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東方明珠石油有限公司*
Pearl Oriental Oil Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 632)

**(I) ENTERING INTO AND SUBSEQUENT TERMINATION OF
SUBSCRIPTION AGREEMENT;
(II) LOAN AGREEMENTS;
(III) RECEIPT OF LETTER FROM THE BUREAU OF
LAND MANAGEMENT;
AND
(IV) RESUMPTION IN TRADING**

Reference is made to the announcements of Pearl Oriental Oil Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 24 August 2017, 29 August 2017, 29 September 2017, 30 October 2017, 30 November 2017, 29 December 2017, 30 January 2018, 28 February 2018 and 28 March 2018 in relation to, among others, the Proposed Subscription (the “**Previous Announcements**”). Reference is also made to the announcement of the Company dated 6 April 2018 in respect of a trading halt in the Shares on the Stock Exchange. Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Previous Announcements.

THE SUBSCRIPTIONS

The Board wishes to inform its Shareholders that on 4 April 2018 (after trading hours), the Company entered into the Formal Agreement (or the “**Subscription Agreement**”) with NPCC (Hong Kong) Limited (“**NPCC**”) and Noble Pioneer Limited (“**Noble**”). However, as set out in the paragraph headed “Termination of the Subscription Agreement”, the Company has served a termination notice to terminate the Subscription Agreement. Pursuant to the Subscription Agreement, each of NPCC and Noble conditionally were to subscribe for 6,492,500,000 Subscription Shares and 3,200,939,000 Subscription Shares, respectively,

constituting a total of 9,693,439,000 Subscription Shares, in each case at an issue price of HK\$0.02 per Subscription Share (the “**Subscriptions**”). Completion of the subscription by Noble was conditional upon and subject to the concurrent completion of the subscription by NPCC, while completion of the subscription by NPCC was independent of and not conditional upon completion of the subscription by Noble.

The principal terms of the Subscription Agreement were as follows:

Date : 4 April 2018

Issuer : The Company

Subscribers	Subscribers	Subscription Shares	
		Number of Subscription Shares	Aggregate subscription monies (HK\$)
	NPCC	6,492,500,000	129,850,000
	Noble	<u>3,200,939,000</u>	<u>64,018,780</u>
	Total	<u>9,693,439,000</u>	<u>193,868,780</u>

NPCC and NPC Group as its ultimate beneficial owners are third parties independent of the Company and its connected persons save that NPCC is acting in concert with Noble which is wholly owned by Ms. Fan Amy Lizhen (“**Ms. Fan**”), a connected person of the Company.

Ms. Fan is the chairlady of the Company and an executive Director and thus a connected person of the Company. Noble, which is wholly-owned by Ms. Fan, is an associate (within the meaning of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the “**Takeovers Code**”)) of Ms. Fan and a connected person of the Company. As at the date of this announcement, Ms. Fan is not a Shareholder.

Below would be the number of Subscription Shares and their proportions to the total issued share capital of the Company were the Subscriptions proceeded with.

Subscribers	Number of Subscription Shares	Aggregate nominal value (HK\$)	As at the date of this announcement	Approximate % of the total issued share capital of the Company	
				Immediately upon completion of the Subscriptions assuming no share options are converted and no further Shares are issued	Immediately upon completion of NPCC's subscription only, assuming that Noble's subscription is not completed, no share options are converted and no further Shares are issued
NPCC	6,492,500,000	649,250,000	200.05%	50.18%	66.67%
Noble	3,200,939,000	320,093,900	98.63%	24.74%	–
Total	9,693,439,000	969,343,900	298.68%	74.92%	66.67%

If the Subscriptions were completed, NPCC would hold more than 30% of the issued Shares (whether or not the subscription by Noble is completed) and it would be required to make a mandatory unconditional cash offer for the relevant securities of the Company not already owned or agreed to be acquired by NPCC and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code (the “**Possible Offer**”). However, as the Company served a termination notice to NPCC to terminate the Subscription Agreement as set out in the paragraph below, the Possible Offer will no longer be made.

TERMINATION OF THE SUBSCRIPTION AGREEMENT

As at the date of this announcement and to the best information, knowledge and belief of the Directors, due to NPCC’s internal debt restructuring and possible changes in ownership and management control, NPCC would not be able to complete the Subscriptions and the Possible Offer. On 28 April 2018, the Company served a notice to NPCC and Noble indicating that the Subscription Agreement has been terminated (the “**Notice**”). At the material time, the Company is advised by its legal advisers that the only best option viable is to serve a termination notice to NPCC in the accordance with the terms of the Subscription Agreement to terminate the Subscription Agreement. The risks associated with the termination notice are set out in the paragraph “Risk Associated with the Termination Notice”.

LOAN AGREEMENTS

As disclosed in the announcement of the Company dated 30 November 2017, the Company as borrower and NPCC as lender entered into a loan agreement (the “**HK\$25M Loan Agreement**”) in respect of a loan of HK\$25,000,000 (the “**HK\$25M Loan**”) at an interest rate of 8% per annum on 27 November 2017. As at the date of this announcement, a total of HK\$25,000,000 has been drawn from the HK\$25M Loan. The HK\$25M Loan Agreement is still subsisting and the HK\$25M Loan is required to be repaid on 27 May 2018.

In addition, on 28 March 2018, the Company as borrower and Mr. Wu Benzhi (“**Mr. Wu**”) as lender entered into a loan agreement (the “**HK\$5M Loan Agreement**”), pursuant to which Mr. Wu agreed to make available to the Company a loan of HK\$5,000,000 (the “**HK\$5M Loan**”) at an interest rate of 8% per annum for a term of three months from the date of drawdown. As at the date of this announcement, a total of approximately HK\$2,000,000 has been drawn from the HK\$5M Loan and no further drawdowns will be made. The HK\$5M Loan Agreement is still subsisting and the amount drawn down from the HK\$5M Loan is required to be repaid on 27 June 2018.

The Board also wishes to inform its Shareholders that on 4 April 2018 (after trading hours), the Company as borrower and NPCC as lender entered into a further loan agreement (the “**HK\$30M Loan Agreement**”), pursuant to which NPCC was to make available to the Company a loan of HK\$30,000,000 at an interest rate of 8% per annum for a term of six months from the date of drawdown. However, no drawdown has been made under this HK\$30M Loan Agreement. By the Notice, the Company also terminated the HK\$30M Loan Agreement. At the material time, the Company is advised by its legal advisers that the only best option viable is to serve a termination notice to NPCC to terminate the HK\$30M Loan Agreement. The risks associated with the termination notice are set out in the paragraph “Risk Associated with the Termination Notice”.

INFORMATION OF THE SUBSCRIBER

Based on information available on the National Enterprise Credit Information Publicity System (國家企業信用資訊公示系統) as at the date of this announcement, Mr. Wu is the ultimate beneficial owner of Shanghai Puhe Enterprise Management Company Limited* (上海浦和企業管理有限公司) (“**Puhe**”). Shanghai Xiayun Chuangfu Equity Investment Fund Company Limited* (上海峽雲創富股權投資基金有限公司), Shaanxi Lianan Energy Management Company Limited* (陝西聯安能源管理有限公司) and Puhe hold approximately 40%, 40% and 20%, respectively, of the equity interest in NPC Group which, based on the annual return 2017 of NPCC, in turn wholly owns NPCC.

STATUS AND DEVELOPMENT PLAN OF THE GROUP'S OIL AND GAS BUSINESS

The Company has 100% record title in respect of oil and gas leases in a certain natural gas and oil field located in Uinta Basin, Uintah County, Utah, the United States of America (the “**Utah Gas and Oil Field**”), which covers an area of around 3,692 acres.

On 12 March 2018, the Company received a letter (the “**Letter**”) from the Bureau of Land Management (“**BLM**”) of the United States Department of the Interior dated 27 February 2018 and issued to Shiny One USA LLC, a wholly-owned subsidiary of the Company. Pursuant to the Letter, the Group is required to initiate bona fide efforts to demonstrate that a certain lease (the “**Subject Part**”) of the Utah Gas and Oil Field is capable of reaching the required annual minimum production quantities according to the lease term of the Subject Part in order to avoid the termination of such lease. Such efforts, including well testing, workover or new drilling operations, may require application to and/or approval of BLM.

The Group is currently considering all options available in order to prevent the termination of the lease by BLM. The Directors anticipate that future capital expenditures on such actions will amount to approximately US\$900,000. The Group is required to initiate diligent efforts to rectify the concerns stipulated in the Letter within 60 days of receipt thereof, i.e. 12 May 2018. The Company has initiated the repair of the wells under the Subject Part and has been in contact with the BLM with an aim to satisfy the requirements of the Letter.

FINANCIAL POSITION OF THE GROUP

The Group recorded a net loss attributable to Shareholders of approximately HK\$352 million for the year ended 31 December 2017 and as at 31 December 2017, the Group had a balance of cash and cash equivalents amounting to approximately HK\$4.5 million only. As at the date of this announcement, the total outstanding loans of the Group amounted to approximately HK\$66 million, consisting of the HK\$25M Loan provided by NPCC, HK\$2 million drawn down from the HK\$5M Loan provided by Mr. Wu and the remaining HK\$39 million provided by independent third parties of the Company, which are all repayable within six months of this announcement and bear interest rates ranging from 8% to 14% per annum. Approximately HK\$60 million of the loans will fall due in the next 3 months. Coupled with the Group's working capital requirements where, the Group recorded a net cash outflow from operating activities of approximately HK\$20 million for the year ended 31 December 2017, the Company is faced with severe liquidity and financial difficulties.

The termination of the Subscription Agreement does not create any immediate financial impacts on the Company. However, as disclosed in the annual report of the Company for the year ended 31 December 2017, the subscription by NPCC was among the factors based on which the Directors considered it was appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2017 on a going concern basis. Given the termination of the Subscription Agreement and the HK\$30M Loan Agreement, if the Company cannot secure other funding, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The Company is urgently and actively identifying any potential investors for share subscription and/or exploring other fund raising means. The Company will keep the market informed by way of announcement in compliance with the requirements of the Listing Rules as and when appropriate. To the best information, knowledge and belief of the directors, the Company is not aware of any other inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance.

RESUMPTION OF TRADING IN THE SHARES OF THE COMPANY

Trading in the Shares has been halted with effect from 9:00 a.m. on 6 April 2018. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 May 2018.

This announcement is also made by the Company pursuant to Rule 3.7 of the Takeovers Code. In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress regarding the Subscriptions would be required to be made by the Company until an announcement is made of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer. The Subscriptions have now been terminated and the Possible Offer will not be made. Therefore, the offer period has ended following publication of this announcement. The obligation for the Company to make further monthly announcements under Rule 3.7 of the Takeovers Code has therefore ceased.

RISK ASSOCIATED WITH THE TERMINATION NOTICE

There is a risk that the other parties to the agreement may claim that the termination is wrongful and seek damages for wrongful termination. The Company may be exposed to litigation or other risks which may adversely affect the Company. Furthermore, since the HK\$30M Loan Agreement has also been terminated, there may be a risk that the HK\$25M Loan may be called earlier by NPCC and the Company may have to repay the HK\$25M Loan on demand pursuant to the HK\$25M Loan Agreement. Shareholders and potential investors should also be aware that no written agreement has been entered into between the parties in relation to the termination of the Subscription Agreement and the Loan Agreement. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

By Order of the Board of
Pearl Oriental Oil Limited
Fan Amy Lizhen
Chairlady and Executive Director

Hong Kong, 2 May 2018

As at the date hereof, the Board comprises four executive Directors, namely Ms. Fan Amy Lizhen, Mr. Cheung Kam Shing, Terry, Mr. Tang Yau Sing and Mr. Cheung Ka Chun, David; and seven independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Chan Sung Wai, Mr. Koo Luen Bong, Mr. Chau Wing Man, Mr. Wang Jing Ting, Mr. Lam Kwan, and Mr. Chan Kwan Pak.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement contained in this announcement misleading.

* *for identification purpose only*