東 方 明 珠 創 業 有 限 公 司*

Pearl Oriental Innovation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

INTERIM RESULTS ANNOUNCEMENT 2008

The Directors of Pearl Oriental Innovation Limited (the "Company") are pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2008 (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	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**38,270**	37,079
Cost of sales		**(24,602)**	(26,584)
Gross profit		**13,668**	10,495
Other revenue and net income		**230**	2,362
Selling and distribution expenses		**(7,167)**	(4,110)
General and administrative expenses		**(19,562)**	(27,438)
Loss from operations	4	**(12,831)**	(18,691)
Finance costs		**(3,260)**	(2,937)
Share of loss of associates		**(4,185)**	(3,725)
Realized holding loss on investment in securities		**—**	(900)
Impairment loss of investment securities		**—**	(4,141)
Impairment loss of goodwill		**—**	(6,065)
Loss before taxation		**(20,276)**	(36,459)
Income tax	5	**(7)**	(293)
Loss for the period		**(20,283)**	(36,752)
Attributable to:			
Equity shareholders of the Company		**(18,695)**	(33,819)
Minority interests		**(1,588)**	(2,933)
		(20,283)	(36,752)
Loss per share	7		
Basic		**(4) cents**	(9) cents

Condensed Consolidated Balance Sheet

	Notes	**At 30 June 2008 (Unaudited)** *HK$'000*	At 31 December 2007 (Audited) (Restated) *HK$'000*
Non-current assets			
Property, plant and equipment		**105,470**	100,156
Interests in leasehold land held for own use under operating leases		**19,430**	18,329
Interests in associates		**31,767**	35,952
Deferred tax assets		**1,419**	1,419
		158,086	155,856
Current assets			
Trade and other receivables	8	**25,408**	22,530
Interests in leasehold land held for own use under operating leases		**526**	526
Available-for-sales financial assets	9	**358,440**	358,440
Amounts due from minority shareholders of subsidiaries		**—**	11
Amount due from associates		**23,943**	9,930
Cash and cash equivalents		**12,622**	31,617
		420,939	423,054
Current liabilities			
Trade and other payables	10	**22,000**	23,980
Amounts due to related companies		**—**	63,903
Short-term bank loans		**7,857**	7,101
Income tax payable		**16,452**	16,464
		46,309	111,448
Net current assets		**374,630**	311,606
Total assets less current liabilities		**532,716**	467,462
Non-current liabilities			
Interest-bearing borrowings		**57,050**	57,315
Amounts due to minority Shareholders of subsidiaries		**3,996**	—
		61,046	57,315
NET ASSETS		**471,670**	410,147

	At 30 June 2008 (Unaudited)	At 31 December 2007 (Audited) (Restated)
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**232,369**	193,641
Reserves	**234,588**	210,209
Total equity attributable to equity shareholders of the Company	**466,957**	403,850
Minority interests	**4,713**	6,297
TOTAL EQUITY	**471,670**	410,147

Notes to Condensed Consolidated Financial Statements

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No. 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Certain investment in associate has been reclassified to available-for-sales financial assets and stated at cost on initial investment as the Company has no longer any significant influence against one of its associates for reasons stated in note 9.

2. Principal Accounting Policies

Pursuant to the board of directors' meeting on 2 January 2008, the financial year end date of the Group and the Company has been changed from 31 March to 31 December in order to a conterminous financial year end as that of its major operating subsidiaries and associates engaged in the business of energy, natural resources and logistics. As a result, the consolidated financial statements are presented covering a period of six months from 1 January 2008 to 30 June 2008. Accordingly, the comparative figures (which cover a period of six months from 1 January 2007 to 30 June 2007) for the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and related notes to financial statements are not comparable with those of the current period.

The Group's interim financial report for the six months ended 30 June 2008 (the "Interim Financial Report"), has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"), all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretation issued by the Hong Kong Institute of Certified Pubic Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong , including compliance with HKAS34 "Interim financial statements". The preparation of interim financial reports in conformity with HKAS34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The principal accounting policies adopted in preparing the Interim Financial Report are consistent with those adopted in the financial statements for the year ended 31 December 2007. The Group has also adopted a number of new HKFRSs ("New HKFRSs") issued by HKICPA which became effective for accounting periods beginning on after 1 January 2008. However, the adoption of these New HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early adopted the following HKFRSs issued by the HKICPA that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 1 (Revised) (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

The Directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's Interim Financial Statements.

3. Segment Information

	Turnover		Loss from operations	
	Six months ended 30 June		**Six months ended 30 June**	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activity:				
Continuing operations Logistics	**38,270**	37,079	**(3,979)**	889
Unallocated corporate expenses			**(8,852)**	(19,580)
Loss from operations			**(12,831)**	(18,691)
By geographical area:				
Hong Kong	**—**	—		
The People's Republic of China ("PRC")	**38,270**	37,079		
	38,270	37,079		

4. Loss From Operations

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The Group's loss from operations has been arrived at after charging:		
Depreciation and amortization	**2,687**	2,366
and after crediting:		
Net foreign exchange gain	**—**	2,434
Interest income from bank deposits	**143**	87
Government subsidy	**—**	526
Others	**87**	64

5. Income tax

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Provision for PRC enterprise income tax	**7**	293

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands during the Period (31 December 2007: Nil).

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the Period (31 December 2007: Nil).

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC which was the applicable rate for the six months ended 30 June 2008 ranged from 18% to 25% (30 June 2007: 15% to 33%).

6. Dividends

No dividends were paid during the Period. The directors do not recommend the payment of an interim dividend for the Period (2007: Nil).

7. Loss Per Share

The calculation of the basic loss per share attributable to the ordinary equity shareholders of the Company is based on the following data:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share:		
Net loss for the period	**(18,695)**	(33,819)
Weighted average number of shares for the purpose of calculating basic loss per share (in thousands)	**437,926**	369,737

The computation of loss per share for the six months ended 30 June 2008 does not assume the exercise of the Company's outstanding share options since the exercise price of the outstanding share options was higher than the market value of the Company's share throughout the Period.

8. Trade and Other Receivables

Included in trade and other receivables (net of impairment losses for bad and doubtful debts) with and an ageing analysis as at 30 June 2008 as follows:

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Less than 3 months	**15,351**	12,217
3 to 6 months	**1,453**	2,427
6 to 12 months	**913**	164
Over 1 year	**207**	75
	17,924	14,883
Bill receivables	**914**	430
Other receivables	**6,570**	7,217
	25,408	22,530

The Group maintains and closely monitors defined credit policies for its businesses and trade receivables in order to control the credit risk associated with trade receivables.

9. Available-For-Sales Financial Assets

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) (Restated) *HK$'000*
Equity interests in China Coal Energy Holdings Limited ("China Coal")	358,440	358,440

Subsequent to the litigations with Zhang Jingyuan, (see relevant paragraphs under "Litigations" in the Management Discussion & Analysis), Management believes that the Company has no longer any significant influence against one of its associate, China Coal according to HKAS 28. It represented an investment in approximately 40 million ordinary shares in China Coal (representing approximately 40% of its issued share capital) and has been therefore reclassified from investment in associates to available-for-sales financial assets and stated at cost on initial investment. Accordingly, the results of China Coal has not been equity accounted for in the Period and in the previous corresponding period from 1 January 2007 to 30 June 2007 for comparative purpose. No impairment is considered necessary as the Company has received genuine proposals for acquiring the Group's 40% equity in China Coal.

10. Trade and Other Payables

The following is an aged analysis of accounts payable at reporting date:

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Less than 3 months	**6,348**	7,503
3 to 6 months	**411**	1,634
6 to 12 months	**2,175**	363
Over 1 year	**620**	300
	9,554	9,800
Other payables	**12,446**	14,180
	22,000	23,980

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Review of Options

For the six months ended 30 June 2008 (the "Period"), the Group recorded a consolidated turnover of HK$38,270,000 (2007: HK$37,079,000), representing an increase of approximately 3.2% over the corresponding period last year. The loss attributable to the Shareholders of the Company for the Period decreased to HK$18,695,000 (2007: HK$33,819,000). Basic loss per share was 4 HK cents for the Period as compared to the loss per share of 9 HK cents per share for the six months ended 30 June 2007.

The increase in turnover was mainly due from Pearl Oriental Logistics (Shenzhen) Ltd increase in warehouse and logistics business. However, the gross profit was HK$13,668,000 (2007: HK$10,495,000) for the Period, which represented an increase of approximately 30% over the corresponding period last year and the gross profit margin has increased from 28% to 36%. The increase in gross profit margin mainly from the e-commerce logistics of Guangzhou Pearl Oriental Logistics Limited as it has a higher gross margin.

The results only reflected that of the logistics business and plastic recycling business of the Group during the Period, as currently there are litigations in connection with the Group's major investment of 40% equity interest in China Coal Energy Holdings Limited ("China Coal"), the Group's share of the results of China Coal has not been included in the Income Statement since the directors of the Company adopt prudent accounting policies.

PROSPECTS

Energy and Natual Resources Sectors

With the global scarcity of coking coal, we expect a coking coal market dominated by suppliers as a result of demand and supply imbalance, the selling prices of coking coal has increased to RMB1,000 from RMB300 per ton when the Group has invested in China Coal in two years ago. In the short run, the upward trend of coking coal price may slow down as it has already risen substantially in the past year.

With China being the second largest consumer of energy in the world and with coal contributing over 60% of China's energy consumption, demand for coal in China is stronger than ever. China is the world's largest coal producer, and the majority of coal produced in China is derived from Shanxi, and in fact Shanxi is also the largest producer of raw coal and coking coal in China.

Management of the Company has recently received preliminary proposals of acquiring the Company's interests in China Coal from two independent groups of investors, however Management has already rejected such proposals after taking into account the growth potential of the coal industry in China and the fact that the value of business of China Coal has not been reflected in such proposals.

However, if the situations allow, the Group is still looking for potential acquisitions of coal or energy related businesses if such opportunities arise.

Plastic Recycling Industry

The Group has 50% equity interests in Euro Resources China Limited ("Euro Resources"). This plastic resources recycling project has great development potential and also its products have huge demand in the PRC market and the management will also explore opportunities of expanding its market for plastic to North America, other Asian Countries like Vietnam, Cambodia, Malaysia, Korea, Japan and etc.

Apart from the recycling factory in France, the management of Euro Resources is in negotiation for acquisitions of few recycling factories and collection facilities in Europe like United Kingdom, Germany, Italy and etc. Furthermore, Euro Resources has already formed a joint-venture in Shunde of Guangdong province, China to generate more profits and broaden the customers' base in the manufacturing process of plastic granulation.

As mentioned in the Company's announcement dated 20 June 2008, the Group has requested the vendors/guarantors of Euro Resources, Mr. Laurent Kim and Mr. Ung Phong and requested them to pay the shortfall (approximately Euro 5.5 million (which is estimated based on the loss of Euro 1.5 million for the year ended 31 December 2007 from management accounts plus profit guarantee of Euro 4 million) equivalent to HK$66.6 million) on a dollar to dollar basis to the Company for the financial year ended 31 December 2007 (the amount is subject to change after received the audited report of Euro Resources) and requested them to reply to the Company with a solution. As the Group has not received substantive reply from the Vendor, based on the terms of the relevant agreement, Grand Ascend Investments Limited (a wholly owned subsidiary of the Company) has the right to dispose of 30% equity of Euro Resources which is the collateral held by the Group in respect of the guarantees given by Mr. Laurent Kim and Mr. Ung Phong in favour of the Group. The Group has planned to take appropriate actions to recover the shortfall including without limitation to dispose of the said 30% equity of Euro Resources through independent chartered surveyors.

The directors of the Company consider that the results of Euro Resources is lower than expected since it is still in the early stage of development. The Company has strong confidence in the business model and development potential of Euro Resources given the strong market demand of products of Euro Resources in China, and also the increasing concern of the public over the importance of environment protection and the strong support of the environmental friendly operations of Euro Resources from various parties due to the increasing awareness of the importance of environment protection.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated resources and loan facilities granted by principal bankers in the PRC and Hong Kong.

As at 30 June 2008, the Group's gearing ratio had slightly increased to 11.2% (calculated on the basis of the Group's bank borrowings over total assets) from 11.1% as at 31 December 2007. At 30 June 2008 the Group's total bank borrowings amounted to approximately HK$65 million, which was secured by certain properties of the Group located in the PRC. The Group has adopted a conservative approach to financial risk management with limited borrowing during the Period.

Furthermore, the Group's cash and bank balances as at 30 June 2008 have decreased to HK$12,622,000 from approximately HK$31,617,000 as at 31 December 2007. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 9.09 as at 30 June 2007 (31 December 2007: 3.80).

At 30 June 2008, the Group's bank loan facilities are subject to the fulfillment of covenants relating to certain capital requirements, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2008 and 31 December 2007, none of the covenants relating to drawn down facilities had been breached.

During the Period, the Group conducted its business transactions principally in Renminbi, 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.

Litigations

The Group had three pending litigation claims from the ex-directors of a disposed subsidiary who claim against the Group for a sum of not less than HK$11.4 million. Witness statements of both parties have been made and the Group will proceed to trial. The actions are at the initial stage and will proceed to trial and the Group and its legal representative are unable to ascertain the possible effects of the claims.

It is a term and condition in the Subscription Agreements entered into by, inter alios, the Company and DiChain Holdings Limited ("DiChain Holdings") on 22 February 2006 and an obligation (the "Obligation") for DiChain Holdings to pledge one billion Shares (or 20,000,000 Consolidated Shares of HK$0.50 each) upon completion of the Subscription Agreements, as collateral to compensate the Company of any economic loss (if any) arising from any breach of warranties (if any) provided by DiChain Holdings under the Subscription Agreements. As DiChain Holdings has not yet performed the Obligations under the Subscription Agreements, the Company issued a writ of summons against DiChain Holdings on 31 October 2006, inter alia, in respect of the breach of warranties given by DiChain Holdings under the Subscription Agreements. The Company obtained a summary judgment against DiChain Holdings on 13 December 2007 in respect of its non-performance of obligations and breach of warranties under the Subscription Agreements. On 7 January 2008, China Minsheng Banking Corporation Limited (Shenzhen Branch) ("Minsheng Bank") applied to the court to join as the intervener of this case and has applied to the court for appeal, and Minsheng Bank obtained an order on 15 April 2008 that the appeal against the summary judgment entered by the Company on 13 December 2007 be allowed. The Company has obtained legal advice to further appeal after reviewing the judgment from the court and may consider to petition to the court for a winding order of DiChain Holdings in order to protect the interests of the Company.

As announced by the Company on 12 August 2008, on 7 August 2008, Zhang Jingyuan (formerly know as Zhang Genyu ("Zhang")) issued and served a writ ("the Writ") in the High Court of Hong Kong against, inter alios, the Company, Champion, 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 Zhang claimed, inter alios, against the Company and Champion for damages for alleged breaches of a Joint Venture Agreement dated 15 July 2006 (the "Joint Venture Agreement"), and Zhang also applied for an order that the Joint Venture Agreement and the Deed of Charge dated on 25 October 2006 in favour of the Company in respect of all of Zhang's shares in Chain Coal be rescinded.

After considering opinion from the Company's legal advisors, the Company is of the view that all the claims in the Writ are of no substance and groundless, and the Board will strongly defend and has confidence to defeat such claims.

As disclosed in the Company's announcement dated 12 August 2008, with a view to protect the interests of the Company and its shareholders as a whole, the Company issued a statement of claim on 12 August 2008 in the High Court of Hong Kong against Zhang, including without limitation, the shortfall of dividend from China Coal of HK$40,000,000, damages for breaches of the Joint Venture Agreement and other relief. The Company will keep the shareholders well informed of status of these litigations when necessary and appropriate.

Employees and Remuneration Policies

As at 30 June 2008, the number of employees of the Group was 531. 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 traveling allowances and discretionary bonuses.

OUTLOOK

In view of the serious adverse consequences resulted from the recent financial tsunami and credit crisis, we expect the outlook will become more challenging for most industries and sectors. The Board and Management will therefore execute and operate in more prudent manner in respect of its business and financial planning, and will give priority to lower the risks in formulating the business and investment strategies in order to effectively protect the interests of the Company and its shareholders. The Company has an excellent management team and also great confidence in its future development.

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 ended 30 June 2008 (the "Period") with the Code on Corporate Governance Practices (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"), which was in force on 1 January 2005, save for the following:

(a) The Chairman and the Managing Director are not subject to retirement by rotation pursuant to Bye-laws of the Company

(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 and/or the Managing Director 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 in each year.

(c) Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate 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.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors, namely Mr. Lai Shi Hong, Edward (Chairman of the Audit Committee), Mr Dong Zhixiong and Mr. Fung Hing Chiu, Cyril. The Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2008.

On behalf of the Board
Cheung Kwok Yu
Executive Director and Company Secretary

Hong Kong, 26 September 2008

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; and three independent non-executive Directors, namely Mr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril, and Mr. Lai shi Hong, Edward.

* *For identification purposes only*