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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CHAIRMAN'S STATEMENT

2008 is an unforgettable year during which an unprecedented global financial tsunami brought traumatic impact to economies around the world. Apart from this, Pearl Oriental Innovation Limited also needs to confront with an unilateral and unreasonable termination of joint venture agreement by the joint venture partner, causing an adverse turnaround to its results.

As at 31 December 2008, the turnover of the Company and its subsidiaries (collectively the "Group") was approximately HK$78,783,000, representing an increase of 41.6% in turnover as compared with the nine months period last year. The loss attributable to equity shareholders of the Company was approximately HK$38,310,000. Such loss was mainly attributed to various litigations, due to which the income generated from the coal business of China Coal Energy Holdings Limited ("China Coal"), our 39.93% equity interest owned company, was not reflected in the income statement despite the surge in domestic market average selling price of coal experienced last year. Moreover, the share of annual profit after tax of HK$80,000,000 guaranteed by the joint venture partner was unable to realize as a result of the litigations. After the Company's share placement at the beginning of last year, the Group's net asset increased to HK$521,943,000, representing an increase of 9.6%.

Due to the destructive impacts of the financial tsunami, our subsidiary Guangzhou Pearl Oriental Logistics Limited ("GZPO") recorded material operating loss from the development of e-commerce logistics. It is expected that substantial resources has to be invested and loss will be sustained in the coming year. To preserve cash, management acted decisively to dispose of its 60% equity interest in GZPO in January 2009, which will realize HK$3,000,000 in cash and convertible bonds of HK$9,000,000 will be paid, thereby the Group will be better positioned after its business reorganization.

Our wholly-owned subsidiary Pearl Oriental Warehouse (Shenzhen) Ltd. ("Pearl Oriental Warehouse") operated steadily and its secured mortgage bank loans of approximately HK$58 million remained outstanding. In order to reduce the Group's bank borrowings, enhance our liquidity and to counteract risk effectively, we are currently studying a proposal to restructure the property assets.

The Group has increased its equity interest in Euro Resources China Limited ("Euro Resources") to 80% in November last year. Loss had been recorded for this plastic recycling business as it is in the stage of equipment enhancement and production capacity expansion. The plunge in global oil price triggered plastic market adjustments, but the price of recycled plastics rebounded in the recent months. In the long run, potential exists for the business development of Euro Resources.

The litigations of China Coal are still in progress. According to the professional legal advices of our PRC and Hong Kong lawyers, the Company is confident about the chance of winning the lawsuits and have recourse to dividends of HK$80 million in total for the year of 2007 and 2008 from the defaulting party. Management will implement all effective and beneficial measures to safeguard the interest of the Group's investment in China Coal.

The Board is extremely pleased that during the challenging period of the financial tsunami, our controlling shareholder Orient Day Developments Limited ("Orient Day") continues to provide strong support to the Group. In April 2009, it has been approved in a special general meeting to issue Convertible Notes of HK$45,000,000 in aggregate to Orient Day in order to enhance the Group's financial strength.

Looking ahead, management will devote its best endeavors, acts prudently by adopting a stable yet flexible operation approach so as to attain the best interest for our shareholders. I would like to, on behalf of the Board, thank all of our staffs for their hard working and diligence and our public shareholders for their whole hearted support.

The board of directors (the "Board") of Pearl Oriental Innovation Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 (the "Year") as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2008** *HK$'000*	Period from 1 April 2007 to 31 December 2007 *HK$'000*
REVENUE	*4, 5*	**78,783**	55,620
Cost of services provided		**(51,095)**	(40,272)
Gross profit		**27,688**	15,348
Other income and gains	*5*	**12,493**	7,361
Selling and distribution costs		**(17,609)**	(7,175)
Administrative expenses		**(43,171)**	(23,482)
Equity-settled share option expenses		**–**	(4,126)
Finance costs	*7*	**(6,494)**	(4,125)
Impairment losses on assets held by a subsidiary		**–**	(11,457)
Share of (losses) and profits of associates		**(12,752)**	61,884
(LOSS)/PROFIT BEFORE TAX	*6*	**(39,845)**	34,228
Tax	*8*	**(1,420)**	(1,103)
(LOSS)/PROFIT FOR THE YEAR /PERIOD		**(41,265)**	33,125
Attributable to:			
Equity holders of the Company	*10*	**(38,310)**	38,422
Minority interests		**(2,955)**	(5,297)
		(41,265)	33,125
DIVIDENDS	*9*	**Nil**	Nil
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*11*	**(8.5) cents**	10.0 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	**As at 31 December 2008 *HK$'000***	As at 31 December 2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**165,331**	100,156
Prepaid land lease payments		**18,868**	18,329
Goodwill		**16,921**	–
Interests in associates	*12*	**420,903**	460,490
Deferred tax assets		**–**	1,419
Total non-current assets		**622,023**	580,394
CURRENT ASSETS			
Inventories		**9,083**	–
Trade receivables	*13*	**10,250**	15,313
Prepayments, deposits and other receivables		**11,195**	7,743
Due from minority shareholders of subsidiaries		**–**	11
Due from associates	*12*	**5,593**	9,930
Cash and cash equivalents		**15,787**	31,617
Total current assets		**51,908**	64,614
CURRENT LIABILITIES			
Trade payables	*14*	**8,767**	9,800
Other payables and accruals		**19,886**	14,180
Interest bearing bank borrowings, secured		**8,382**	7,101
Loan from immediate parent and ultimate controlling party		**–**	63,903
Due to minority shareholders of subsidiaries		**5,167**	–
Tax payable		**16,451**	16,464
Total current liabilities		**58,653**	111,448
NET CURRENT LIABILITIES		**(6,745)**	(46,834)
TOTAL ASSETS LESS CURRENT LIABILITIES		**615,278**	533,560
NON-CURRENT LIABILITIES			
Loan from immediate parent and ultimate controlling party		**(25,000)**	–
Due to minority shareholders of subsidiaries		**(16,337)**	–
Interest bearing bank borrowings, secured		**(51,998)**	(57,315)
TOTAL NON-CURRENT LIABILITIES		**(93,335)**	(57,315)
Net assets		**521,943**	476,245
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**46,474**	193,641
Reserves		**466,822**	276,307
		513,296	469,948
Minority interests		**8,647**	6,297
Total equity		**521,943**	476,245

NOTES:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the" Listing Rules") on The Stock Exchange (the "Stock Exchange") of Hong Kong Limited and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the followings:

- buildings, which are stated in the balance sheet at valuation less accumulated depreciation and any impairment losses; and

- available-for-sales financial assets, which are stated at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Despite the fact that the Group had net current liabilities of HK$6,745,000 as at the balance sheet date, these financial statements have been prepared on the basis that the Group and the Company will continue to operate as a going concern. Such going concern basis is based upon the presumption of continuous financial support and funding from the immediate parent and ultimate controlling party of the Company. The Company's immediate parent and ultimate controlling party has indicated its willingness to continue financing the operations of the Group and the Company to meet its financial obligations as they fall due for the foreseeable future. In addition, subsequent to the balance sheet date, on 4 March 2009, the Company entered into a conditional subscription agreement with the immediate parent and ultimate controlling party for the issue of convertible notes with an amount up to HK$45,000,000, which will be applied partially for the settlement of the loan of HK$25,000,000 from the immediate parent and ultimate controlling party with the remaining balance as general working capital of the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from inter-company transactions and inter-company balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the group has been recovered.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new or revised HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 Amendments	Amendments to HKFRS 7, Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 Amendments	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [2]
HK (IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK (IFRIC)-Int 9 and HKAS 39 Embedded Derivatives [5]
HK (IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK (IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners [2]
HK (IFRIC)-Int 18	Transfer of Assets from Customers [6]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to reviewing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[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*
[5] *Effective for annual periods ending on or after 30 June 2009*
[6] *Effective for the transfer of Assets from Customer beginning on or after 1 July 2009*

* *Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

In November 2008, the Group had extended its business to the processing and sales of recycling materials by acquiring the control in Euro Resources China Limited, by increasing the Group's equity interests therein from 50% to 80%.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the logistics and related services segment is provision of the traditional logistics services; and

(b) the plastic recycling segment is procuring, processing and sales of recycling waste plastic materials.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There are no sales or other transactions among business or geographical segments.

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments for the year ended 31 December 2008.

Year ended 31 December 2008

	Provision of logistics and related services segment *HK$'000*	Processing and sales of recycling materials segment *HK$'000*	Total *HK$'000*
Segment revenue			
Service income	66,928	–	66,928
Gross rental income	11,855	–	11,855
	78,783	–	78,783
Segment results	(15,895)	(965)	(16,860)
Other income and gains			12,493
Unallocated expenses			(22,726)
Loss from operations			(27,093)
Finance costs			–
Share of losses of associates			(12,752)
Loss before tax			(39,845)
Tax			(1,420)
Loss for the year			(41,265)
Segment assets	140,456	78,739	219,195
Unallocated assets			454,736
Total assets			673,931
Segment liabilities	95,644	8,060	103,704
Unallocated liabilities			48,284
Total liabilities			151,988
Capital expenditure	2,012	1,167	3,179
Unallocated capital expenditure			520
			3,699
Depreciation and amortisation	5,296	143	5,439
Unallocated depreciation and amortisation			698
			6,137

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments for the period from 1 April 2007 to 31 December 2007.

Period from 1 April 2007 to 31 December 2007

	Provision of logistics and related services segment *HK$'000*	Processing and sales of recycling materials segment *HK$'000*	Total *HK$'000*
Segment revenue			
Service income	44,863	–	44,863
Gross rental income	10,757	–	10,757
	55,620	–	55,620
Segment results	(3,512)	–	(3,512)
Other income and gains			7,361
Unallocated expenses			(31,505)
Loss from operations			(27,656)
Finance costs			–
Share of profit of associates			61,884
Profit before tax			34,228
Tax			(1,103)
Profit for the year			33,125
Segment assets	150,824	–	150,824
Unallocated assets			494,184
Total assets			645,008
Segment liabilities	100,334	–	100,334
Unallocated liabilities			68,429
Total liabilities			168,763
Capital expenditure	1,375	–	1,375
Unallocated capital expenditure			197
			1,572
Depreciation and amortisation	3,492	–	3,492
Unallocated depreciation and amortisation			134
			3,626

(b) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments for the year ended 31 December 2008 and for the period ended 31 December 2007:

Year ended 31 December 2008

	Hong Kong *HK$'000*	**The PRC** *HK$'000*	**France** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Service income	**–**	**66,928**	**–**	**66,928**
Gross rental income	**–**	**11,855**	**–**	**11,855**
Sales of recycling materials	**–**	**–**	**–**	**–**
	–	**78,783**	**–**	**78,783**
Other segment information:				
Segment assets	**468,514**	**140,456**	**64,961**	**673,931**
Capital expenditure incurred during the year	**520**	**2,012**	**1,167**	**3,699**

Period from 1 April 2007 to 31 December 2007

	Hong Kong *HK$'000*	The PRC *HK$'000*	France *HK$'000*	Total *HK$'000*
Segment revenue:				
Services income	–	44,863	–	44,863
Gross rental income	–	10,757	–	10,757
Sales of recycling materials	–	–	–	–
	–	55,620	–	55,620
Other segment information:				
Segment assets	77,564	567,444	–	645,008
Capital expenditure incurred during the period	197	1,375	–	1,572

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents service income from logistics and other services rendered and gross total income during the Year.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December 2008 *HK$'000*	Period from 1 April 2007 to 31 December 2007 *HK$'000*
Revenue		
Services income	**66,928**	44,863
Gross rental income	**11,855**	10,757
Services income	**78,783**	55,620
Other income and gains		
Bank interest income	**171**	88
Other interest income	**–**	27
Exchange gains, net	**1,763**	6,629
Write back of the other payables	**545**	–
Shortfall in profit of an associate guaranteed by an ex-joint venture partner	**9,800**	–
Others	**214**	617
	12,493	7,361
Total revenue, other income and gains	**91,276**	62,981

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Year ended 31 December 2008 *HK$'000*	Period from 1 April 2007 to 31 December 2007 *HK$'000*
Cost of services provided*	**51,095**	40,272
Amortisation of prepaid land lease payments	**473**	395
Depreciation of property, plant and equipment	**3,112**	3,231
Minimum lease payments under operating leases:		
land and buildings	**4,606**	2,330
Auditors' remuneration		
– current year	**750**	1,469
– under-provided in the previous year	**140**	–
Impairment loss on trade receivables	**1,838**	–
Other receivables written off	**1,206**	290
Staff costs (including directors' remuneration):		
Wages and salaries	**24,132**	10,883
Equity-settled share option expenses	**–**	4,126
Pension scheme contributions	**179**	619
	24,311	15,628
Exchange gains, net	**(1,763)**	(6,629)
Bank interest income	**(171)**	(88)

* *The cost of services provided included the depreciation of the warehouse approximately HK$2,552,000 (period ended 31 December 2007: Nil).*

7. FINANCE COSTS

	Year ended 31 December 2008 *HK$'000*	Period from 1 April 2007 to 31 December 2007 *HK$'000*
Interest on bank advances and other borrowings wholly repayable within five years	**5,362**	1,775
Interest on the other loans	**882**	1,482
Other borrowing costs	**250**	868
	6,494	4,125

8. TAX

No Hong Kong profits tax has been provided as the Company did not generate any assessable profits arising in Hong Kong during the Year (period ended 31 December 2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 December 2008 *HK$'000*	Period from 1 April 2007 to 31 December 2007 *HK$'000*
Current tax:		
Provision for PRC enterprise income tax	**1**	1,103
Deferred tax:		
Over-accrual of deferred tax assets in prior year	**1,419**	–
Tax charge for the year/period	**1,420**	1,103

9. DIVIDENDS

The Directors did not recommend a final dividend for the year ended 31 December 2008 (period ended 31 December 2007: Nil).

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the Year was HK$10,624,000 (period ended 31 December 2007: HK$9,753,000) which has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year/period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year/period.

No diluted loss per share for the year ended 31 December 2008 has been disclosed as no diluting events existed as at 31 December 2008.

A diluted earnings per share for the period from 1 April 2007 to 31 December 2007 has not been disclosed as the share options outstanding during the period from 1 April 2007 to 31 December 2007 had an anti-dilutive effect on the basic earning per share.

The calculations of basic (loss)/earnings per share are based on:

	Year ended 31 December 2008 *HK$'000*	Period from 1 April 2007 to 31 December 2007 *HK$'000*
Earnings		
(Loss)/profit for the year/period attributable to equity holders of the Company, used in the basic loss per share calculation:	**(38,310)**	38,422

	Number of shares (thousand)	
	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
Shares		
Weighted average number of ordinary shares in issue during the year/period used in basic loss per share calculation:		
Issued ordinary shares at 1 January 2008/1 April 2007	**383,059**	381,641
Effect of shares issued in April 2007	**–**	1,418
Effect of shares issued in March 2008	**64,123**	–
Weighted average number of ordinary shares	**447,182**	383,059

12. INTERESTS IN ASSOCIATES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**365,012**	391,334
Goodwill arising from acquisition	**55,891**	69,156
	420,903	460,490
Due from associates	**5,593**	9,930
	426,496	470,420

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the associates of the Company are as follows:

Name	**Place of incorporation/ registration and operations**	**Particular of issued share held**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
China Coal Energy Holdings Limited ("China Coal") (Note (a))	Hong Kong	HK$100,000,000	39.93%	Coal gasification and coal mining
Euro Resources China Limited (Note (b))	Hong Kong	HK$10,000	80% (2007:50%)	Processing and sales of recycling materials

Notes:

(a) In October 2006, Champion Merry Investment Limited ("Champion Merry", a subsidiary of the Group) has acquired from Zhang Jingyuen (張景淵) a 40% equity interest in China Coal at a consideration of HK$357,720,000 of which HK$100,000,000 was settled by cash and the remaining balance was settled by the issue of a total of 75,800,000 new shares (the "Consideration Shares") of the Company at an issue price of HK$3.40 per share. Champion Merry has subsequently reduced its equity interests in China Coal to 39.93%.

The net carrying value of Champion Merry's interests in China Coal is as follows:

	2008	2007
	HK$'000	*HK$'000*
Share of net assets of China Coal	**365,012**	368,647
Goodwill arising from acquisition of China Coal	**55,891**	55,891
	420,903	424,538

(b) In November 2008, the Company has acquired a further 30% equity interest in Euro Resources China Limited ("Euro Resource"). which became an 80%-owned subsidiary of the Company.

13. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**13,130**	16,355
Less: Impairments	**(2,880)**	(1,042)
	10,250	15,313

Included in the trade receivables were receivables in the amount of RMB372,214 (equivalents to HK$419,932) (2007:Nil) were pledge to a banker of the Group as securities for the bank loan granted.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows;

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current or less than 3 months	**9,063**	12,647
More than 3 months pass due but less than 6 month	**194**	2,427
More than 6 months pass due but less than 12 months	**993**	164
Over 1 year	**–**	75
	10,250	15,313

The movements in provision for impairment of trade receivables are as follows

	Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of year/period	**1,042**	–
Impariment loss recognised	**1,838**	1,042
At the end of year/period	**2,880**	1,042

At 31 December 2008, the Group's trade receivables of HK$1,838,000 (2007: HK$1,042,000) were individually determined to be impaired. The individually impaired receivables related to Wuhan Pearl's customers that management assessed that the recovery of the amounts are remote. The Group dose not hold any collateral over these balances.

14. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, it as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current – 3 months	**4,136**	7,503
3 months – 6 months	**548**	1,634
6 – 12 months	**3,270**	363
Over 1 year	**813**	300
	8,767	9,800

The trade payables are non-interest-bearing and are normally settled on 60 day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATION

For the year ended 31 December 2008 (the "Year"), the Group recorded a consolidated turnover of HK$78,783,000 (2007: HK$55,620,000), implying an annualized increase of approximately 6%. The share of loss from associated companies for the year was HK$12,752,000 (2007: profit of HK$61,884,000). Basic loss per share was 8.5 HK cents for the Year as compared to the basic profit per share of 10 HK cents for the period ended 31 December 2007.

BUSINESS REVIEW

The global economic downturn has impacted the entire export and logistics industries substantially, and in turn, our business. The loss attributable to shareholders for the Year amounted to HK$38,310,000 (2007: profit of HK$38,422,000), such charges were due to mainly less contribution from associates. The gross profit margin has increased from 27.6% in 2007 to 35.1% during the Year.

LOGISTICS

Logistics is still the major source of revenue for the Group. For the year ended 31 December 2008, the warehouse operations of Pearl Oriental Logistics (Shenzhen) Ltd still have steady growth. While Guangzhou Pearl Oriental Logistics Limited ("GZPO") has focused in the e-commerce logistics but suffered losses of which the Group has disposed subsequent to the year end date at a consideration of HK$3,000,000 together with convertible bonds of HK$9,000,000 (the "Convertible Bonds").

The Board believes that it will be in the interest of the Group to concentrate its effort in the energy and natural resources sectors, and the further investment in GZPO will be very substantial before they can become profitable businesses. The Board also believes the Convertible Bonds may provide to the Group with an opportunity to share the capital gain (if any) should the business of GZPO can turnaround in the future. The disposal represented a good opportunity for the Group to realize GZPO and to strengthen the financial position of the Group.

PLASTIC RECYCLING INDUSTRY

The Group has increased its equity interests in Euro Resources China Limited ("Euro Resources") to 80% during the Year. This plastic resources recycling project has 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 Korea and etc. The Group expected that Euro Resources will have contribution from Year 2009 as another source of revenue of the Group.

Reference is made to the Company's circular dated 27 November 2008, Mr. Laurent Kim (a director and the founder of Euro Resources) and Mr. Ung Phong have failed to honour and perform the profit guarantee of Euro 4 million per year for years 2007 to 2009 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 through an independent sale agent of the private tender appointed by the Group. As a result, a wholly owned subsidiary of the Group, has completed the acquisition of the 30% equity interest in Euro Resources through the private tender at a consideration of HK$9,800,000 (of which the Group needed not to settle by cash and has actually been set off against the profit guarantee from Mr. Laurent Kim).

During the Year, Euro Resources has already invested over HK$10,000,000 to acquire new machineries in order to improve its product quality and production capacity.

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.

OUTLOOK

The current financial tsunami has taught us that the Group needs to do more to safeguard our future and to prepare ourselves for the impacts of the global economic crisis.

The Directors believe that the Company's issue of two tranches of convertible notes of HK$30 million and HK$15 million, totaling HK$45 million, which has been recently approved by the Company's independent shareholders in April 2009, to Orient Day Developments Limited ("Orient Day") (a company wholly owned by Mr. Wong Kwan) can improve the Group's financial position.

We are confident that the Group will effectively manage through the turbulent economic times and emerge as a more health company which is positioned to take advantage of business opportunities in the future.

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 31 December 2008, the Group's gearing ratio had decreased to 9% (calculated on the basis of the Group's bank borrowings over total assets) from 10% as at 31 December 2007. At the Year end date, the Group's total bank borrowings amounted to HK$60,000,000 (2007: HK$64,000,000), 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 Year. Furthermore, the Group's cash and bank balances as at 31 December 2008 have decreased to HK$15,787,000 from 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 0.89 as at 31 December 2008 (2007: 0.58).

At 31 December 2008, the Group's bank loan facilities are subject to the fulfilment 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 31 December 2008 and 2007, none of the covenants relating to drawn down facilities had been breached.

During the Year, 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 litigations of the Group are mentioned below:

(a) The Group had three pending litigation claims from the ex-directors of a disposed subsidiary Dransfield Holdings Limited ("DHL") who claim against the Group for a total sum of not less than HK$11.4 million. As disclosed in the Company's announcement dated 23 August 2005, the Company's interest in DHL was disposed of on 23 July 2005. It was alleged in these claims that by disposing of all its shares in DHL, the Company was evading liabilities and denying these claimants' benefits of the debts owned by DHL. Trial of one of these claims has been held in January 2009, the Company's legal advisers were of the opinion that the claims of the three plaintiffs in this case may not stand and accordingly, no liabilities have been provided by the Group as at the balance sheet date.

(b) It is a term and condition in the Subscription Agreements entered into by, inter alios, the Company and DiChain Holdings Limited ("DiChain Holdings"), being a former majority shareholder of the Company, 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.

(c) 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 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 Energy Holdings Limited ("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 and the Company has issued counterclaim against Zhang, including without limitation, the dividend from China Coal of HK$80,000,000, damages for breaches of the Joint Venture Agreement and other relief.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the number of employees of the Group was about 950. 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.

FINANCIAL POSITIONS OF THE GROUP

As at 31 December 2008, the Group has outstanding bank loans in aggregate of approximately HK$60,000,000 (31 December 2007: HK$64,000,000).

CONTINGENT LIABILITY

As at 31 December 2008, approximately HK$60,000,000 (31 December 2007: HK$64,000,000) of guarantee was given by the Company to banks in respect of banking facilities granted to a subsidiary of the Company. The extent of such facilities utilized by the subsidiary at 31 December 2008 amounted to approximately HK$60,000,000 (31 December 2007: HK$64,000,000).

ASSETS PLEDGED

As at 31 December 2008, assets with an aggregate carrying value of approximately HK$100,000,000 (31 December 2007: HK$100,000,000) were pledged with banks as security for loan facilities granted to the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 June 2002, which enables the Company to grant share options to eligible persons as an incentive or reward for their contribution to the Group. The terms of the share option scheme fully comply with the provisions of Chapter 17 of the Listing Rules. No share options had been granted under the scheme during the Year.

On 12 November 2008, all share options granted under the scheme were cancelled in accordance with an ordinary resolution of the Company's shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the Year.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.pearloriental.com). The 2008 Annual Report will be despatched to our shareholders on or before Thursday, 30 April 2009 and will be available at the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

As at 31 December 2008, the Audit Committee currently comprises the three independent non-executive directors, namely Mr. Lam Ka Wai, Graham (Chairman of the Audit Committee), Mr. Dong Zhixiong and Mr. Fung Hing Chiu, Cyril. The Audit Committee held two meetings during the Year. The Audit Committee is provided with sufficient resources to discharge its duties. The terms of reference of the Audit Committee follow the guidelines set out in the CG Code. The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2008.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises five executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), 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, 21 April 2009

* *For identification purposes only*