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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 30% EQUITY INTEREST IN EURO RESOURCES**

* For identification purpose only

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DEFINITIONS

“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
“Latest Practicable Date”	25 November 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Profit Guarantee”	a profit guarantee which has been given by 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

LETTER FROM THE BOARD



東方明珠創業有限公司*
Pearl Oriental Innovation Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 632)

Executive directors:

Wong Yuk Kwan (alias: Wong Kwan)
Chan Yiu Keung
Cheung Kwok Yu
Zhou Li Yang
Zheng Yingsheng
Johnny Yuen

Independent non-executive directors:

Dong Zhixiong
Fung Hing Chiu, Cyril
Lam Ka Wai, Graham

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*

Suite 1908, 19th Floor
9 Queen's Road Central
Hong Kong

27 November 2008

To the Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 30% EQUITY INTEREST IN EURO RESOURCES**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 November 2008 in which the Board announced that the Company has entered into the Agreement 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.

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)

* For identification purpose only

LETTER FROM THE BOARD

(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.

LETTER FROM THE BOARD

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 which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

FINANCIAL EFFECTS OF THE INVESTMENT

Upon completion of the Transaction, the financial results of Euro Resources will be consolidated into the Company's financial statements. The Company's assets and liabilities will increase whilst its earnings will decrease as a result of consolidation of the financial statements of Euro Resources.

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.

INFORMATION ON THE GROUP

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

LETTER FROM THE BOARD

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.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

LONG POSITIONS**ORDINARY SHARES OF HK\$0.50 EACH OF THE COMPANY**

Name of directors	Number of Shares held in the Capacity of				Percentage of the issued share capital of the Company
	Beneficial Owner	Family interest	Held by controlled corporation	Total number of shares held	
Wong Kwan (<i>Note</i>)	180,000	—	261,579,800	261,759,800	56.32%
Johnny Yuen	640,000	—	—	640,000	0.14%

Note: These Shares were held by Orient Day Developments Limited, which is wholly-owned by Mr. Wong Kwan.

Save as disclosed above, none of the directors, chief executive nor their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which the Directors and chief executive were deemed or taken to have under such provisions of SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for securities Transactions by Directors of Listed Companies contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at the Last Practicable Date, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Orient Day Developments Limited (<i>Note</i>)	Beneficial owner	261,579,800	56.32%

Note: Orient Day Developments Limited is wholly owned by Mr. Wong Kwan.

Save as disclosed above, the Directors and chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who as at the Latest Practicable Date had interests and/or short position in the shares and underlying shares of the Company which would full to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATIONS

The Group had three pending litigation claims (against the same subsidiary) 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 nonperformance 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 known as Zhang Genyu (“Zhang”)) issued and served a writ (“the Writ”) in the High Court of Hong Kong against, inter alios, the Company, Champion Merry Investment Limited (“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 25 October 2006 in favour of the Company in respect of all of Zhang’s shares in China 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.

To the best knowledge of the Company, there is no further progress in the above litigations subsequent to 12 August 2008 up to the Latest Practicable Date, and also the above litigations will have no material impact on the Transaction.

5. MATERIAL ADVERSE CHANGE

Other than as disclosed above, as at the Latest Practicable Date, the Board were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

7. DIRECTOR'S INTERESTS IN THE COMPANY AND ITS SUBSIDIARIES' ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2007 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

8. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. MISCELLANEOUS

- (a) The company secretary and the qualified accountant of the Company is Mr. Cheung Kwok Yu, who is FCCA, a professional accountant in Hong Kong and is also qualified as a solicitor in Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Codan Services Limited whose address is 2 Church Street, Hamilton HM11, Bermuda.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited whose address is 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at Suite 1908, 19th floor, 9 Queen's Road Central, Hong Kong from the date of this circular up to and including 12 December 2008:

- (a) the Articles of Association of the Company;
- (b) the Agreement.