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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)

**ANNOUNCEMENT REGARDING LEGAL PROCEEDINGS AGAINST
TAIYUAN SANXING
AND
RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

It came to the Company’s attention on 12 November 2008 that Zhang Xinyu obtained a judgment on 10 November 2008 from Taiyuan Intermediate People’s Court (太原市中級人民法院) against Taiyuan Sanxing.

After knowing the Judgment, the Company and China Coal have written to Liaison Office of the Central People’s Government in the HKSAR (中央人民政府駐香港特別行政區聯絡辦公室), Shanxi Province Committee of the Communist Party of China (中共山西省委), Standing Committee of Shanxi Province People’s Congress (山西省人大常委會), People’s Government of Shanxi Province (山西省人民政府) and Shanxi Province Higher People’s Court (山西省高級人民法院) and other related Chinese government authorities to ask for assistance in view of the urgency of the above matters. On 24 November 2008, China Coal successfully obtained an approval of, through its PRC lawyers, its application for an appeal to the Judgment from the Shanxi Province Higher People’s Court (山西省高級人民法院) under the name of Taiyuan Sanxing. The Board is confident in successfully appealing against and overruling the Judgment by China Coal together with Taiyuan Sanxing as soon as possible after considering legal opinion that the Judgment is fundamentally wrong from the Company’s legal advisers in Hong Kong and the PRC.

Since Zhang Xinyu, Zhang Jingyuen, Gao Shanhe and Wang Jifeng have obviously failed to perform their fiduciary duties as directors of China Coal and Taiyuan Sanxing (as the case may be), China Coal issued a writ against them on 27 November 2008 in the High Court of Hong Kong to claim for damages against breaches of their fiduciary duties. In addition, their conducts likely amount to wilful embezzling (侵佔) of assets of Taiyuan Sanxing which are clearly contrary to the laws of the PRC and therefore the Company and China Coal shall consider taking appropriate legal actions against them in the PRC in due course after seeking further legal advice.

The Shareholders and public investors are advised to exercise caution when dealing in shares in the Company.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 November 2008 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 1 December 2008.

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

Reference is made to the Company's circular (the "Circular") and announcement (the "Announcement") dated 15 Sept 2006 and 12 August 2008 respectively. Terms defined in the Circular and the Announcement shall have the same meanings when used herein unless the context requires otherwise.

LEGAL ACTION AGAINST TAIYUAN SANXING

It came to the Company's attention on 12 November 2008 that Zhang Xinyu obtained a judgment (the "Judgment") on 10 November 2008 from Taiyuan Intermediate People's Court (太原市中級人民法院) against Taiyuan Sanxing, inter alia, that:

1. an agreement (the "December 2006 Agreement") entered into among Zhang Xinyu, Zhang Jingyuen and Taiyuan Sanxing on 28 December 2006 in relation to the transfer of equity interests in Shanxi Sanxing Coal and Coke Limited (山西三興煤焦有限公司) ("Shanxi Sanxing") from Zhang Jingyuen and Zhang Xinyu to Taiyuan Sanxing will be cancelled; and
2. after the Judgment becomes effective, Shanxi Sanxing has to be restored to the original situation before the December 2006 Agreement, and all shares in Shanxi Sanxing have to be transferred back to Zhang Xinyu and Zhang Jingyuen.

To the best knowledge of the Group, Zhang Xinyu is the younger brother of Zhang Jingyuen (formerly known as Zhang Genyu) and the chairman of board, a director and also the legal representative of Taiyuan Sanxing. Unknown to the Company, Zhang Xinyu has instituted legal proceedings (the “Legal Proceedings”) against Taiyuan Sanxing in the Taiyuan Intermediate People’s Court, and the Legal Proceedings have been wilfully concealed to the Company and China Coal.

Zhang Jingyuen currently owns approximately 44.89% equity interests in China Coal and was one of the directors of both China Coal and Taiyuan Sanxing. The Group, Get Wealthy Investments Limited and Favour Good Investments Limited currently own as to approximately 39.93%, 15% and 0.18% of the issued share capital of China Coal respectively.

Taiyuan Sanxing is, a wholly foreign owned enterprise incorporated in China, wholly owned by and a major operating subsidiary of China Coal.

As stated in the Company’s unaudited interim report for the 6 months period ended 30 June 2008 (the “Period”), subsequent to the litigations with Zhang Jingyuen as disclosed in the Announcement, Management believes that the Company has no longer any significant influence against China Coal. It represented an investment in approximately 39.93 million ordinary shares in China Coal (representing approximately 39.93% 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 of approximately HK\$358.44 million. Accordingly, the results of China Coal has not been equity accounted for in the Period.

Shanxi Sanxing has been conducting its business of coal exploitation in a normal manner for almost two years after it has become a subsidiary of Taiyuan Sanxing which has been duly approved by the Department of Commerce, Shanxi Province (山西省商務廳) in January 2007.

In view of the above matters, Zhang Jingyuen, Gao Shanhe, Wang Jifeng and Zhang Xinyu have clearly failed to perform and breached their fiduciary duties and have failed to discharge their obligations as directors of China Coal and Taiyuan Sanxing (as the case may be), including without limitation, their wilful concealment of the Legal Proceedings and the fact that they have deliberately failed to cause Taiyuan Sanxing to properly defend the Legal Proceedings. Therefore, the board of directors of China Coal resolved on 13 November 2008 to remove Zhang Xinyu, Zhang Jingyuen, Gao Shanhe and Wang Jifeng as directors of Taiyuan Sanxing, and also remove Zhang Xinyu from the offices as the chairman and legal representative of Taiyuan Sanxing.

In addition, an extraordinary general meeting of China Coal was held on 28 November 2008 which resolved to remove Zhang Jingyuen, Gao Shanhe and Wang Jifeng as directors of China Coal with immediate effect.

After knowing the Judgment, the Company and China Coal have written to Liaison Office of the Central People's Government in the HKSAR (中央人民政府駐香港特別行政區聯絡辦公室), Shanxi Province Committee of the Communist Party of China (中共山西省委), Standing Committee of Shanxi Province People's Congress (山西省人大常委會), People's Government of Shanxi Province (山西省人民政府) and Shanxi Province Higher People's Court (山西省高級人民法院) and other related Chinese government authorities to ask for assistance in view of the urgency of the above matters. On 24 November 2008, China Coal successfully obtained an approval of, through its PRC lawyers, its application for an appeal to the Judgment from the Shanxi Province Higher People's Court (山西省高級人民法院) under the name of Taiyuan Sanxing. The Board is confident in successfully appealing against and overruling the Judgment on a date to be fixed as soon as possible by China Coal together with Taiyuan Sanxing after considering legal opinion that the Judgment is fundamentally wrong from the Company's legal advisers in Hong Kong and the PRC.

The Board is of the view that the value of the Company's investment in China Coal may be affected if the Judgement cannot be overruled but the Board is confident to appeal and overrule it as mentioned above.

Since Zhang Xinyu, Zhang Jingyuen, Gao Shanhe and Wang Jifeng (collectively, the "Defaulting Persons") have obviously failed to perform their fiduciary duties as directors of China Coal and Taiyuan Sanxing (as the case may be), China Coal issued a writ against the Defaulting Persons on 27 November 2008 in the High Court of Hong Kong to claim for damages against breaches of their fiduciary duties. In addition, their conducts likely amount to wilful embezzling (侵佔) of assets of Taiyuan Sanxing which are clearly contrary to the laws of the PRC and therefore the Company and China Coal shall consider taking appropriate legal actions against the Defaulting Persons in the PRC in due course after seeking further legal advice.

The Shareholders and public investors are advised to exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 November 2008 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 1 December 2008.

Further announcement will be published if the Company has any updated information on the above legal proceedings when appropriate and necessary.

TERMS USED IN THE ANNOUNCEMENT

In this announcement, the following terms have the following meanings:

“China Coal”	China Coal Energy Holdings Limited, a company incorporated in Hong Kong with limited liability, of which the Group currently owns approximately 39.93% of its issued share capital
“HKSAR”	Hong Kong Special Administrative Region
“Taiyuan Sanxing”	Taiyuan Sanxing Coal Gasification (Group) Co., Ltd., a company incorporated in the PRC with limited liability which is wholly owned by China Coal

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 Zhi Xiong, 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, 28 November 2008

** For identification purposes only*