

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE AND CONNECTED TRANSACTION

On 5 November 2008, Allfair Limited, a wholly owned subsidiary of the Group, entered into the Agreement to acquire the 30% equity interests in Euro Resources from the Vendor at the consideration of HK\$9,800,000. Upon Completion, Euro Resources will be 80% owned by the Group and will become a subsidiary of the Company.

As the Vendor is an associate of the Company for the purposes of the Listing Rules which as at the date of this announcement owns, through its wholly-owned subsidiaries, 50% equity interest of Euro Resources. The Transaction therefore constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Transaction is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32 of the Listing Rules as the consideration percentage ratio is more than 2.5% but less than 25% and the consideration is less than HK\$10,000,000.

As certain applicable percentage ratios in respect of the Transaction is more than 5% but less than 25%, the Transaction also constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing details of the Transaction will be despatched to the shareholders of the Company as soon as practicable.

The Board is pleased to announce that on 5 November 2008, the Agreement was entered into between the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor in relation to the acquisition by the Group of the 30% equity interest in Euro Resources for a total consideration of HK\$9,800,000.

Summarised below are the principal terms of the Agreement.

The Agreement

Date : 5 November 2008

(1) Completion Date

On or before 28 November 2008 (or as such other date as may be agreed between the Vendor and the Purchaser)

(2) Parties

Vendor : Grand Ascend Investments Limited, a wholly-owned subsidiary of the Company

Purchaser : Allfair Limited, a wholly-owned subsidiary of the Company.

(3) Interest to be acquired:

The Sale Shares, representing 30% of the issued share capital of Euro Resources, of which Mr. Laurent Kim is the beneficial owner. The Sale Shares have been charged as security in favour of the Vendor under a share charge, and the Vendor has elected to enforce the said security and exercised its power of sale pursuant to the share charge.

Euro Resources is currently 50% owned by the Group and will become a 80% owned subsidiary of the Company upon Completion.

Based on the unaudited consolidated financial statements of Euro Resources for the periods ended 31 March 2007 and 31 December 2007, the unaudited consolidated net loss before and after taxation of Euro Resources for the year ended 31 March 2007 were approximately HK\$874,000 and HK\$874,000 respectively, and for the 9-month period ended 31 December 2007 were approximately HK\$11,294,751 and HK\$11,294,751 respectively. The unaudited consolidated net asset value of Euro Resources as at 31 December 2007 was approximately HK\$50,555,000.

(4) Consideration:

The consideration for the acquisition of 30% equity interest in Euro Resources is HK\$9,800,000 payable in cash and which is the amount of the offer submitted by the Purchaser in respect of a private tender (see below).

REASONS OF ENTERING INTO THE AGREEMENT

Reference is made to the Company's circular dated 23 August 2006 and its announcements dated 8 May 2008 and 20 June 2008, the Guarantors, Mr. Laurent Kim (a director of Euro Resources and the founder of ERI) and Mr. Ung Phong have failed to honour and perform the Profit Guarantee due to their own personal reasons, and the Group has no other choice but to dispose of Mr. Laurent Kim's 30% equity interest in Euro Resources which has been pledged to the Group as collateral for the performance of the Profit Guarantee by way of a private tender. Private invitations to offer have been sent to a number of potential investors in the environmental and related sectors by an independent sale agent of the private tender appointed by the Group including all the existing shareholders of Euro Resources. Legal advices have been obtained by the Company in respect of the enforceability of the share charge and of the results of the private tender.

Allfair Limited, a wholly owned subsidiary of the Group, has submitted an offer of HK\$9,800,000 to the sale agent of the private tender which was the only offer received by the sale agent.

The Board has resolved to enter into the Agreement to acquire the 30% equity interests in Euro Resources at the consideration of HK\$9,800,000 and the Group has reserved the right to claim against the Guarantors to recover the balance of the shortfall in the Profit Guarantee, i.e. approximately Euro 5.5 million minus the sum of HK\$9,800,000. The Group may consider taking legal proceedings against the Guarantors after seeking legal advice if it is in the best interests of the Group.

Despite the recent drops in demand and prices of waste materials as a result of the financial tsunami and sharp decrease in oil price, the Board is confident in the long term development potential of recycling business of waste plastic since the demand in the PRC for such recycled plastic raw material which can serve to reduce manufacturing costs will continue to be high in the long run, and therefore the Company is willing to increase its stake and gain the control in Euro Resources.

The Board considers that the Transaction was entered into on normal commercial terms and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the Vendor is an associate of the Company for the purposes of the Listing Rules which as at the date of this announcement owns, through its wholly-owned subsidiaries, 50% equity interest of Euro Resources. The Transaction therefore constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Transaction is exempt from the independent shareholders'

approval requirements pursuant to Rule 14A.32 of the Listing Rules as the consideration percentage ratio is more than 2.5% but less than 25% and the consideration is less than HK\$10,000,000.

The Transaction also constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing details of the Transaction will be despatched to the shareholders of the Company as soon as practicable.

INFORMATION ON THE GROUP

The principal activity of the Company is a investment holding. It principally engaged in the logistics, energy and recycling business.

INFORMATION ON EURO RESOURCES

Euro Resources is an investment holding company and is principally engaged in recycling business.

INFORMATION ON THE VENDOR

The Vendor is an investment holding company and wholly owned by the Group.

DEFINITIONS

Terms used in this announcement

“Agreement”	the sale and purchase agreement dated 5 November 2008 between the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares
“Audited Net Profit”	the audited consolidated net profit after tax of Euro Resources and its subsidiaries, which shall be determined in accordance with the International Accounting Standards
“associates”	the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Pearl Oriental Innovation Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Transaction as contemplated under the Agreement

“Director(s)”	director(s) of the Company
“Euro Resources”	Euro Resources China Limited, a company incorporated in Hong Kong with limited liability
“ERI”	Exploitation Ressources Internationales, S.A., a company incorporated in France with limited liability and which is wholly owned by Euro Resources
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Laurent Kim and Mr. Ung Phong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the legal currency of the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Profit Guarantee”	a profit guarantee which has been given by Mr. Laurent Kim and Mr. Ung Phong (the “Guarantors”) to the Company that the Audited Net Profit for each of the three financial years ending 31 December 2009 shall not be less than Euro 4 million, should any of the Audited Net Profit for the financial years ending 31 December 2009 falls below Euro 4 million, the Guarantors have to pay the shortfall on a dollar-to-dollar basis to the Company after the issuance of the audit report of Euro Resources for each of the financial year ending 31 December 2009
“PRC”	the People’s Republic of China
“Sale Shares”	3,000 ordinary shares of HK\$1.00 each in the issued share capital of Euro Resources
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules.

“Transaction”	the sale and purchase of the Sale Shares pursuant to the terms of the Agreement
---------------	---

“%” 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; and three independent non-executive Directors, namely Mr. Dong Zhixiong, 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, 6 November 2008

* For identification purposes only