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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)

TOP-UP PLACING

PLACING OF EXISTING SHARES

SUBSCRIPTION FOR NEW SHARES

UNDER GENERAL MANDATE

AND

RESUMPTION OF TRADING

THE TOP-UP PLACING

On 15 March 2007, the Vendor reached the Agreements with the Purchasers and the Company. Pursuant to the Agreements, the Vendor agreed to sell an aggregate of 29,500,000 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\$2.59 per Sale Share.

Pursuant to the Agreements, the Vendor conditionally agreed to subscribe for an aggregate of 29,500,000 Top-Up Subscription Shares at a price of HK\$2.59 per Top-Up Subscription Share. The Sale Price (or the Top-Up Subscription Price) of HK\$2.59 represents (i) a discount of approximately 6.2% to the closing price of HK\$2.76 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 6.1% to the average closing price per Share of approximately HK\$2.758 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; and (iii) a discount of approximately 7.0% over the average closing price per Share of HK\$2.786 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

The 29,500,000 Sale Shares (or the Top-Up Subscription Shares) represent (i) approximately 8.38% of the existing issued share capital of the Company of 352,141,960 Shares as at the date of this announcement; and (ii) approximately 7.73% of the issued share capital of the Company of 381,641,960 Shares as enlarged by the Top-Up Subscription. The Top-Up 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 Top-Up Subscription Shares; and (ii) completion of the Sale. The gross proceeds from the Top-Up Subscription will be approximately HK\$76.4 million. The net proceeds of approximately HK\$74.5 million from the Top-Up Subscription is intended to be used for partly for the Company's joint venture with CITIC Merchant Co. Ltd in relation to oilfield exploitation and related businesses (as announced by the Company on 1 March 2007) and partly as general working capital of the Group.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 14 March 2007 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 16 March 2007.

THE TOP-UP PLACING

SHARE SALE AND SUBSCRIPTION AGREEMENTS

Date

15 March 2007

Parties involved

The Company, the Purchasers and the Vendor

Purchasers

Name	Number of Shares	Percentage to the existing issued capital of the Company as at the Last Trading Date
(i) Deutsche Bank AG London	16,000,000	4.54%
(ii) Wellchamp Capital Limited	4,000,000	1.14%
(iii) Axix Captial Limited	3,000,000	0.85%
(iv) Galaxy China Opportunities Fund	2,000,000	0.57%
(v) China Vision Fund	1,000,000	0.28%
(vi) Integrated Asset Management (Asia) Limited	2,000,000	0.57%
(vii) Fair Investment Management Limited	1,500,000	0.43%
Total	<u>29,500,000</u>	

There will be no board representation to the Company from the Purchasers in connection with the Sale. The Purchasers have confirmed to the Company that they have no shareholding in the Company prior to the Sale. To the best of the Directors' knowledge, the Purchasers are not connected with each other.

All the seven (7) Agreements have same terms and conditions, and each of the Agreements is independent and not-interconditional.

Independence of the Purchasers

To the best knowledge of the Company, the Purchasers 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 executives 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 Top-Up Subscription Price) of HK\$2.59 represents (i) a discount of approximately 6.2% to the closing price of HK\$2.76 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 6.1% to the average closing price per Share of approximately HK\$2.758 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; and (iii) a discount of approximately 7.0% over the average closing price per Share of HK\$2.786 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

The Sale Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Vendor, the Company and the Purchasers on 15 March 2007. 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 29,500,000 Sale Shares (or the Top-Up Subscription Shares) represent (i) approximately 8.38% of the existing issued share capital of the Company of 352,141,960 Shares as at the date of this announcement; and (ii) approximately 7.73% of the issued share capital of the Company of 381,641,960 Shares as enlarged by the Top-Up Subscription.

Ranking of Placing 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 24 March 2007.

The Top-Up Subscription Price

The Top-Up Subscription Price is HK\$2.59 per Share. The Top-Up Subscription Price is the same to the Sale Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Sale Price of the Sale Shares.

Number of Top-Up Subscription Shares

The number of Top-Up Subscription Shares is equivalent to the number of Sale Shares, being 29,500,000.

Ranking of Top-Up Subscription Shares

The Top-Up 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 Top-Up Subscription Shares.

The Top-Up Subscription Shares

The Top-Up subscription Shares will be issued under the General Mandate. The total number of issued Shares as at the date of the AGM was 248,761,960 Shares. Pursuant to the General Mandate granted to the Directors at the AGM, the total number of new Shares that the Company is authorised to allot and issue are 49,752,392 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 Agreements

The Agreements are conditional upon, among other things:

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

Completion

Under Rule 14A.31(3)(d) of the Listing Rules, the Top-Up Subscription must be completed within 14 days from the date of the Agreements, that is, on or before 29 March 2007.

In the event that the conditions to the Top-Up Subscription Agreement are not fulfilled by 29 March 2007, the Company and the Vendor may elect, to postpone completion of the Top-Up Subscription to a later date to be agreed between the Company and the Vendor.

REASON FOR THE TOP-UP PLACING AND USE OF PROCEEDS

The Directors consider various ways of raising funds and consider that the Sale and Top-Up Subscription represent an 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 interest of the Company and the Shareholders as a whole.

The gross proceeds from the Top-Up Subscription will be approximately HK\$76.4 million. The net proceeds of approximately HK\$74.5 million from the Top-Up Subscription is intended to be used for partly for the Company's joint venture with CITIC Merchant Co. Ltd in relation to oilfield exploitation and related businesses (as announced by the Company on 1 March 2007 and partly as general working capital of the Group. The net proceeds raised per Share upon completion of the Top-Up Subscription will be approximately HK\$2.525 per Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement, except the issue of new shares, convertible notes and option as set out in the Company's announcement dated 23 March 2006 in relation to the subscription of 4 billion new shares of HK\$0.01 each at the price of HK\$0.01 per share by the Vendor and the subscription of convertible notes of HK\$30,000,000 by the Vendor and the grant of shares option in respect of 1 billion new shares of HK\$0.01 each to the Vendor (collectively, the "Issues").

The net proceeds of the Issues of approximately HK\$79.6 million in total have been applied towards the settlement of a loan owing to Guangdong Development Bank by the Group as to approximately HK\$28.8 million and as to the remaining HK\$50.8 million as the general working capital of 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 Developments Limited (<i>Note</i>)	171,411,800	48.68	171,411,800	44.91
Public Shareholders				
– the Purchasers	–	–	29,500,000	7.73
– Other public Shareholders	180,730,160	51.32	180,730,160	47.36
Total	<u>352,141,960</u>	<u>100.00</u>	<u>381,641,960</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.

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 Top-Up Subscription Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 14 March 2007 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 16 March 2007.

Terms and definitions

“AGM”	the annual general meeting of the Company held on 30 August 2006
“Agreements”	the share sale and subscription agreements between the Company, the Vendor and the Purchasers dated 15 March 2007 in relation to the Sale
“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”	13 March 2007, 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 29,500,000 existing Shares in aggregate beneficially owned by the Vendor to the Purchasers pursuant to the terms of the Agreements
“Sale Price”	HK\$2.59 per Sale Share
“Sale Share(s)”	an aggregate of 29,500,000 existing Shares beneficially owned by the Vendor and to be sold pursuant to the Agreements
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.50 in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top-Up Subscription”	the subscription for 29,500,000 new Shares in aggregate by the Vendor pursuant to the terms of the Agreements
“Top-Up Subscription Price”	HK\$2.59 per Top-Up Subscription Share

“Top-Up Subscription Share(s)”	29,500,000 new Shares to be subscribed for by the Vendor pursuant to the Agreements
“Vendor”	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 six executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Chan Yiu Keung, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang, Mr. Zheng Yingsheng and Mr. Johnny Yuen; one non-executive Director, namely Dr. Robert Fung Hing Piu; and three independent non-executive Directors, namely Dr. Anwar Ibrahim, Dr. Lee G. Lam and Mr. Victor Yang.

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

Hong Kong, 15 March 2007

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.