* *For identification purpose only*

	Notes	Six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) (Restated) *HK$'000*
Loss from operations		**(11,526)**	(26,335)
Finance costs		**—**	(20)
Gain on disposal of available-for-sale investments		**51,107**	85,178
Profit before tax	*4*	**39,581**	58,823
Income tax (expense)/credit	*5*	**(53)**	2,434
Profit for the period		**39,528**	61,257
Attributable to:			
Owners of the Company		**40,462**	67,515
Non-controlling interests		**(934)**	(6,258)
		39,528	61,257
Earnings per share attributable to owners of the Company	*7*		
— Basic *(HK cents)*		**1.19**	2.56
— Diluted *(HK cents)*		**1.19**	2.53

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period and total comprehensive income for the period	**39,528**	61,257
Attributable to:		
Owners of the Company	**40,462**	67,515
Non-controlling interests	**(934)**	(6,258)
	39,528	61,257

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2012 (Unaudited)** *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**83,088**	82,690
Intangible assets	8	**2,705,682**	2,706,600
Goodwill		**10,688**	10,688
Deferred tax assets		**7,150**	7,381
Total non-current assets		**2,806,608**	2,807,359
Current assets			
Inventories and supplies		**2,981**	1,369
Trade receivables	9	**3,229**	6,623
Prepayments, deposits and other receivables		**222,766**	233,521
Tax recoverable		**454**	376
Bank balances and cash		**225,986**	168,861
Total current assets		**455,416**	410,750
Current liabilities			
Trade payables	10	**—**	3
Other payables and accruals		**11,964**	13,633
Total current liabilities		**11,964**	13,636
Net current assets		**443,452**	397,114
Total assets less current liabilities		**3,250,060**	3,204,473

	Notes	At **30 June** **2012** **(Unaudited)** ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**662,892**	663,117
Assets retirement obligations		**2,301**	2,301
		665,193	665,418
NET ASSETS		**2,584,867**	2,539,055
Equity			
Share capital	11	**340,826**	340,826
Reserves		**2,247,176**	2,206,714
Equity attributable to owners of the Company		**2,588,002**	2,547,540
Non-controlling interests		**(3,135)**	(8,485)
TOTAL EQUITY		**2,584,867**	2,539,055

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention.

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012.

The adoption of the new or amended HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

3. SEGMENT INFORMATION

The Group has identified the following reportable segments:

(a) Plastic recycling — procuring, processing and sales of recycling materials

(b) Oil and gas sales — exploring, exploitating and sales of natural gas and oil

	Revenue		**Profit/(Loss) from operations**	
	Six months ended 30 June		**Six months ended 30 June**	
	2012	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of plastic recycling materials	**196,271**	244,639	**(1,567)**	1,236
Sales of oil and natural gas	**3,984**	332	**828**	(7,186)
	200,255	244,971		
Unallocated expenses			**(10,787)**	(20,385)
Loss from operations			**(11,526)**	(26,335)
Finance costs			**—**	(20)
Gain on disposal of available-for-sale investments			**51,107**	85,178
Profit before tax			**39,581**	58,823

	Six months ended 2012 (Unaudited)			Year ended 2011 (Audited)		
	Plastic recycling	**Oil and gas**	**Total**	Plastic recycling	Oil and gas	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**62,483**	**2,811,161**	**2,873,644**	62,530	2,805,128	2,867,658
Deferred tax assets			**7,150**			7,381
Unallocated assets			**381,230**			343,070
Total assets			**3,262,024**			3,218,109
Segment liabilities	**8,273**	**2,301**	**10,574**	6,704	5,109	11,813
Deferred tax liabilities			**662,892**			663,117
Unallocated liabilities			**3,691**			4,124
Total liabilities			**677,157**			679,054

The Group's revenue from external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers Six months ended 30 June		Non-current assets	
	2012	2011	**At 30 June 2012**	31 December 2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**196,271**	244,639	**10,978**	11,400
United States of America	**3,984**	332	**2,788,480**	2,788,578
	200,255	244,971	**2,799,458**	2,799,978

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The Group's profit before tax is arrived at after charging/(crediting):		
Depreciation and amortization	**1,593**	309
Compensation from settlement of litigation	**(1,781)**	—
Exchange losses, net	**800**	310
Operating lease charges in respect of land and buildings	**2,578**	2,111

5. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax	**(47)**	(227)
Deferred Tax	**(6)**	2,661
	(53)	2,434

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2011 : Nil).

7. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$40,462,000 (2011: HK$67,515,000) and the weighted average number of ordinary shares of 3,408,263,000 (2011: 2,640,740,000) in issue during the period.

(ii) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the owners of the Company of HK$40,462,000 (2011 : HK$67,515,000) and the weighted average number of ordinary shares of 3,409,364,000 (2011: 2,669,149,000) in issue during the period, after adjusting the effects of 1,101,000 (2011: 28,409,000) dilutive potential shares on exercise of share options.

8. INTANGIBLE ASSETS

	Oil and gas processing right	
	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	HK$'000	*HK$'000*
At 1 January		
Cost	**2,818,920**	2,624,393
Accumulated amortisation and impairment	**(112,320)**	—
Net carrying amount	**2,706,600**	2,624,393
Period ended 30 June 2012/Year ended 31 December 2011		
Opening net carrying amount	**2,706,600**	2,624,393
Addition	**—**	194,527
Amortisation	**(918)**	(1,986)
Impairment	**—**	(110,334)
Closing net carrying amount	**2,705,682**	2,706,600
At 30 June 2012/31 December 2011		
Cost	**2,818,920**	2,818,920
Accumulated amortisation and impairment	**(113,238)**	(112,320)
Closing net carrying amount	**2,705,682**	2,706,600

The intangible assets represents oil and gas processing rights in Utah, the United States of America. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proved reserves.

9. TRADE RECEIVABLES

Based on invoice dates, the ageing analysis of trade receivables is as follows:

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	HK$'000	*HK$'000*
Less than 90 days	**3,229**	6,623

10. TRADE PAYABLES

Based on invoice dates, the ageing analysis of trade payables is as follows:

	At 30 June 2012 (Unaudited) ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Less than 90 days	**—**	3

11. SHARE CAPITAL

	Authorized ordinary shares of HK$0.10 each	
	No. of shares '000	*HK$'000*
At 30 June 2012 and 31 December 2011	200,000,000	20,000,000

	Issued and fully paid ordinary shares of HK$0.10 each	
	No. of shares '000	*HK$'000*
At 30 June 2012 and 31 December 2011	3,408,262	340,826

12. CAPITAL COMMITMENT

	At 30 June 2012 (Unaudited) ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Authorized but not contracted for:		
Proposed acquisition of a subsidiary	**9,155**	9,155
Contracted but not provided for:		
Development costs for the Utah Gas and Oil Field	**9,206**	10,920
	18,361	20,075

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION & ANALYSIS

RESULT AND REVIEW OF OPERATIONS

For the six months ended 30 June 2012 (the "Period"), the Group recorded a consolidated turnover of HK$200,255,000 (2011: HK$244,971,000), and the earnings attributable to the owners of the Company for the Period amounted to HK$40,462,000 (2011: HK$67,515,000). Basic earnings per share for the Period was HK1.19 cents (2011: HK2.56 cents). Earnings per share was based on the weighted average of 3,408.3 million of shares in issue in first half of 2012, and benefited mainly from disposal of investments.

The consolidated turnover was mainly contributed from the sales of oil and gas and sales of plastic recycling materials operations. Gross profit increased from HK$4,182,000 (restated) in 2011 to HK$7,903,000 for the Period, which is mainly due to the decrease in exploration, repair and maintenance expenses, and the gross profit margin has been improved and was 3.9% (2011: restated 1.7%).

BUSINESS REVIEW

Plastic Recycling Industry

The plastic recycling industry has been affected by the lingering European sovereign debt crisis in the first half of 2012. Our customers were spread by the sluggish performance of the European market, which in turn they reduced the demand for plastic recycling materials.

Plastic recycling material operations contribute over 98% of the Group's consolidated turnover and cash flows from operating activities during the Period. The consolidated turnover of sales of recycling materials decreased from HK$244,639,000 in 2011 to HK$196,271,000 during the Period, representing a decrease of 19.8%.

Oil and Gas Business

The Group owns 100% ownership interest of the Utah Gas and Oil Field.

There are four (4) shale gas producing wells in the Utah Gas and Oil Field with gas production of around 68,483 thousand cubic feet in the first half of 2012 which is being sold to Anadarko's or Questar's midstream operations. On the other hand, there are three (3) oil producing wells with oil production of around 3,781 barrels during the Period. Plains All American Pipeline, L.P., USA is the purchaser to collect the Group's crude oil produced in the Utah Gas and Oil Field.

EXPENDITURES INCURRED ON OIL & GAS PRODUCTION ACTIVITIES

During the Period, no exploration activity had taken place. One (1) well was under work over. The expenditures incurred on the development and mining production activities during the Period were approximately HK$1,714,000 million in aggregate.

There was constant and durable oil and gas production in the Utah Gas and Oil Field during the Period.

PROSPECTS

In light of very low natural gas prices in U.S. last year which rendered the Group's sales of natural gas at a lower level, management has taken appropriate measures to temporarily slowdown the oil & gas exploitation activities in Utah, and may consider to utilize part of the remaining funds in the Utah Gas and Oil Field and the Company's internal resources to invest in certain possible crude oil exploitation projects in Texas, U.S. in order to maximize return to the Shareholders. Despite the recent fall of natural gas price in U.S., the medium and long term outlook for natural gas remains positive.

The Group will further expand its portfolio of oil assets and scale of oil reserves substantially through mergers and acquisitions, including without limitation, a number of oil field development projects in Kazakhstan, South Sudan, Indonesia and Thailand etc which are under negotiation, so as to enhance the development potential of the Company. The Group has a strong financial position and adequate cash reserves and also built an excellent professional petroleum management team. The Board and management are confident and capable to develop the Company as an oil investment and operating company with satisfactory results.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of news shares and internally generated resources. At the Period end date, the Group did not have any bank borrowings (2011: Nil). The Group's cash and bank balances as at 30 June 2012 have increased to approximately HK$226 million from HK$169 million as at 31 December 2011, mainly as a result of the receipt of final instalments of consideration for the disposal of equity interests in China Coal Energy Holdings Limited of HK$51,107,000 in aggregate (net proceeds after 3% expenses payable) from Mr. Zhang Jingyuan in June 2012. In addition, the Group has short term loan receivables totalling HK$155 million which was mainly secured and could generate more interest income than that of bank deposits for the Group. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 38.07 as at 30 June 2012 (31 December 2011: 30.12).

During the Period, the Group conducted its business transactions principally in US dollars, Renminbi and Hong Kong dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, Management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

SETTLEMENT OF LITIGATIONS

(a) On 31 July 2010, the Company entered into a settlement agreement (the "Settlement Agreement") with Mr. Zhang Jingyuan ("Mr. Zhang"), the joint venture party, to withdraw all legal claims against any parties to those litigations in Hong Kong and Mainland China and to dispose of 55.11% equity interest of China Coal Energy Holdings Limited ("China Coal") to Mr. Zhang. Upon completion of the disposal, the Company will have an aggregate net proceeds of HK$164.36 million to be received by instalments within 2 years. As a full provision of impairment loss in respect of China Coal has been made before, therefore, the disposal of equity interest of China Coal will bring a considerable amount of non-recurring gain to the Company.

    On 12 March 2012, the Company entered into a Supplemental Settlement agreement (the "Supplemental Settlement Agreement") with Mr. Zhang. Pursuant to the Supplemental Settlement Agreement, Mr. Zhang and the Company have agreed to amend the payment dates for the

Fourth and the Fifth instalments on or before 10 May 2012. Up to the date hereof, all of the net proceeds HK$164.36 million in aggregate have been received by the Company pursuant to the Settlement Agreement.

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

   (i) Laurent Kim is the sole beneficial owner of 5,000,000 shares (the "Shares") in the Company registered in the name of Christine Tran Kim which have been issued by the Company as part of the consideration for the Group's acquisition of 50% shares in Euro Resources China Limited in 2007;

   (ii) Grand Ascend is entitled to levy execution of judgment to be obtained on the Shares. On 11 August, 2011 , the Group successfully obtained a judgment together with legal costs from the High Court of Hong Kong for a declaration that Laurent Kim is the sole beneficial owner of 6,000,000 ordinary shares (of which included 1,000,000 bonus shares issued by the Company on 9 June 2011) in the Company registered in the name of Kim Tran Christine.

   The Group has already obtained a charging order absolute on these 6,000,000 ordinary shares in March 2012 and will proceed to levy execution thereon as soon as practicable in respect of the judgment that the Group has obtained for a sum of Euro 9,833,000 (equivalent to approximately HK$94,927,600) together with interest payable by Laurent Kim.

(c) On 4 August 2011, an originating summons (the "Summons") was delivered to management of the Company. The Summons have been taken out against the Company by Dransfield Holdings Limited (in liquidation) ("DHL"), a subsidiary which has been disposed of by the Group in around July 2005.

   By the Summons, DHL alleged that the then intra-group transfer of the entire share capital of Good Value Holdings Limited (a former subsidiary of the Company) in around August 2003 was an unfair preference of the Company and was invalid, and DHL claimed against the Company for a sum of RMB 93,000,000.

   Reference is made to the Company's announcement dated 23 August 2005 in respect of a legal action instituted by Horace Yao Yee Cheung, Habile International Holdings Limited and Makdavy Holding Limited (the "Previous Legal Action"). The subject matters of the Previous Legal Action have happened before the existing Board of Directors which has formed in May 2006. The Company has successfully appealed against a judgment regarding the Previous Legal Action as announced by the Company on 13 April 2010.

   The subject matters of the Summons appear to be substantially the same and/or closely related to those of the Previous Legal Action.

   On 29 May 2012, the Company successfully obtained a judgment from the High Court of Hong Kong to strike out the claim and dismiss the action. On 12 July 2012, the Company obtained an order from the High Court of Hong Kong that DHL requires to pay the Company for the costs of the Summons.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the number of employees of the Group was about 60. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transaction by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "Board") is committed to achieving high standard of corporate governance.

In the opinion of the Board, the Company has complied throughout the Period with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the following:

(a) The Chairman is not subject to retirement by rotation pursuant to Bye-laws of the Company which deviates from Code provision A.4.2.

(b) Pursuant to Bye-law 87(1) of the Company, at each annual general meeting one third of the Directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that, the Chairman of the Board of the Company shall not whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year.

(c) Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separated and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Wong Kwan currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies; if there are better and suitable candidates, it is not ruled out that the positions of Chairman and Chief Executive could be held by different persons.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lam Ka Wai, Graham (Chairman of the Audit Committee), Mr. Yu Jianmeng and Mr. Wang Tong Sai. The Committee has reviewed with management the accounting principles and practices adopted by the Group, and has reviewed the unaudited interim results for the six months ended 30 June 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this announcement is published on the website of the Hong Kong Stock Exchange (the "Stock Exchange") (http://www.hkexnews.hk) and on the Company's website (http://www.pearloriental.com). The interim report for the period ended 30 June 2012, containing all the information required by the Listing Rules, will be dispatched to shareholders of the Company and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises three executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Dr. Lew Mon Hung and Mr. Cheung Kwok Yu; two non-executive Directors, namely Mr. Baiseitov Bakhytbek and Mr. Chen Ping; three independent non-executive Directors, namely Mr. Wang Tong Sai, Mr. Yu Jianmeng and Mr. Lam Ka Wai, Graham.

On behalf of the Board
Pearl Oriental Oil Limited
Cheung Kwok Yu
Executive Director and Company Secretary

Hong Kong, 30 August 2012