THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pearl Oriental Innovation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

東方明珠創業有限公司*

Pearl Oriental Innovation Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 632)

MAJOR TRANSACTION INVOLVING ISSUE OF SHARES
TERMINATION OF THE EXISTING SHARE OPTION SCHEME
ADOPTION OF A NEW SHARE OPTION SCHEME
AND
PROPOSED ISSUE OF CONVERTIBLE NOTES

Independent financial adviser to the Independent Board Committee and Independent Shareholders

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the Proposed Issue is set out on page 16 of this circular. A letter from the Wallbanck Brothers containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Proposed Issue is set out on pages 17 to 36 of this circular.

A notice convening the SGM to be held at Suite 1908, 19th Floor, 9 Queen's Road Central, Hong Kong at 4:30 p.m., Wednesday on 15 July 2009 is set out on pages 166 to 168 of this circular. Whether or not you intend to attend the SGM in person, you are strongly urged to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon, and to lodge them with the branch share registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* *For identification purpose only*

25 June 2009

CONTENTS

"Acquisitions"	the proposed acquisitions by the Company from Mr. Wong and Favour Good of 15.18% of equity interest in China Coal
"Adoption Date"	The date on which the New Share Option Scheme shall fall to be conditionally adopted by an ordinary resolution of the Shareholders at the SGM
"Agreements"	Agreement 1 and Agreement 2
"Agreement 1"	An agreement for the sale and purchase dated 27 May 2009 between the Company and Mr. Wong in respect of the acquisition of 100% equity interest of Get Wealthy
"Agreement 2"	An agreement for the sale and purchase dated 27 May 2009 between the Company and Favour Good in respect of the acquisition of 0.18% equity interest of China Coal
"Board"	board of Directors
"Business Day"	Any day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CN Agreement"	A conditional convertible note agreement dated 27 May 2009 between the Company and the Subscriber in respect of the subscription of the Convertible Notes
"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 Acquisitions of 15.18% equity interest of China Coal will take place within three Business Days upon the fulfillment of the conditions
"Conversion Shares"	Up to 250,000,000 new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes
"Convertible Notes"	Convertible notes due after 2 years from the date of issue in an aggregate principal amount of up to HK$100,000,000 proposed to be issued to the Subscriber pursuant to the CN Agreement.
"Conversion Price"	The conversion price of HK$0.40 per Conversion Share (subject to adjustment)
"Director(s)"	Director(s) of the Company

"Eligible Persons"	(i) Any full-time employees, Directors, chief executives or part-time employees of the Group; or (ii) Any advisers, consultants, distributors, suppliers, agents, customers, joint venture partners, service providers to the Group who the Board considers, in its sole discretion, have contributed or will continue to contribute to the Group
"Enlarged Group"	the Group and Get Wealthy
"Existing Share Option Scheme"	An existing share option scheme adopted pursuant to a written resolution of the sole shareholder of the Company passed on 21 June 2002, and which will expire on 20 June 2012
"Group"	The Company and its subsidiaries
"HK Dollar(s)" or "HK$"	the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	An independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham, who did not have material interests in the Subscription
"Independent Financial Adviser" or "Wallbanck Brothers"	Wallbanck Brothers Securities (Hong Kong) Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on Types 4, 6 and 9 regulated activities, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Issue
"Independent Shareholders"	Shareholders (Other than the Subscriber, Mr. Wong Kwan and their respective concert parties and associates and those Shareholders who are involved in, or interested in the Subscription) who are not required to abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription under the Listing Rules
"Latest Practicable Date"	22 June 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"New Share Option Scheme"	The share option scheme which is proposed to be adopted by the Company at the SGM, further information and a summary of the principal terms of which are set out in Appendix VII to this circular
"Option(s)"	option(s) granted or to be granted to the participant(s) to subscribe for Shares under the New Share Option Scheme
"Orient Day" or "Subscriber"	Orient Day Developments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Wong Kwan which is a majority shareholder of the Company
"Proposed Issue"	The proposed issue of the Convertible Notes
"SGM"	A special general meeting of the Company to be convened to consider and approve the Acquisitions, the New Share Option Scheme and the issue of the Conversion Shares and the Convertible Notes
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	Ordinary share(s) of HK$0.10 in the share capital of the Company
"subsidiary"	Has the meaning ascribed to it under the Listing Rules
"Subscription"	The subscription for the Convertible Notes by the Subscriber pursuant to the CN Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendors"	Mr. Wong Chok Wah and Favour Good
"%"	per cent

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)
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

25 June 2009

To the Shareholders

Dear Sirs,

MAJOR TRANSACTION INVOLVING ISSUE OF SHARES
ADOPTION OF A NEW SHARE OPTION SCHEME
PROPOSED ISSUE OF CONVERTIBLE NOTES

INTRODUCTION

The Board has announced that, on 27 May 2009, the Company entered into the Agreements to acquire from independent third parties the entire issued share capital of Get Wealthy Investments Limited ("Get Wealthy") and also 184,600 shares in China Coal Energy Holdings Limited ("China Coal") (the "Acquisitions") for an aggregate consideration of HK$58,000,000 (the "Consideration") which shall be satisfied by the issue of 145,000,000 new Consideration Shares at a price of HK$0.40 per Share. Get Wealthy currently owns 15% of the issued share capital of China Coal.

* *For identification purposes only*

SUMMARY OF THE AGREEMENTS

Date: 27 May 2009

Parties

Purchaser:	Champion Merry Investments Limited ("Champion Merry"), a wholly owned subsidiary of the Company
Vendor 1:	Mr. Wong Chok Wah ("Mr. Wong"), in the Agreement 1
Vendor 2:	Favour Good Investments Limited ("Favour Good"), in the Agreement 2

Mr. Wong and Favour Good, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, together with their ultimate beneficial owners, are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Assets to be acquired:	Agreement 1:	100% equity interest of Get Wealthy Investments Limited (添勝投資有限公司) which shall become a wholly owned subsidiary of the Company after completion. Get Wealthy currently owns 15% of equity interest in China Coal
	Agreement 2:	0.18% equity interest in China Coal
Consideration:	Agreement 1:	HK$57,312,000 to be satisfied by issue of 143,280,000 Consideration Shares
	Agreement 2:	HK$688,000 to be satisfied by issue of 1,720,000 Consideration Shares

The aggregate consideration for the Acquisitions is HK$58,000,000 (the "Consideration") which shall be satisfied by the issue of an aggregate of 145,000,000 new shares ("Consideration Shares") at a price of HK$0.40 per Share.

The Consideration for these 15.18% equity interest of China Coal is based on the unaudited net asset value ("NAV") of China Coal in the sum of HK$912 million as at 31 December 2008 (as shown in the Company's 2008 Annual Report) and after a discount of 58% to the NAV. The NAV is mainly based on a valuation amounted to HK$944 million on the total assets of China Coal and Taiyuan Sanxing of an independent valuer.

To the best knowledge of the Company, the principal activity of Get Wealthy is investment holding, and its only asset is the 15% shareholding in China Coal as at the date of this circular, and it has no trading activity since its date of incorporation on 12 May 2006. Therefore, Get Wealthy has no historical record since the date of its incorporation. The value of Get Wealthy i.e. the 15% shareholding in China Coal amounted to HK$136.80 million approximately based on the NAV of China Coal as at 31 December 2008.

Completion Date: On or before 31 July 2009

Mr. Wong is currently a director of China Coal. He will resign as a director of China Coal and the Group shall have the right to appoint a director to replace Mr. Wong upon the completion of the Agreement 1.

INFORMATION ON THE GROUP

The principle activity of the Company is an investment holding company. It is principally engaged in the logistics, energy and recycling business.

INFORMATION ON THE VENDORS

To the best knowledge of the Company, Mr. Wong is an independent third party and Favour Good is an investment company incorporated in British Virgin Islands with limited liabilities. Mr. Wong currently owns 42,000 Shares in the Company. Save as disclosed herein, to the best knowledge of the Directors and having made all reasonable enquiries, the vendors do not hold any shareholding interests in and do not have any relationship with the Company or any of its associates, and are third parties independent of the Company and connected persons of the Company.

INFORMATION ON CHINA COAL

China Coal is an investment holding company incorporated in Hong Kong with limited liabilities. Apart from Get Wealthy and Favour Good, the other two shareholders of China Coal are Champion Merry and Zhang Jingyuen who legally and beneficially owns 39.93% and 44.89% of its issued share capital respectively.

Conditions precedent:

The Agreements are subject to certain conditions precedent including without limitation the following, being satisfied or waived by the party entitled to their benefit:

(i) The Consideration Shares shall have been approved for listing, and permission to deal in the shares granted, by the Stock Exchange; and

(ii) The Company shall have obtained its shareholders' approval in the SGM for the transactions contemplated under the Agreements.

Reason for Acquisitions

Reference is made to the Company's announcements dated 12 August 2008 and 28 November 2008, management of the Company has strong confidence in the legal cases in relation to China Coal and its major operating subsidiary, Taiyuan Sanxing Coal Gasification Group Limited ("Taiyuan Sanxing") after consulting legal opinions from Hong Kong and PRC lawyers. Acquisitions of the further 15.18% interest in aggregate of the issued share capital of China Coal will enable the Group to have a better position to dispose of its investment in China Coal when opportunities arise as the Group will have majority control of over 55% of China Coal, or the Group can take full control of the operations of China Coal and its subsidiary in the PRC, Taiyuan Sanxing after the Group defeats Zhang Jingyuen in legal actions in both Hong Kong and the PRC at a later stage.

Both of Get Wealthy and Favour Good are defendants under a legal action instituted by Zhang Jingyuen as disclosed in the Company's announcement dated 12 August 2008. Management has carefully assessed the risks involved in the legal action in relation to the 15.18% equity interest in China Coal to be acquired by the Group pursuant to the Agreements. Based on the advice from the Group's lawyers, Get Wealthy and Favour Good have a good case against Zhang Jingyuen, the Board believes, having taken into consideration the risks, potential benefits and potential capital appreciation associated with the Acquisitions, that the Consideration and the terms of the Agreements, in particular, the discount of 58% to the NAV, are beneficial to, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The percentages of the issued share capital held by the Company in Get Wealthy and China Coal after completion of the Acquisition are 100% and 55.11% respectively.

China Coal will become a subsidiary of the Company after the completion of the Agreements. However, Taiyuan Sanxing will be held as an available-for-sale investment of the Group and the financial results of Taiyuan Sanxing will not be consolidated into the Group's financial statements as no financial information of Taiyuan Sanxing has been provided to the Group since January 2008 as stated in note 18 to the Company's 2008 Annual Report. The results of Taiyuan Sanxing have not been accounted for or consolidated into in the Company's nor China Coal's financial statements for the year ended 31 December 2008.

There will be no material effect on the earnings of the Company in respect of additional profit/(loss) of China Coal to the extent of the approximate 15.18% shares acquired on the earnings of the Group as China Coal does not have material earnings, while the assets and liabilities of the Group will be increased approximately by HK$660 million and HK$27 million according to Appendix III of this circular. There will not be a change of control as a result of the Acquisitions.

The shareholding of Orient Day Developments Limited ("Orient Day") will be diluted to approximately 52.10% after the issue of the Consideration Shares. A public float of at least 25% will be maintained.

The Acquisitions contemplated under the Agreements constitutes a major transaction involving issue of Shares of the Company under Rule 14.06 of the Listing Rules and therefore is subject to the

Shareholders' approval. The completion of the Agreements is, among other things, subject to a special mandate for the issue of the Consideration Shares proposed to be sought from the shareholders at the SGM and the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Consideration Shares.

Mr. Wong and his associates shall abstain from voting at the SGM in respect of the Acquisitions. All other Shareholders (including Mr. Wong Kwan) do not have any material interests in the Acquisitions as the Acquisitions do not confer upon any Shareholders or their associates a benefit (economic or otherwise) not available to other Shareholders.

ADOPTION OF A NEW SHARE OPTION SCHEME

Reference is made to the Company's circular dated 21 October 2008 in relation to the cancellation of all the then outstanding share options granted but not exercised. As the Existing Share Option Scheme adopted pursuant to a written resolution of the sole shareholder passed on 21 June 2002 will expire on 20 June 2012, the Directors consider it is appropriate timing for the Group to adopt the New Share Option Scheme for the Group and termination of the Existing Share Option Scheme so as to enable the Group to effectively recruit and retain high-calibre employees. The New Share Option Scheme has to be approved by the Shareholders in the SGM. As at the Latest Practicable Date, the Company has no unexpired share option scheme other than the Existing Share Option Scheme.

An ordinary resolution will be proposed at the SGM for the purpose of terminating the Existing Share Option Scheme (such that no further options could be granted under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing share Option Scheme) and the adoption of New Share Option Scheme whose terms will comply with Chapter 17 and other relevant provisions of the Listing Rules and which will take effect on the date of its adoption at the SGM subject to the fulfilment of the condition precedents as set out below.

It is proposed that the Company shall adopt the New Share Option Scheme to provide the Eligible Persons a performance incentive for continued and improved service with the Company and its Subsidiaries and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership. A summary of the terms and conditions of the New Share Option Scheme is set out in Appendix VII to this circular.

The New Share Option Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the rules of the New Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an Option. The basis for determination of the subscription price is also specified precisely in the rules of the New Share Option Scheme.

Pursuant to the Listing Rules, the Directors are encouraged to state the value of all Options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date in this circular. However, the Directors consider it inappropriate to value the Options that can be granted under the New Share Option Scheme as various factors (such as Option Period, Subscription Price, and other terms and conditions that an Option is subject to) used for valuation cannot be predicted or ascertained at the moment.

Notwithstanding the termination of Existing Share Option Scheme upon the passing of an ordinary resolution by the Shareholders at the SGM, unless otherwise stated, options which have been granted during the life of the Existing Share Option Scheme and remain unexercised immediately prior to the termination of the operation of the Existing Share Option shall remain valid and exercisable in accordance with their terms of issue set out in the Existing Share Option Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Options under the New Share Option Scheme.

The New Share Option Scheme is conditional upon:

(i) the passing of an ordinary resolution for the termination of the Existing Share Option Scheme and the adoption of New Share Option Scheme; and

(ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Options under the New Share Option Scheme.

No Shareholder is required to abstain from voting in the SGM under the Listing Rules.

Documents available for inspection

Copies of the rules of the New Share Option Scheme are available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM and at the SGM.

As at the Latest Practicable Date, the number of shares in issue was 581,403,960. On the basis of such figure (assuming no further Shares are issued between the period from the date of this circular and the date of the adoption of the New Share Option Scheme). The number of Shares that may be issued upon exercise of all Options which may be granted under the New Share Option Scheme and to be granted any other share option schemes will be 58,140,396 Shares, being 10 per cent of the issued ordinary share capital of the Company as at the date of this circular. The Company may however obtain approval from its shareholders to refresh the said 10 per cent limit in accordance with the Listing Rules, provided that the maximum number of shares to be issued upon exercise of all outstanding Options under the New Share Option Scheme and any other share option schemes must not exceed 30 per cent of the issued ordinary share capital of the Company from time to time.

PROPOSED ISSUE OF CONVERTIBEL NOTES

The Board announces that, on 27 May 2009, the Subscriber, a majority Shareholder and the Company entered into the CN Agreement pursuant to which the Subscriber has committed to subscribe for, and the Company may issue the Convertibles Notes to the Subscriber of up to HK$100,000,000 at the discretion of the Company.

It is proposed to issue Convertible Notes to the Subscriber who has the right to convert them up to 250,000,000 new Conversion Shares at a conversion price of HK$0.40 per Conversion Share at any time during the period of two years from the date of the Proposed Issue.

The Convertible Notes' total principal amount is up to HK$100,000,000.

Subject to fulfillment of the Conditions, the Subscriber has committed to subscribe for, and the Company at its sole discretion may issue the Convertible Notes of principal amount of up to HK$100,000,000 as its full face value.

Subject to fulfillment of the Conditions, the Company may at its sole discretion give written notices (the "CN Notices") to the Subscriber on or before 30 June 2011 to demand the subscription for the whole or part of the Convertible Notes by the Subscriber provided that the principal amount of each of the CN Notices shall be in the multiples of HK$10,000,000.

CONVERSION SHARES

Assuming full conversion of the Convertible Notes at the Conversion Price, the Convertible Notes will be converted into approximately 250,000,000 Conversion Shares, representing approximately 43.00% of the existing issued share capital of the Company and approximately 30.07% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares.

CONVERSION PRICE

The Conversion Price of HK$0.40 per Conversion Share was arrived at after arm's length negotiation between the Subscriber and the Company and represents a discount of approximately 11% of the closing price of HK$0.45 per Share as quoted on the Stock Exchange on 27 May 2009, being the last trading day immediately before the date of the CN Agreement, a discount of approximately 13% to the average closing price of HK$0.46 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 27 May 2009 and a premium of approximately 22.70% to the average closing price of HK$0.326 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including 27 May 2009. The Conversion Price will be subject to adjustment, the details of which are summarized in the "Terms of the Convertible Notes" of this circular.

CONDITIONS OF THE PROPOSED ISSUE

Completion of the Proposed Issue is conditional upon:

- the Listing Committee having granted approval for the listing of and permission to deal in the Conversion Shares; and
- the passing by the Independent Shareholders in the SGM of resolutions to approve the Proposed Issue and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules.

If any of the above conditions have not been fulfilled by 31 July 2009 (or such later date as the Company and the Subscriber may agree), the CN Agreement will lapse.

COMPLETION

Completion of the issue of the Convertible Notes will take place within three Business Days upon the fulfillment of the conditions of the Proposed Issue (or such other date as the parties may agree).

TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Subscriber and are summarized as follows:

Principal Terms:

Aggregated Principal amount	:	HK$100,000,000
Conversion Price	:	HK$0.40 per Conversion Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue
Interest rate	:	Prime lending rate as quoted by HSBC from time to time
Maturity	:	the second anniversary of the date of issue of the Convertible Notes
Transferability	:	The Convertible Note shall be assignable and transferable in whole or in part at any time. Prompt notice will be given to the Stock Exchange of each transfer and the company has undertaken to the Stock Exchange that it will disclose to the Stock Exchange any dealing in the Convertible Notes by any connected person or his/her associates.

Conversion Period	:	The Convertible Notes are convertible at any time from the date of issue and up to the maturity date of the Convertible Notes
Conversion Rights	:	The Noteholder(s) has/have the right to convert all or part of the Convertible Notes into Conversion Shares at the Conversion Price of HK$0.40 per Conversion Share during the Conversion Period. The Conversion Rights may only be exercisable in respect of not less than 10,000,000 Conversion Shares upon each conversion
Conversion Shares	:	The number of Conversion Shares to be issued upon full conversion of the Convertible Notes will be 250,000,000 Shares, representing approximately 43.00% of the existing issued share capital of the Company, 30.07% of the issued share capital as enlarged by the conversion of the Convertible Notes in full
Redemption	:	The Company shall be entitled to redeem at 100% all or any part of the principal amount of the Convertible Notes, by giving not less than 7 days' written notice to the Noteholder(s) from time to time after the date of issue of the Convertible Notes provided that the Noteholder(s) shall have the right to exercise his/her Conversion Rights within 7 days from the date of the said notice.
Restriction	:	No conversion of the Convertible Notes will be allowed in the event that such conversion will result in non-compliance with the 25% minimum public float requirement.
Voting	:	The holders of the Convertible Notes will not be entitled to attend or vote at any general meetings of the Company by reason only of his/her being the Noteholder(s).
Listing	:	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other securities exchange.

This Conversion Shares will be issued under a special mandate proposed to be sought from the Independent Shareholders in the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECT ON SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE ACQUISITIONS AND THE PROPOSED ISSUE

Set out below is the table for the shareholding in the Company before and after completion of the Acquisitions and the Proposed Issue:

Shareholders	Shareholding as at the date of the Latest Practicable Date		Shareholding after the completion of the Acquisitions but before the conversion of Convertible Notes		Shareholding after conversion of the balance of convertible notes of HK$10 million (assuming no adjustment to the Conversion Price and no further issue of Shares as at the Latest Practicable Date) approved by SGM on 16 April 2009 and the completion of the Acquisitions but before the conversion of Convertible Notes		Shareholding after conversion of part of the Convertible Notes (assuming no adjustment to the Conversion Price and no further issue of Shares as at the Latest Practicable Date) and the completion of the Acquisitions (Note 2)		Shareholding after full conversion of the Convertible Notes (assuming no adjustment to the Conversion Price and no further issue of Shares as at the Latest Practicable Date) and the completion of the Acquisitions (Note 3)	
	Shares	*% of share holdings*	*Shares*	*% of share holdings*	*Shares*	*% of share holdings*	*Shares*	*% of share holdings*	*Shares*	*% of share holdings*
The Subscriber, Mr. Wong Kwan and their concert parties	378,425,800	65.09	378,425,800	52.10	411,759,800	54.20	467,559,800	57.33	661,759,800	65.54
Other Director	640,000	0.11	640,000	0.08	640,000	0.08	640,000	0.08	640,000	0.06
Mr. Wong *(Note 1)*	42,000	0.01	143,322,000	19.73	143,322,000	18.86	143,322,000	17.57	143,322,000	14.19
Public shareholders	202,296,160	34.79	204,016,160	28.09	204,016,160	26.86	204,016,160	25.02	204,016,160	20.21
Total	581,403,960	100	726,403,960	100	759,737,960	100	815,537,960	100	1,009,737,960	100

Note 1: Mr. Wong is not a connected person of the Company and his shareholding of 42,000 Shares actually forms part of those Shares held by the Public Shareholders before the completion of the Acquisitions.

Note 2: Upon conversion of such convertible notes to the extent that the minimum public float requirement can be met.

Note 3: It is for illustration purpose only in the event that the Convertible Notes are fully converted.

As at the Latest Practicable Date, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

CAPITAL-RAISING ACTIVITIES DURING PAST 12 MONTHS

Except that the Company has issued convertible notes of HK$35,000,000 in aggregate to Orient Day in May 2009, the Company did not any capital-raising activities during the past 12 months preceding the date of this circular.

Convertible notes (as announced on 5 March 2009) of HK$35 million have been issued by the Company, and the Company has not yet invited the Subscriber to subscribe for the balance of the Second Tranche Note (as disclosed in the Company's announcement dated 5 March 2009) for the sum of HK$10 million up to the date of this circular.

REASONS FOR THE PROPOSED ISSUE

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

The principal activity of the Subscriber is investment holding.

In view of the Group's litigations regarding China Coal, the continual need of funding for the Group's operations and the difficulty of fund raising by placing shares in this weak market situation after the financial tsunami, the proposal of the issue of the Convertible Notes to the Subscriber will ensure the Group will have a further funding of up to HK$100 million if the Company issues the Convertible Notes in full.

Reference is made to the Company's announcement dated 5 March 2009 in relation to the issue of convertible notes of up to HK$45 million to the Subscriber. As the Group has suffered substantial losses in the last financial year of 2008, and it is anticipated further working capital is required for the Group including the operations in France of Euro Resources which has become a subsidiary of the Company in November 2008 as well as for new possible investment opportunities, therefore the Company considered the Proposed Issue of further convertible notes of HK$100 million is in the interest of the Shareholders and the Company as a whole.

Given that the Conversion Price was at an approximately 11% discount to the closing price of the Shares on 27 May 2009, being the last trading day immediately before the date of the CN Agreement and at a premium of approximately 22.70% to the average closing price of HK$0.326 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including 27 May 2009, the Directors (excluding the independent non-executive Directors who will express their views in the circular to the Shareholders) consider that the terms of the CN Agreement are fair and reasonable under the current market conditions and in the best interest of Shareholders and the Company as a whole.

SGM

The SGM will be held at Suite 1908, 19th Floor, 9 Queen's Road Central, Hong Kong at 4:30 p.m., Wednesday on 15 July 2009 to consider and, if though fit, approve the Agreement.

Notice of the SGM is set out on page 166 to 168 of this circular and the form of proxy for use at the SGM is enclosed in this circular. Whether or not you intend to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Board considers that the CN Agreement is in the interests of the Company and the Independent Shareholders as a whole and the Directors consider that the terms of the CN Agreement are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms. Accordingly, the Directors (excluding the independent non-executive Directors) recommend you to vote in favor of the resolution to be proposed at the SGM. The recommendation of the independent non-executive Directors in respect of the terms of the CN Agreement is set out in the letter from the Independent Board Committee on page 16 of this circular.

GENERAL

The Subscriber is a substantial Shareholder. Accordingly, the Subscription constitutes a connected transaction for the Company under the Listing Rules. Completion of the CN Agreement is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. The Subscriber, namely Orient Day Developments Limited, a company wholly owned by Mr. Wong Kwan, who is a majority Shareholder, chairman and executive Director of the Company and a connected person of the Company, and its associates shall abstain from voting at the SGM in respect of the Subscription. No other Shareholders are required to abstain from voting at the SGM.

As Completion of the Proposed Issue is subject to a number of conditions, which may or may not be fulfilled, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Acquisitions and the Proposed Issue are two independent events.

Your attention is drawn to the letter form the Independent Board Committee set out on page 16 of this circular and the letter of advice received from the Wallbanck Brothers on pages 17 to 36 of this circular as well as the additional information set out in the appendix to this circular.

The Board strongly advises the Independent Shareholders to read each of these letters and the appendices before reaching a decision in respect of the resolution to be proposed at the SGM.

Yours faithfully,
For and on behalf of the Board
Pearl Oriental Innovation Limited

Cheung Kwok Yu
Executive Director and Company Secretary

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

(Incorporated in Bermuda with limited liability)

(Stock code: 632)

25 June 2009

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
PROPOSED ISSUE OF CONVERTIBLE NOTES

We refer to the circular of the Company dated 25 June 2009 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the CN Agreement, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Having considered the terms of the CN Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 17 to 36 of this Circular, we are of the opinion that the terms of the CN Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the CN Agreement.

Yours faithfully,
For and on behalf of the Independent Board Committee

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

* *For identification purposes only*

The following is the full text of a letter of advice from Wallbanck Brothers, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Proposed Issue, for the purpose of incorporation into this circular.

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

2310, Tower 2, Lippo Centre,
89 Queensway, Central,
Hong Kong

25 June 2009

To the independent board committee and
the independent shareholders of
Pearl Oriental Innovation Limited

Dear Sirs,

PROPOSED ISSUE OF CONVERTIBLE NOTES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Issue, details of which are set out in the letter from the Board contained in the circular dated 25 June 2009 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

It was announced on 4 June 2009 that on 27 May 2009, the Subscriber, a majority Shareholder and the Company entered into the CN Agreement pursuant to which the Subscriber has committed to subscribe for, and the Company may issue the Convertibles Notes to the Subscriber of up to HK$100,000,000 at the discretion of the Company.

Assuming full conversion of the Convertible Notes at the Conversion Price of HK$0.40 per Share, a total of approximately up to 250,000,000 Conversion Shares will be issued, representing approximately 43.00 % of the existing issued share capital of the Company and approximately 30.07% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Subscriber is a substantial Shareholder. Accordingly, the subscription constitutes a connected transaction for the Company under the Listing Rules. Completion of the CN Agreement is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. The Subscriber and its associates shall abstain from voting in the SGM in respect of the Subscription.

An Independent Board Committee comprising Mr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham (all being independent non-executive Directors) has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the CN Agreement and the transactions contemplated thereunder. We, Wallbanck Brothers, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in this circular were true and accurate at the time when they were made and will continue to be accurate at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in this circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision, opportunity or project undertaken or be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from the Proposed Issue as these are particular to the individual circumstances of each Shareholder. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her decision to the Proposed Issue. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date.

Our opinions are formulated only and exclusively for the purpose of the Proposed Issue and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions.

Our opinions are based on the Directors' representation and confirmation that there are no undisclosed private agreements/ arrangements or implied understanding with anyone concerning the Proposed Issue.

Our opinions are based on the Directors' confirmation of receipt of our advice that the Directors and the management of the Company are responsible to take all reasonable steps to ensure that the information and representations provided in any press announcement, circular and prospectus concerning the Proposed Issue are true, accurate, complete and not misleading, and that no material information or facts have been omitted or withheld.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Issue, we have taken into consideration the following principal factors and reasons:

1. The Proposed Issue

a) *Convertible Notes*

As stated in the Letter from the Board, the Convertible Notes' total principal amount is up to HK$100,000,000.

Subject to fulfillment of the Conditions, the Subscriber has committed to subscribe for, and the Company at its sole discretion may issue the Convertible Notes of principal amount of up to HK$100,000,000 as its full face value.

Subject to fulfillment of the Conditions, the Company may at its sole discretion give written notices (the "CN Notices") to the Subscriber on or before 30 June 2011 to demand the subscription for the whole or part of the Convertible Notes by the Subscriber provided that the principal amount of each of the CN Notices shall be in the multiples of HK$10,000,000.

b) *Conversion Shares*

As stated in the Letter from the Board, assuming full conversion of the Convertible Notes at the Conversion Price, the Convertible Notes will be converted into approximately 250,000,000 Conversion Shares, representing approximately 43.00% of the existing issued share capital of the Company and approximately 30.07% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares.

c) *Conversion Price*

The Conversion Price of HK$0.40 per Conversion Share was arrived at after arm's length negotiation between the Subscriber and the Company and represents:

(i) a discount of approximately 31.03% of the closing price of HK$0.58 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 11% of the closing price of HK$0.45 per Share as quoted on the Stock Exchange on 27 May 2009, being the last trading day immediately before the date of the CN Agreement (the "Last Trading Day");

(iii) a discount of approximately 11% to the average closing price of HK$0.45 per Share as quoted on the Stock Exchange for the last 5 trading days up to the Last Trading Day; and

(iv) a premium of approximately 22.70% to the average closing price of HK$0.326 per Share as quoted on the Stock Exchange for the last 50 trading days up to the Last Trading Day.

d) *Conditions of the Proposed Issue*

Completion of the Proposed Issue is conditional upon:

- the Listing Committee having granted approval for the listing of and permission to deal in the Conversion Shares; and

- the passing by the Independent Shareholders in the SGM of resolutions to approve the Proposed Issue and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules.

If any of the above conditions have not been fulfilled by 31 July 2009 (or such later date as the Company and the Subscriber may agree), the CN Agreement will lapse.

(e) *Completion*

Completion of the issue of the Convertible Notes will take place within three Business Days upon the fulfillment of the conditions of the Proposed Issue (or such other date as the parties may agree).

(f) *Terms of the Convertible Notes*

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Subscriber and are summarized as follows:

Aggregated principal amount	HK$100,000,000
Conversion Price	HK$0.40 per Conversion Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
Interest rate	Prime lending rate as quoted by HSBC from time to time.
Maturity	The second anniversary of the date of issue of the Convertible Notes.
Transferability	The Convertible Note shall be assignable and transferable in whole or in part at any time. Prompt notice will be given to the Stock Exchange of each transfer and the company has undertaken to the Stock Exchange that it will disclose to the Stock Exchange any dealing in the Convertible Notes by any connected person or his/her associates.
Conversion Period	The Convertible Notes are convertible at any time from the date of issue and up to the maturity date of the Convertible Notes.
Conversion Rights	The Noteholder(s) has/have the right to convert all or part of the Convertible Notes into Conversion Shares at the Conversion Price of HK$0.40 per Conversion Share during the Conversion Period. The Conversion Rights may only be exercisable in respect of not less than 10,000,000 Conversion Shares upon each conversion.

Conversion Shares	The number of Conversion Shares to be issued upon full conversion of the Convertible Notes will be 250,000,000 Shares, representing approximately 43.00% of the existing issued share capital of the Company, 30.07% of the issued share capital as enlarged by the conversion of the Convertible Notes in full.
Redemption	The company shall be entitled to redeem at 100% all or any part of the principal amount of the Convertible Notes, by giving not less than 7 days' written notice to the Noteholder(s) from time to time after the date of issue of the Convertible Notes provided that the Noteholder(s) shall have the right to exercise his/her Conversion Rights within 7 days from the date of the said notice.
Restriction	No conversion of the Convertible Notes will be allowed in the event that such conversion will result in non-compliance with the 25% minimum public float requirement.
Voting	The holders of the Convertible Notes will not be entitled to attend or vote at any general meetings of the Company by reason only of his/her being the Noteholder(s).
Listing	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other securities exchange.

This Conversion Shares will be issued under a special mandate proposed to be sought from the Independent Shareholders at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

2. Business overview of the Group

The principal activity of the Company is an investment holding company. It is principally engaged in the logistics, energy and recycling businesses.

Table 1 summarized the financial performance of the Group for the two years ended 31 March 2007 and 31 December 2008 and for the nine months ended 31 December 2007.

Table 1: Financial performance of the Group

	For the year ended 31 December 2008 *(HK$'000)* *(Audited)*	**For the nine months ended 31 December 2007** *(HK$'000)* *(Audited)*	**For the year ended 31 March 2007** *(HK$'000)* *(Audited)*
Turnover	78,783	55,620	65,344
Gross profit	27,688	15,348	14,283
Gross profit margin *(%)*	35.14	27.59	21.86
Profit/(Loss) before taxation	(39,845)	34,228	(54,316)
Profit/(Loss) after taxation	(41,265)	33,125	(55,484)
	As at 31 December 2008 *(HK$'000)* *(Audited)*	**As at 31 December 2007** *(HK$'000)* *(Audited)*	**As at 31 March 2007** *(HK$'000)* *(Audited)*
Cash and cash equivalents	15,787	31,617	11,184
Net assets	521,943	476,245	427,742
Gearing ratio (bank borrowings/total assets)	9%	10%	11%

For the nine months ended 31 December 2007, the Group recorded an audited consolidated turnover of approximately HK$55,620,000, representing a decrease of approximately 14.88% from HK$65,344,000 for the financial year ended 31 March 2007. Profit after taxation amounted to approximately HK$33,125,000 for the nine months ended 31 December 2007, as compared to a loss of approximately HK$55,484,000 for the year ended 31 March 2007.

According to the annual report for the nine months period ended 31 December 2007, the financial status of the Group was improved. The profit attributable to shareholders for the period under review amounted to HK$38,422,000 (31 March 2007: Loss HK$53,278,000), turnaround from loss to profit. Such increases were mainly attributable to the share of profit from associates.

The net assets of the Group as at 31 December 2007 was HK$476,245,000 (31 March 2007: HK$427,742,000), representing an increase of 11.34% as compared with those as at 31 March 2007. As at 31 December 2007, the Group's cash and cash equivalents totaled approximately HK$31,617,000 (31 March 2007: HK$11,184,000), representing an increase of 182.70% against the balance as at 31 March 2007. The gearing ratio was 11% (bank borrowings/ total assets) as at 31 December 2007 (31 March 2007: 10%).

For the year ended 31 December 2008, the Group recorded an audited consolidated turnover of approximately HK$78,783,000, representing an increase of approximately 41.65% from HK$55,620,000 of the nine months ended 31 December 2007. Loss after taxation amounted to approximately HK$41,265,000 for the year ended 31 December 2008, as compared to a profit of approximately HK$33,125,000 for the nine months ended 31 December 2007.

According to the annual report for the year ended 31 December 2008, the global economic downturn has impacted the entire export and logistics industries substantially, and in turn, the Group's business. The loss attributable to shareholders for the year under review amounted to HK$38,310,000 (2007: Profit of HK$38,422,000). 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"), the Group's 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$40,000,000 guaranteed by the joint venture partner was unable to realize as a result of the litigations.

The net assets of the Group as at 31 December 2008 was HK$521,943,000 (31 December 2007: HK$476,245,000), representing an increase of approximately 9.60% as compared with those as at 31 December 2007. As at 31 December 2008, the Group's cash and cash equivalents totaled approximately HK$15,787,000 (31 December 2007: HK$31,617,000), representing a decrease of 50.07% against the balance as at 31 December 2007. The gearing ratio was 9% (bank borrowings/ total assets) as at 31 December 2008 (31 December 2007: 10%).

3. Use of proceeds of and reasons for the Proposed Issue

As stated in the Letter from the Board, in view of the Group's litigations regarding China Coal, the continual need of funding for the Group's operations and the difficulty of fund raising by placing shares in this weak market situation after the financial tsunami, the proposal of the issue of the Convertible Notes to the Subscriber will ensure the Group will have a further funding of up to HK$100 million if the Company issues the Convertible Notes in full.

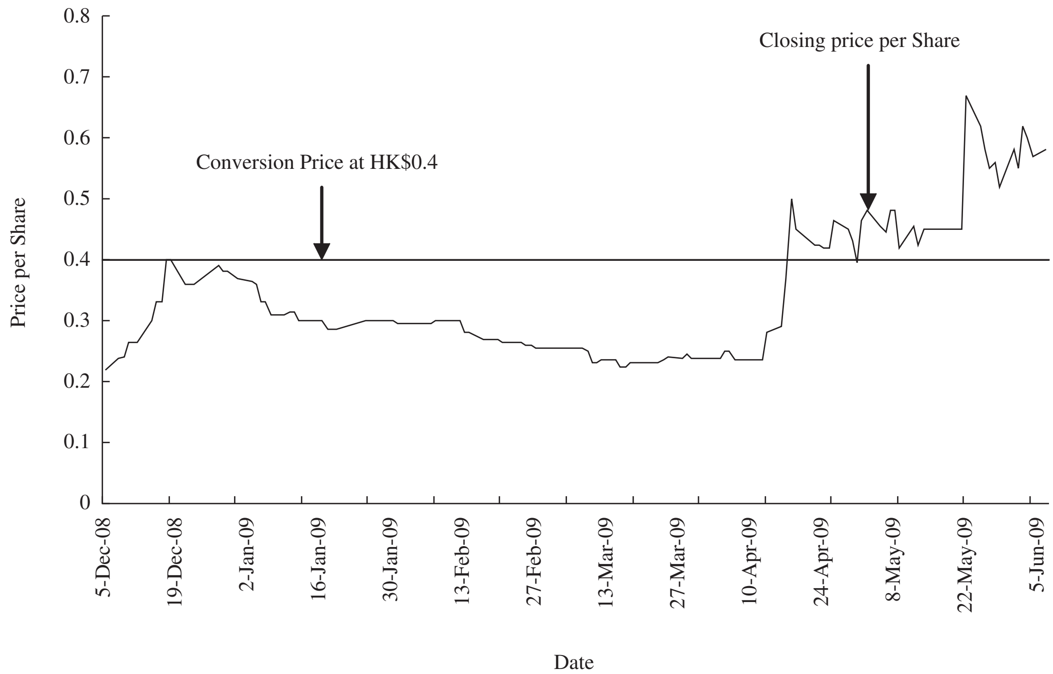
Reference is made to the Company's announcement dated 5 March 2009 in relation to the issue of convertible notes of up to HK$45 million to the Subscriber. As the Group has suffered substantial losses in the last financial year of 2008, and it is anticipated further working capital is required for the Group including the operations in France of Euro Resources which has become a subsidiary of the Company in November 2008 as well as for new possible investment opportunities, therefore the Company considered the Proposed Issue of further convertible notes of HK$100 million is in the interest of the Shareholders and the Company as a whole.

Given that the Conversion Price was at an approximately 11% discount to the closing price of the Shares on 27 May 2009, being the last trading day immediately before the date of the CN Agreement and at a premium of approximately 22.70% to the average closing price of HK$0.326 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including the Last Trading Day, the Directors consider that the terms of the CN Agreement are fair and reasonable under the current market conditions and in the best interest of Shareholders and the Company as a whole.

4. The historical share price performance of the Company

Chart 1 below shows the Conversion Price and the historical closing prices of the Share as quoted on the Stock Exchange during the period commencing from 5 December 2008 (six months before the date of the announcement of the Company dated 4 June 2009 (the "Announcement")) up to and including the Latest Practicable Date (the "Review Period"):

Chart 1: Historical share price performance of the Company



Notes:

1. Trading in the Shares was suspended on 23 January 2009, pending the release of the relevant announcement.

2. Trading in the Shares was suspended on 5 March 2009, pending the release of the relevant announcement.

3. Trading in the Shares was suspended from 29 May 2009 to 4 June 2009, pending the release of the Announcement.

4. On market days when the Shares are not traded, the closing price equals to that of the preceding trading days.

Source: Stock Exchange website

The reason for using six months before the date of the Announcement up to and including the Latest Practicable Date as the Review Period is due to the fact that it is a better reflection of the market sentiment of the Hong Kong stock market as the stock market has been rapidly fluctuating in the recent periods.

The closing price of the Share was generally in a rising trend for the whole Review Period. Subsequent to the release of the Announcement on 4 June 2009, there was an immediate upsurge of the Share price to HK$0.67 on 5 June 2009 and thereafter, the Share price has been fluctuated within a range from HK$0.52 to HK$0.62, and closed at HK$0.58 as at the Latest Practicable Date.

Although the Conversion Price was set at a discount of approximately 11% to the closing price of HK$0.45 per Share on the Last Trading Day, the Conversion Price is at (i) a premium of approximately 17.65% over the average closing price of the Share of HK$0.34 for the Review Period; (ii) a premium of approximately 22.70% to the average closing price of HK$0.326 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including the Last Trading Day; and (iii) falls in the price range for the Review Period from HK$0.22 to HK$0.67.

5. Review on trading liquidity of Shares

Table 2 below sets out the average daily turnover per month and the respective percentages of the shares' average daily turnover as compared to the total number of Shares in issue as at the Latest Practicable Date and the total number of shares held by the Independent Shareholders as at the Latest Practicable Date of the Group during the Review Period:

Month	**Average daily turnover** *(in number of Shares)*	**Percentage of average daily turnover to total number of Shares in issue** *(Note 1)* *(%)*	**Percentage of average daily turnover to total number of Shares held by the Independent Shareholders** *(Note 2)* *(%)*
2008			
December (*from 5 December 2008 to 31 December 2008)*	48,929	0.008	0.024
2009			
January	90,741	0.016	0.045
February	13,360	0.002	0.007
March	159,191	0.027	0.079
April	435,330	0.075	0.215
May	198,700	0.034	0.098
June (up to and including the Latest Practicable Date)	1,645,570	0.283	0.813

Notes:

1. Based on 581,403,960 total issued shares of the Group as at the Latest Practicable Date.

2. Based on the total number of shares held by the Independent Shareholders of 202,338,160 Shares as at the Latest Practicable Date.

3. Trading in the Shares was suspended on 23 January 2009, pending the release of the relevant announcement.

4. Trading in the Shares was suspended on 5 March 2009, pending the release of the relevant announcement.

5. Trading in the Shares was suspended from 29 May 2009 to 4 June 2009, pending the release of the Announcement.

Source: Stock Exchange website

The trading volume of the Shares was very thin. Save and except for the trading days which Shares were suspended in trading, 32 trading days during the Review Period recorded nil trading volume, representing approximately 25.60% of the total 125 trading days of the Review Period.

During the Review Period, the daily average trading volume of the Shares was traded well below 1% of the total issued shares of the Company. In addition, less than 1% of the issued shares of the Company held by the Independent Shareholders were traded during the Review Period. The maximum daily trading occurred on 5 June 2009, with a trading volume of 8,285,000 shares and accounted for approximately 1.43% and 4.09% of the total issued shares and shares held by the Independent Shareholders respectively.

The aggregate amount of the Conversion Shares represents approximately 822 times of the average daily trading volume for the Review Period. Based on the above, we consider that the trading of the Shares was relatively thin and inactive during the Review Period.

6. Comparison with other transactions involving the issue of the convertible notes and/or convertible bonds

In assessing the reasonableness of the terms of the Convertible Notes, we have reviewed and identified, on a best effort basis, 33 companies listed in Hong Kong that announced to issue or already issued convertible bonds/notes (the "Comparables") from 5 December 2008 to 27 May 2009 (being the date of the CN Agreement). However, Independent Shareholders should note that the business, operations and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into the business and operations of the Comparables. Thus, the Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved the issue of convertible notes/bonds. The table below summarizes our findings:

Date of announcement	Company name	Stock code	Initial conversion price	Maturity	Interest rate	Premium/ (discount) of conversion price over/to the closing price of the shares as at the last trading day prior to the release of the announcement
			HK$	*Years*	*%*	*%*
8-Dec-08	Golife Concepts Holdings Limited	8172	0.05	10.0	0.00	(18.03)
15-Dec-08	SRE Group Limited	1207	0.55	5.0	2.50	3.77
17-Dec-08	Sino Katalytics Investment Corporation	2324	0.045	1.0	10.00	12.50
7-Jan-09	China Fortune Holdings Limited	110	0.7	2.0	0.00	337.50

Date of announcement	Company name	Stock code	Initial conversion price	Maturity	Interest rate	Premium/ (discount) of conversion price over/to the closing price of the shares as at the last trading day prior to the release of the announcement
			HK$	*Years*	*%*	*%*
23-Jan-09	Cosmopolitan International Holdings Limited	120	0.3	2.0	0.00	(16.67)
2-Feb-09	Asia Resources Holdings Limited	899	0.3	5.0	0.00	(21.10)
4-Feb-09	China Energy Development Holdings Limited	228	0.168	30.0	0.00	0.00
11-Feb-09	Sino Union Petroleum & Chemical International Limited	346	1.25	1.0	Floating interest rate	76.10
12-Feb-09	Long Success International (Holdings) Limited	8017	0.15	2.0	0.00	158.62
13-Feb-09	Bright International Group Limited	1163	0.25	2.0	0.00	(7.41)
18-Feb-09	Golden Resources Development International Limited	677	0.26	5.0	2.00	4.42
24-Feb-09	PME Group Limited	379	0.1	3.0	0.00	(67.21)
24-Feb-09	Sino Gas Group Limited	260	0.2	2.0	2.00	80.18
26-Feb-09	National Investments Fund Limited	1227	0.05	3.0	2.00	(2.00)
27-Feb-09	Smart Rich Energy Finance (Holdings) Limited	1051	0.034	3.3	0.00	(19.05)
2-Mar-09	Palmpay China (Holdings) Limited	8047	0.13	3.0	1.00	4.00
4-Mar-09	SEEC Media Group Limited	205	0.422	2.0	Floating interest rate	101.00
16-Mar-09	China Fortune Group Limited	290	0.16	3.0	0.00	(36.00)
20-Mar-09	New City (China) Development Limited	456	0.03	3.0	Floating interest rate	(88.68)
23-Mar-09	Global Flex Holdings Limited	471	0.1	2.0	0.00	194.10
1-Apr-09	Temujin International Investments Limited	204	1.6	3.0	12.00	(13.51)

Date of announcement	Company name	Stock code	Initial conversion price	Maturity	Interest rate	Premium/ (discount) of conversion price over/to the closing price of the shares as at the last trading day prior to the release of the announcement
			HK$	*Years*	*%*	*%*
7-Apr-09	Forefront Group Limited	885	0.19	3.0	0.00	0.00
26-Apr-09	Beijing Enterprises Holdings Limited	392	43.5	5.0	2.25	22.54
28-Apr-09	Sino Prosper Holdings Limited	766	0.075	5.0	0.00	7.14
30-Apr-09	Genesis Energy Holdings Limited	702	0.46	4.0	2.00	64.29
6-May-09	China Fortune Group Limited	290	0.16	3.0	0.00	(44.83)
13-May-09	Shougang Concord Technology Holdings Limited	521	0.6	5.0	0.00	20.00
14-May-09	China Water Industry Group Limited	1129	0.182	3.2	0.00	(17.65)
21-May-09	China Timber Resources Group Limited	269	0.056	3.0	2.15	(33.33)
25-May-09	Long Far Pharmaceutical Holdings Limited	2898	0.3	3.0	3.00	(36.20)
25-May-09	Daphne International Holdings Limited	210	3.5	5.0	3.125	7.70
27-May-09	China Fortune Group Limited	290	0.16	3.6	0.00	(64.84)
27-May-09	SOHO China Limited	410	5.88	5.1	3.75	20.00
Average				4.25	1.59	19.01
Maximum				30.00	12.00	337.50
Minimum				1.00	0.00	(88.68)
5-Mar-09	**The Company**	**632**	**0.3**	**2.0**	**Floating interest rate**	**15.38**
4-Jun-09	**The Company**	**632**	**0.4**	**2.0**	**Floating interest rate**	**(11.00)**

Source: Stock Exchange website

a) *Conversion Price*

As indicated in the above table, the conversion prices of the Comparables range from a discount of approximately 88.68% to a premium of approximately 337.50% to the respective closing price as at the respective last trading day prior to the release of the relevant announcements. The Conversion Price of HK$0.40, which represents a discount of approximately 11% to the closing price on the Last Trading Day, falls within the range of those of the Comparables though is lower than the average of the Comparables of a premium of approximately 19.01%.

b) *Interest rate*

The Convertible Notes will bear an interest which is expected to be the prime lending rate as quoted by HSBC from time to time, payable on a yearly basis.

As set out in the table above, the interest rate of the Comparables ranges from nil to 12.00% per annum. The interest rate of the Convertible Notes which was equivalent to the prime lending rate as quoted by HSBC of 5.00% as at the Latest Practicable (will be changed from time to time) falls within the range of the Comparables though is higher than the average interest rate of approximately 1.59% per annum of the Comparables.

c) *Maturity*

The maturities of the Comparables range from 1 to 30 years with an average of about 4.25 years. The Convertible Notes has a maturity of 2 years, which falls within the range of the Comparables and is shorter than the average maturity of about 4.25 years of the Comparables.

d) *Other terms of the Convertible Notes*

We have also reviewed the other terms of the Convertible Notes and are not aware of any terms under the Proposed Issue are of material irregularity.

Based on the foregoing, we concur with the Directors' opinion that the terms of the Convertible Notes are on normal commercial terms.

7. Other alternatives of financing

As stated in the Letter from the Board, save and except for the conversion of convertible notes in an aggregate principal amount of HK$35,000,000 by the Subscriber in May 2009, the Company did not conduct any capital-raising activities during the past 12 months. As at the Latest Practicable Date, we were given to understand that the Company has not yet invited the Subscriber to subscribe for the balance of the second tranche of the said convertible notes outstanding in a sum of HK$10,000,000.

We have further enquired into the Directors of other fund raising methods and the Directors advised that the Group would normally consider both debt financing and equity financing for fulfilling its capital requirements. As confirmed by the Directors, given (i) the Group's poor financial performance in the past few years; and (ii) the recent financial turmoil and the resulting global credit crunch has tightened the availability of fund and increased the cost of funding for the Company, it might be difficult for the Group to obtain significant borrowings/debts from banks or other financial institutions with favourable terms.

With respect to equity financing such as placing, open offer and rights issue, most would incur substantial costs in form of placing commission or underwriting commission. Moreover, the Directors consider that placing of the Shares is not appropriate since the lack of liquidity of the Shares would pose difficulties for the Company in the negotiation of the placing price with placing agents when the price of the Shares could not effectively reflect its fair value. Although both open offer and rights issue may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising exercises would be relatively time consuming as compared to the Proposed Issue and any arm's length underwriting is normally subject to standard force majeure clause in favour of the underwriter. In addition, based on the present unsatisfactory business performance of the Company, the Company would have difficulties in procuring commercial underwriting.

Having all these being the case, the Directors believe that the Proposed Issue offers the best balance in terms of financing flexibility and relatively low recurring interest expense and it is fair and reasonable to infer that the Proposed Issue is a feasible, cost and time effective fund raising alternative currently available to the Company and is in the interest of the Company and the Independent Shareholders as a whole.

8. Potential dilution to the shareholdings of the Independent Shareholders

Set out below is the table for the shareholding in the Company before and after completion of the Proposed Issue:

Shareholders	As at the Latest Practicable Date		Shareholding after conversion of the balance of convertible notes of HK$10 million (assuming no adjustment to the Conversion Price and no further issue of Shares as at the Latest Practicable Date) approved by SGM on 16 April 2009 but before the conversion of the Convertible Notes		Shareholding after conversion of the Convertible Notes to the extent the public float of 25% is to be maintained (assuming no adjustment to the Conversion Price and no further issue of Shares as at the Latest Practicable Date)		Shareholding after full conversion of the Convertible Notes (assuming no adjustment to the Conversion Price and no further issue of Shares as at the Latest Practicable Date) *(Note)*	
	(No. of Shares)	*(%)*	*(No. of Shares)*	*(%)*	*(No. of Shares)*	*(%)*	*(No. of Shares)*	*(%)*
The Subscriber, Mr. Wong Kwan and their concert parties	378,425,800	65.09	411,759,800	66.80	601,759,800	74.78	661,759,800	76.53
Other Director	640,000	0.11	640,000	0.10	640,000	0.08	640,000	0.07
Public Shareholders	202,338,160	34.80	204,016,160	33.10	202,338,160	25.14	202,338,160	23.40
Total	581,403,960	100.00	616,415,960	100.00	804,737,960	100.00	864,737,960	100.00

Note: It is for illustration purpose only in the event that the Convertible Notes are fully converted.

As at the Latest Practicable Date, the total number of issued shares of the Company was 581,403,960. As confirmed by the Directors, the convertible notes of the balance of HK$10 million convertible into 33,334,000 Shares will be converted prior to the conversion of the Convertible Notes. Assuming the said HK$10 million convertible notes were converted in full, the equity interest held by the public Shareholders will be diluted from 34.80% to 33.10%.

Pursuant to the restriction clause of the CN Agreement, the conversion of the Convertible Notes will not be allowed in the event that such conversion will result in non-compliance with the 25% minimum public float requirement. Accordingly, upon full conversion of the said HK$10 million convertible notes and assuming that the Convertible Notes were converted to the extent that the public float of 25% is to be maintained, a total of 190 million Shares (a multiple of 10 million Sharers) will be issued, representing approximately 30.82% of the issued share capital of the Company upon full conversion of the said HK$10 million convertible notes and approximately 23.61% of the total issued share capital of the Company as enlarged by the conversion of the Convertible Notes, and the equity interest held by the public Shareholders will be diluted from 33.10% to 25.14%.

Assuming the Convertible Notes were converted in full, a total of 250 million Shares will be issued, representing approximately 40.56% of the existing issued share capital of the Company upon full conversion of the said HK$10 million convertible notes and approximately 28.91% of the total issued share capital of the Company as enlarged by the full conversion of the Convertible Notes, and the equity interest held by the public Shareholders will be diluted from 33.10% to 23.40%.

Although the shareholding interests of the existing Independent Shareholders are subject to dilution of certain extent as a result of the possible conversion of the Convertible Notes, as balanced by (i) the Group's litigations regarding China Coal; (ii) the continual need of funding for the Group's operations and for new investment opportunities when they arise; (iii) the difficulty of fund raising by placing shares in this weak market situation after the financial tsunami; and (iv) the issue of the Convertible Notes being the probable fund raising method available to the Group at present, it is fair and reasonable to infer that the dilution effect to be acceptable.

9. Financial impacts of the Proposed Issue

a) *Impact on net assets value*

According to the annual report of the Group for the year ended 31 December 2008, the net assets value of the Group (including minority interest) was approximately HK$521,943,000 as at 31 December 2008. The Directors represented that there would not be any material effect on the consolidated net assets value of the Group immediately upon the issue of the Convertible Notes as the bank balances and cash and the liabilities of the Group will both be increased by approximately the aggregate principal amount of the Convertible Notes.

Upon the conversion of the Convertible Notes in full, the consolidated net assets value of the Group would be increased by the aggregate principal amount of the Convertible Notes, which amounted to approximately HK$100 million.

b) *Impact on working capital and cash position*

According to the Directors, the net proceeds from the issue of the Convertible Notes are approximately HK$100 million and the Group intends to use it for the Group's working capital. Since the Convertible Notes bear an interest which is expected to be the prime lending rate as quoted by HSBC from time to time, the Directors expect that the issue of the Convertible Notes may create a negative impact on the cash position as a result of the interest payable by the Group.

c) *Impact on gearing*

As at 31 December 2008, the gearing level of the Group, which is calculated as bank borrowings divided by total assets, was approximately 9%. Upon the issue of the Convertible Notes, the gearing ratio should be decreased as bank borrowings remain unchanged and total assets increased. However, the Convertible Notes would increase the total assets and total liabilities of the Group by approximately the same amount.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and as summarized below:

(i) the Proposed Issue is an appropriate means to finance the continual need of funding for the Group's operations and for new investment opportunities when they arise;

(ii) the difficulty of fund raising by placing shares in this weak market situation after the financial tsunami;

(iii) the very thin trading volume of the Shares in the Review Period;

(iv) the Conversion Price is at a premium of approximately 17.65% over the average closing price of the Share of HK$0.34 for the Review Period, a premium of approximately 22.70% to the average closing price of HK$0.326 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including the Last Trading Day and falls in the price range for the Review Period from HK$0.22 to HK$0.67;

(v) the Conversion Price, which represents a discount of approximately 11% to the closing price of the Share on the Last Trading Day, falls within the market range of the Comparables;

(vi) the Proposed Issue is a feasible, cost and time effective fund raising alternative currently available to the Company;

(vii) the dilution effect to the shareholding of the Independent Shareholders is acceptable; and

(viii) the possible positive financial impacts on the net assets value and gearing of the Group.

Having considered the above factors and reasons and Directors' representations, on balance, we are of opinion that in such circumstances of the Group, the terms of the CN Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Issue, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the forthcoming SGM to approve the CN Agreement and the transactions contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
WALLBANCK BROTHERS
Securities (Hong Kong) Limited
Phil Chan
Chief Executive Officer

1. FINANCIAL SUMMARY

The following is a summary of the consolidated results of the Group for the year ended 31 December 2008, period ended 31 December 2007 and year ended 31 March 2007, and the consolidated balance sheets as at 31 March 2007, 31 December 2007 and 31 December 2008.

The consolidated results of the Group for the period ended 31 December 2007 and year ended 31 December 2008 and the consolidated balance sheets as at 31 December 2007 and 2008 were extracted from the annual report of the Company for the year ended 31 December 2008. The consolidated results of the Group for the year ended 31 March 2007 and the consolidated balance sheet as at 31 March 2007 was extracted from the annual report of the Company for the year ended 31 March 2007.

Consolidated Income Statement

	Year ended 31 December 2008 *HK$'000*	Period from 1 April 2007 to 31 December 2007 *HK$'000*	Year ended 31 March 2007 *HK$'000*
REVENUE	78,783	55,620	65,344
Cost of services provided	(51,095)	(40,272)	(51,061)
Gross profit	27,688	15,348	14,283
Other income and gains	12,493	7,361	4,218
Selling and distribution costs	(17,609)	(7,175)	(4,912)
Administrative expenses	(43,171)	(23,482)	(26,189)
Equity-settled share option expenses	—	(4,126)	(20,297)
Finance costs	(6,494)	(4,125)	(6,868)
Impairment losses on available-for-sale securities	—	—	(9,357)
Impairment losses on property, plant and equipment	—	—	(3,993)
Impairment losses of assets in respect of a subsidiary	—	(11,457)	—
Share of (losses) and profits of associates	(12,752)	61,884	(1,201)
(LOSS)/PROFIT BEFORE TAX	(39,845)	34,228	(54,316)
Tax	(1,420)	(1,103)	(1,168)
(LOSS)/PROFIT FOR THE YEAR/PERIOD	(41,265)	33,125	(55,484)
Attributable to:			
Equity holders of the Company	(38,310)	38,422	(53,278)
Minority interests	(2,955)	(5,297)	(2,206)
	(41,265)	33,125	(55,484)

Consolidated Balance Sheet

	31 December 2008 HK$'000	31 December 2007 HK$'000	31 March 2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	165,331	100,156	95,730
Prepaid land lease payments	18,868	18,329	18,155
Goodwill	16,921	—	—
Interests in associates	420,903	460,490	398,564
Deferred tax assets	—	1,419	1,419
Total non-current assets	622,023	580,394	513,868
CURRENT ASSETS			
Inventories	9,083	—	—
Trade receivables	10,250	15,313	16,682
Prepayments, deposits and other receivables	11,195	7,743	5,481
Available-for-sales financial assets	—	—	—
Due from minority shareholders of subsidiaries	—	11	22
Due from associates	5,593	9,930	19
Cash and cash equivalents	15,787	31,617	11,184
Total current assets	51,908	64,614	33,388
CURRENT LIABILITIES			
Trade payables	8,767	9,800	8,973
Other payables and accruals	19,886	14,180	36,658
Interest-bearing bank borrowings, secured	8,382	7,101	58,093
Loan from immediate parent and ultimate controlling party	—	63,903	—
Due to minority shareholders of subsidiaries	5,167	—	—
Tax payable	16,451	16,464	15,790
Total current liabilities	58,653	111,448	119,514
NET CURRENT LIABILITIES	(6,745)	(46,834)	(86,126)

	31 December 2008 *HK$'000*	31 December 2007 *HK$'000*	31 March 2007 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	615,278	533,560	427,742
NON-CURRENT LIABILITIES			
Due to minority shareholders of subsidiaries	16,337	—	—
Interest-bearing bank borrowings, secured	51,998	57,315	—
Loan from immediate parent and ultimate controlling party	25,000	—	—
Total non-current liabilities	93,335	57,315	—
Net assets	521,943	476,245	427,742
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	46,474	193,641	190,821
Reserves	466,822	276,307	235,103
	513,296	469,948	425,924
Minority interests	8,647	6,297	1,818
Total equity	521,943	476,245	427,742

2. FINANCIAL STATEMENTS OF THE GROUP

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	10	—	(11,457)
Share of (losses) and profits of associates		(12,752)	61,884
(LOSS)/PROFIT BEFORE TAX	6	(39,845)	34,228
Tax	11	(1,420)	(1,103)
(LOSS)/PROFIT FOR THE YEAR /PERIOD		(41,265)	33,125
Attributable to:			
Equity holders of the Company	12	(38,310)	38,422
Minority interests		(2,955)	(5,297)
		(41,265)	33,125
DIVIDENDS		Nil	Nil
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		(8.5) cents	10.0 cents
Diluted		N/A	N/A

Consolidated Balance Sheet

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	165,331	100,156
Prepaid land lease payments	15	18,868	18,329
Goodwill	16	16,921	—
Interests in associates	18	420,903	460,490
Deferred tax assets	29	—	1,419
Total non-current assets		622,023	580,394
CURRENT ASSETS			
Inventories	19	9,083	—
Trade receivables	20	10,250	15,313
Prepayments, deposits and other receivables	21	11,195	7,743
Available-for-sales financial assets	22	—	—
Due from minority shareholders of subsidiaries	23	—	11
Due from associates	18	5,593	9,930
Cash and cash equivalents	24	15,787	31,617
Total current assets		51,908	64,614
CURRENT LIABILITIES			
Trade payables	25	8,767	9,800
Other payables and accruals	26	19,886	14,180
Interest-bearing bank borrowings, secured	27	8,382	7,101
Loan from immediate parent and ultimate controlling party	28	—	63,903
Due to minority shareholders of subsidiaries	23	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

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Due to minority shareholders of subsidiaries	23	16,337	—
Interest-bearing bank borrowings, secured	27	51,998	57,315
Loan from immediate parent and ultimate controlling party	28	25,000	—
Total non-current liabilities		93,335	57,315
Net assets		521,943	476,245
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30	46,474	193,641
Reserves	32	466,822	276,307
		513,296	469,948
Minority interests		8,647	6,297
Total equity		521,943	476,245

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company								
	Issued capital	Share premium account	Treasury shares	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000* *(note 32(a))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	190,821	334,666	—	425,364	4,997	(529,924)	425,924	1,818	427,742
Issue of new shares	2,820	11,844	(14,664)	—	—	—	—	—	—
Disposal of treasury shares	—	(900)	4,108	—	—	—	3,208	—	3,208
Equity-settled share option arrangements	—	—	—	4,126	—	—	4,126	—	4,126
Share options expired under share option scheme	—	—	—	(9,060)	—	9,060	—	—	—
Increase in minority interests arising from acquisition of a subsidiary	—	—	—	—	—	—	—	9,776	9,776
Exchange realignment on translation of the accounts of foreign subsidiaries	—	—	—	—	(1,732)	—	(1,732)	—	(1,732)
Profit for the period	—	—	—	—	—	38,422	38,422	(5,297)	33,125
At 31 December 2007 and 1 January 2008	193,641	345,610	(10,556)	420,430	3,265	(482,442)	469,948	6,297	476,245
Issue of new shares *(note 30)*	38,728	38,728	—	—	—	—	77,456	—	77,456
Share issue expenses	—	(330)	—	—	—	—	(330)	—	(330)
Capital reduction *(note 30)*	(185,895)	—	—	—	—	185,895	—	—	—
Cancellation of share options *(notes 31 and 32(b))*	—	—	—	(16,579)	—	16,579	—	—	—
Increase in minority interests arising from acquisition of a subsidiary	—	—	—	—	—	—	—	4,095	4,095
Exchange realignment on translation of the accounts of foreign subsidiaries	—	—	—	—	4,532	—	4,532	1,210	5,742
Loss for the year	—	—	—	—	—	(38,310)	(38,310)	(2,955)	(41,265)
At 31 December 2008	46,474	384,008	(10,556)	403,851	7,797	(318,278)	513,296	8,647	521,943

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2008 HK$'000	Period from 1 April 2007 to 31 December 2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax	6	(39,845)	34,228
Adjustments for:			
Finance costs	7	6,494	4,125
Share of losses and (profits) of associates		12,752	(61,884)
Interest income	5	(171)	(115)
Loss on disposal of property, plant and equipment		356	103
Depreciation of property, plant and equipment	14	5,664	3,231
Amortisation of prepaid land lease payment	15	473	395
Impairment loss on trade receivables	20	1,838	—
Other receivables written off		1,206	—
Write-back of other payables		(545)	—
Written-off of property, plant and equipment	14	7,716	—
Shortfall in profit of an associate guaranteed by an ex-joint venture partner	5, 33	(9,800)	—
Impairment losses on assets held by a subsidiary	10	—	11,457
Equity-settled share option expenses	6	—	4,126
		(13,862)	(4,334)
Increase in inventories		(1,881)	—
Decrease in trade receivables		5,112	94
Increase in prepayments, deposits and other receivables		(458)	(2,338)
(Decrease)/increase in trade payables		(10,395)	7,211
Decrease in other payables and accruals		(24,468)	—
Cash (used in)/generated from operations		(45,952)	633
Income tax paid		(1,721)	(341)
Net cash (outflow)/inflow from operating activities		(47,673)	292

	Notes	Year ended 31 December 2008 HK$'000	Period from 1 April 2007 to 31 December 2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	171	115
Purchases of items of property, plant and equipment	14	(3,699)	(1,572)
Net cash and cash equivalent inflow from acquisition of subsidiaries	33	2,029	214
Proceeds from disposal of treasury shares		—	3,309
Proceeds from issue of shares	30, 40	34,653	—
Proceeds from disposal of items of property, plant and equipment		70	—
Advances from/(to) associates		4,337	(9,911)
Net cash inflow/(outflow) from investing activities		37,561	(7,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		—	64,416
Repayment of bank loans		(4,036)	(60,178)
Repayment of other short-term loans		—	(506)
Repayment from minority shareholders of subsidiaries		—	11
Advance from minority shareholders of subsidiaries		4,008	—
Advance from an immediate parent and ultimate controlling party	28	3,570	34,348
Interest paid		(6,444)	(3,444)
Net cash (outflow)/inflow from financing activities		(2,902)	34,647
NET (DECREASED)/INCREASE IN CASH AND CASH EQUIVALENTS		(13,014)	27,094
Cash and cash equivalents at beginning of year/period		31,617	11,184
Effect of foreign exchange rate changes, net		(2,816)	(6,661)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		15,787	31,617
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		15,787	31,617

Balance Sheet

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	527,076	488,576
CURRENT ASSETS			
Prepayments, deposits and other receivables	21	80	—
Available-for-sales financial assets	22	—	—
Cash and cash equivalents	24	8,882	20,271
Total current assets		8,962	20,271
CURRENT LIABILITIES			
Other payables and accruals	26	2,003	2,554
Loan from an immediate parent and ultimate controlling party	28	—	63,903
Total current liabilities		2,003	66,457
NET CURRENT ASSETS /(LIABILITIES)		6,959	(46,186)
TOTAL ASSETS LESS CURRENT LIABILITIES		534,035	442,390
NON-CURRENT LIABILITIES			
Due to subsidiaries	17	5,350	5,207
Loan from an immediate parent and ultimate controlling party	28	25,000	—
Total non-current liabilities		30,350	5,207
Net assets		503,685	437,183
EQUITY			
Issued capital	30	46,474	193,641
Reserves	32	457,211	243,542
Total equity		503,685	437,183

Notes to the Financial Statements

1. CORPORATE INFORMATION

Pearl Oriental Innovation Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is situate at Suite 1908, 19/F., 9 Queen's Road Central, Hong Kong.

In the opinion of the directors, the Company's immediate parent and ultimate controlling party is Orient Day Developments Limited, a company incorporated in the British Virgin Islands with limited liability.

During the year, the Company is an investment holding company. The Group commenced its business of processing and sales recycling materials during the year by acquiring the control over Euro Resources China Limited, by increasing the Group's equity interests therein from 50% to 80%. The Group's principal activities during the year were:

- provision of logistics and related services; and
- processing and sales of recycling materials.

2.1 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 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 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.

2.2 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 principal effects of adopting these new and revised HKFRSs are as follows:

(a) **Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets**

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) **HK(IFRIC)-Int 11 HKFRS 2 — Group and Treasury Share Transactions**

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) **HK(IFRIC)-Int 12 Service Concession Arrangements**

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) **HK(IFRIC)-Int 14 HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 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 & 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 Financial instruments: Recognition and Measurement — 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash- generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, an individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment other than buildings are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Buildings are stated in the balance sheet at valuation less accumulated depreciation and any impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the shorter of the lease terms and their estimated useful lives
Freehold land	Not depreciated
Leasehold improvements	Over the shorter of the lease terms and land use right or 5 years
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	$16\frac{2}{3}$% to $33\frac{1}{3}$%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight- line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest earned are reported as interest income and is recognised in the income statement as "Other income and gain" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sales financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade payables, other payables and accruals, amount due to a related company and interest- bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expenses is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) *Revenue from logistic services*

Revenue from the provision of logistic services is recognised when the services are rendered.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the lease asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Trading of recycling materials*

Revenue from the sale of goods is when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(iv) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using Black-Scholes Option Pricing Model, further details of which are given in note 31 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of the entity settled awards and has applied HKFRS 2 only to equity settled award granted after 7 November 2002 that had not been vested by 1 January 2005.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from total equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims during the year. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation, if appropriate, are made based on management's best estimates and judgments.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK$16,921,000 (2007: Nil). More details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, no impairment losses of Nil have been recognised for available-for-sale assets (2007: Nil). The carrying amount of available-for-sale assets was Nil (2007: Nil).

Depreciation and useful lives

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technologies changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Valuation on buildings

The Group performs annual review of the carrying amount of owned property with reference to the assumption that the properties are sold in the open market in its existing state without the benefit of deferred terms contract, leaseback and joint venture. Due to changes in market condition, carrying amount of owned properties may be different from estimation and profit or loss could be affected by differences in this estimation.

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 has 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%, details which are stated in note 33(a) to the financial statements.

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 logistic and related services; and

(b) the plastic recycling segment is processing and sales of recycling 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

	Logistics and related services segment HK$'000	Plastic recycling segment HK$'000	Total HK$'000
Segment revenue			
Services income	66,928	—	66,928
Gross rental income	11,855	—	11,855
Sales of recycling materials	—	—	—
	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

	Logistics and related services segment *HK$'000*	**Plastic recycling segment** *HK$'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
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 profits of associates			61,884
Profit before tax			34,228
Tax			(1,103)
Profit for the period			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 from 1 April 2007 to 31 December 2007:

Year ended 31 December 2008	**Hong Kong**	**The PRC**	**France**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Services 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**	**The PRC**	**France**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 services income from logistics and other services rendered and gross rental income during the year.

No revenue was derived from sales of recycling materials during the year.

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

	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
	HK$'000	*HK$'000*
Revenue		
Services income	66,928	44,863
Gross rental income	11,855	10,757
Sales of recycling materials	—	—
Total revenue	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 other payables	545	—
Shortfall in profit of an associate guaranteed by an ex-joint venture partner (note 33(a))	9,800	—
Others	214	617
Total other income and gains	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	Period from 1 April 2007 to 31 December 2007
	HK$'000	*HK$'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
Written-off of property, plant and equipment	7,716	—
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 (note 8)):		
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 depreciation of warehouse of approximately HK$2,552,000 (period ended 31 December 2007: Nil)

7. FINANCE COSTS

	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
	HK$'000	*HK$'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. DIRECTORS' REMUNERATION

Directors' remuneration for the year/period, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
	HK$'000	*HK$'000*
Fees	1,051	1,124
Other emoluments:		
Salaries, allowances and benefits in kind	3,896	1,079
Pension scheme contributions	60	60
Equity-settled share option expenses	—	3,060
	3,956	4,199
	5,007	5,323

Year ended 31 December 2008

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share option expenses	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Kwan	—	1,750	—	12	1,762
Chan Yiu Keung (resigned on 6 February 2009)	300	—	—	12	312
Cheung Kwok Yu	—	1,158	—	12	1,170
Zhou Li Yang	—	576	—	12	588
Zheng Yingsheng	—	412	—	—	412
Johnny Yuen	300	—	—	12	312
	600	3,896	—	60	4,556
Independent non-executive directors					
Dong Zhixiong	150	—	—	—	150
Fung Hing Chiu, Cyril	150	—	—	—	150
Lai Shi Hong, Edward (resigned on 3 October 2008)	114	—	—	—	114
Lam Ka Wai, Graham (appointed on 3 October 2008)	37	—	—	—	37
	451	—	—	—	451
Total	1,051	3,896	—	60	5,007

Period from 1 April 2007 to 31 December 2007

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share option expenses	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Kwan	225	—	777	9	1,011
Chan Yiu Keung	225	—	324	9	558
Cheung Kwok Yu	—	400	324	9	733
Zheng Yingsheng	—	315	324	15	654
Zhou Li Yang	—	364	324	9	697
Johnny Yuen	225	—	987	9	1,221
	675	1,079	3,060	60	4,874
Non-executive director					
Robert Fung Hing Piu (resigned on 1 June 2007)	—	—	—	—	—
Independent non-executive directors					
Dong Zhixiong (appointed on 8 October 2007)	35	—	—	—	35
Fung Hing Chiu, Cyril (appointed on 13 July 2007)	70	—	—	—	70
Lai Shi Hong, Edward (appointed on 26 July 2007)	63	—	—	—	63
Anwar Ibrahim (retired on 25 September 2007)	150	—	—	—	150
Lee G. Lam (resigned on 9 July 2007)	81	—	—	—	81
Victor Yang (resigned on 1 June 2007)	50	—	—	—	50
	449	—	—	—	449
Total	1,124	1,079	3,060	60	5,323

There were no other emoluments payable to the independent non-executive directors during the year (period ended 31 December 2007: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (period ended 31 December 2007: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (period ended 31 December 2007: Nil).

The number of directors, whose remuneration fell within the following bands is as follows:

	Number of directors	
	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
Nil to HK$1,000,000	8	11
HK$1,000,001 to HK$2,000,000	2	2
	10	13

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (period ended 31 December 2007: five) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (period ended 31 December 2007: Nil) non-director, highest paid employees for the year are as follows:

	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,104	
Pension scheme contributions	24	—
	1,128	—

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
Nil to HK$1,000,000	2	—

10. IMPAIRMENT LOSSES ON ASSETS HELD BY A SUBSIDIARY

	Year ended 31 December 2008	Period from 1 April 2007 to 31 December 2007
	HK$'000	*HK$'000*
Impairment losses of:		
Deposit and other receivables	—	1,274
Intangible assets	—	8,987
Furniture and fixtures	—	1,196
Charge for the year/period	—	11,457

Subsequent to the Group's acquisition of Wuhan Pearl Oriental Logistics Limited ("Wuhan Pearl"), it is suspected that there might have been misappropriation of assets by a director of Wuhan Pearl, Ms. Yang Yu Qing ("Ms. Yang"), who was at the time a key management member of Wuhan Pearl. The directors of the Company have taken appropriate actions, to protect the Group's interests and recover the loss suffered by Wuhan Pearl from such misappropriation of assets. Moreover, certain key customers had terminated business relationship with Wuhan Pearl upon departure of Ms. Yang, resulting in the directors' decision to cease all businesses of Wuhan Pearl during the period ended 31 December 2007.

In light of the above, the directors of the Company considered that the assets attributable to the operations of Wuhan Pearl as disclosed above should be fully impaired at 31 December 2007.

11. 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	Period from 1 April 2007 to 31 December 2007
	HK$'000	*HK$'000*
Current tax:		
Provision for PRC corporate income tax	1	1,103
Deferred tax: (note 29)		
Over-accrual of deferred tax assets in prior years	1,419	—
Tax charge for the year/period	1,420	1,103

A reconciliation of the tax expense applicable to (loss)/profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December 2008 HK$'000	%	Period from 1 April 2007 to 31 December 2007 HK$'000	%
(Loss)/profit before tax	(39,845)		34,228	
Tax at tax rate prevailing at countries in which the Group operates	(9,724)	(24.4)	5,134	14.9
Tax effect of share of losses and profits of an associate	3,917	10.0	(9,282)	(27.0)
Income not taxable	(8,348)	(20.9)	(1,018)	(2.9)
Expenses not deductible for tax	7,388	18.4	5,042	14.7
Effect of different tax rates in subsidiaries	—	—	1,227	3.6
Tax benefits not yet recognised	6,768	16.9	—	—
Over-accrual for deferred tax assets in prior years	1,419	3.6	—	—
Tax charge at the Group's effective rate	1,420	3.6	1,103	3.3

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of 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.

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Freehold land	Leasehold improvements	Furniture fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2008						
At 1 January 2008:						
Cost or valuation	85,121	—	1,471	27,227	1,449	115,268
Accumulated depreciation	—	—	(944)	(13,698)	(470)	(15,112)
Net carrying amount	85,121	—	527	13,529	979	100,156
At 1 January 2008, net of accumulated depreciation	85,121	—	527	13,529	979	100,156
Additions	1,148	—	132	1,529	890	3,699
Acquisition through business combination	27,312	4,117	—	32,924	—	64,353
Disposals	—	—	(57)	(237)	(132)	(426)
Written off	—	—	—	(7,716)	—	(7,716)
Depreciation provided during the year	(2,609)	—	(199)	(2,442)	(414)	(5,664)
Exchange realignment	7,368	438	22	3,059	42	10,929
At 31 December 2008, net of accumulated depreciation and impairment	118,340	4,555	425	40,646	1,365	165,331
At 31 December 2008:						
Cost or valuation	120,937	4,555	1,270	54,486	2,121	183,369
Accumulated depreciation and impairment	(2,597)	—	(845)	(13,840)	(756)	(18,038)
Net carrying amount	118,340	4,555	425	40,646	1,365	165,331
Analysis of cost or valuation:						
At cost	31,485	4,555	1,270	54,486	2,121	93,917
At valuation	89,452	—	—	—	—	89,452
	120,937	4,555	1,270	54,486	2,121	183,369

Group

	Buildings	Leasehold improvements	Furniture fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2007					
At 1 April 2007:					
Cost or valuation	81,085	1,563	23,387	1,377	107,412
Accumulated depreciation	—	(1,024)	(10,406)	(252)	(11,682)
Net carrying amount	81,085	539	12,981	1,125	95,730
At 1 April 2007, net of accumulated depreciation	81,085	539	12,981	1,125	95,730
Additions	—	244	1,328	—	1,572
Acquisition through business combination	—	—	1,267	—	1,267
Disposals	—	—	(35)	—	(35)
Written off during the period	—	(68)	—	—	(68)
Impairment	—	—	(1,196)	—	(1,196)
Depreciation provided during the period	(1,365)	(211)	(1,457)	(198)	(3,231)
Exchange realignment	5,401	23	641	52	6,117
At 31 December 2007, net of accumulated depreciation and impairment	85,121	527	13,529	979	100,156
At 31 December 2007:					
Cost or valuation	85,121	1,471	27,227	1,449	115,268
Accumulated depreciation and impairment	—	(944)	(13,698)	(470)	(15,112)
Net carrying amount	85,121	527	13,529	979	100,156
Analysis of cost or valuation:					
At cost	—	1,471	27,227	1,449	30,147
At valuation	85,121	—	—	—	85,121
	85,121	1,471	27,227	1,449	115,268

Notes:

(a) The Group's buildings are located in the PRC and France under medium lease terms.

(b) The Group's buildings were revalued by an independent professional valuer, Mr. Philip C.Y. Tsang, at 31 December 2007 on the depreciated replacement cost approach basis. No revaluation gains or loss in respect of the buildings have been recognised during the period from 1 April 2007 to 31 December 2007 and a further assessment performed as of 31 December 2008 by the directors, the carrying amount of buildings as at 31 December 2008 did not differ materially from their fair value.

(c) The carrying amount of the Group's buildings would have been HK$92,030,000 (2007: HK$94,582,000) had they been stated at cost less accumulated depreciation.

(d) At 31 December 2008, certain of the Group's leasehold buildings situated in the PRC with an aggregate carrying value of HK$86,896,000 (2007:HK$85,121,000), which together with the prepaid land lease payments of HK$19,341,000 (2007: HK$18,855,000), were pledged to secure the bank loans granted to the Group (Note 27).

(e) The Group's freehold land is situate in France.

15. PREPAID LAND LEASE PAYMENTS

The Group's prepaid lease payments represented its interest in land use rights and their net carrying value is analysed as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Carrying amount at beginning of year/period	18,855	18,668
Amortisation during the year/period	(473)	(395)
Exchange realignment	959	582
Carrying amount at 31 December	19,341	18,855
Current portion included in prepayments, deposits and other receivables (note 21)	(473)	(526)
Non-current portion	18,868	18,329
Analysed into:		
Situated in the PRC under a medium term lease of 35 years	19,341	18,855

At 31 December 2008, the Group's prepaid land lease payments in the PRC with an aggregate carrying value of HK$19,341,000 (2007: HK$18,855,000), were pledged to secure the bank loans granted to the Group (Note 27).

16. GOODWILL

	Group	
	2008	**2007**
	HK$'000	*HK$"000*
Cost and carrying amount:		
Arising from acquisition of a subsidiary (note 33(a))	16,921	—

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the processing and sales of recycling materials cash-generating unit, which is a reportable segment, for impairment testing.

The carrying amount of goodwill relevant to the processing and sales of recycling materials cash-generating unit is as follows:

	2008	2007
	HK$'000	*HK$'000*
Carrying amount of goodwill	16,921	13,265*

* Embedded in the interests in associate as at 31 December 2007 (Note 18(b))

The recoverable amount of the processing and sales of recycling materials cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 19% (2007: 20%) and cash flows beyond the five-year period are extrapolated using a growth rate which does not exceed the long term average growth rate of the processing and sales of recycling materials industry.

Key assumptions were used in the value in use calculation of the processing and sales of recycling materials cash-generating unit as at 31 December 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2008	2007
	%	*%*
Gross margin	40	46
Growth rate	43	71
Discount rate	19	20

Management determined the budgeted gross-margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted shares, at cost	—	—
Due from subsidiaries	527,076	488,576
	527,076	488,576
Due to subsidiaries	(5,350)	(5,207)
	521,726	483,369

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries of the Company are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
PO (SZ) Logistics Limited	The British Virgin Islands (the "BVI")	US$1	—	100%	Provision of logistics services
Grand Huge International Limited	Hong Kong	HK$10,000	—	100%	Provision of corporate services
Guangzhou Pearl Oriental Logistics Limited#	The People's Republic of China (the "PRC")	RMB9,500,000	—	60%	Provision of logistics services
Inner Mongolia Pearl Oriental Logistics Co., Limited#	The PRC	RMB2,500,000	—	60%	Provision of logistics services
Jiangxi Pearl Oriental Logistics Limited#	The PRC	RMB500,000	—	60%	Provision of logistics services
Pearl Oriental Logistics (Shenzhen) Limited#	The PRC	US$400,000	—	100%	Provision of logistics services
Pearl Oriental Warehouse (Shenzhen) Limited#	The PRC	HK$35,000,000	—	100%	Provision of logistics services and property and investment holding
Pearl Oriental Services Limited	BVI	US$1	100%	—	Investment holding
Pearl Oriental Energy & Resources Limited	BVI	US$1	100%	—	Investment holding
Champion Merry Investment Limited	BVI	US$1	—	100%	Investment holding
Pearl Oriental Logistics Holdings Limited	BVI	US$1	100%	—	Investment holding
Good Value Holdings Limited	BVI	US$7	—	100%	Investment holding
Hong Kong Good Value Holdings Limited	Hong Kong	HK$200	—	100%	Inactive
PO (GZ) Logistics Limited	BVI	US$1	—	100%	Inactive
Southland Enterprises Limited	BVI	US$1	—	100%	Investment holding
Well Assessed Limited	Hong Kong	HK$2	—	100%	Inactive

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pearl Oriental International Assets Limited	Hong Kong	HK$1	—	100%	Provision of corporate services
Pearl Oriental Financial Services Limited	Hong Kong	HK$1	—	100%	Inactive
Grand Ascend Investments Limited	BVI	US$1	—	100%	Investment holding
Oriental Gold Mining Limited	Hong Kong	HK$1	—	100%	Inactive
Union Honour Investment Limited	Hong Kong	HK$2	—	100%	Inactive
Pearl Oriental Logistics Sino Limited	Hong Kong	HK$22,000,000	—	60%	Investment holding
Wuhan Pearl Oriental Logistics Limited#	The PRC	RMB4,007,157	—	60%	Provision of logistics services
Pearl Oriental Express Holdings Limited	Hong Kong	HK$10,000	—	60%	Investment holding
Allfair Limited	BVI	US$1	—	100%	Investment holding
Euro Resources China Limited	Hong Kong	HK$10,000	—	80%	Investment holding
Richcord Holdings Limited	Hong Kong	HK$1	—	80%	Investment holding
Star Merit Investments Limited	Hong Kong	HK$1	—	80%	Investment holding
Sun Ego Investments Limited	Hong Kong	HK$1	—	80%	Investment holding
Worldford Enterprises Limited	Hong Kong	HK$1	—	80%	Investment holding
Benford Holdings Limited	Hong Kong	HK$1	—	80%	Investment holding
Top Sonic Investments Limited	Hong Kong	HK$1	—	80%	Investment holding
Euro Resources Korea Limited	Hong Kong	HK$10,000	—	55%	Inactive
Sino-Euro Resources Marketing Limited	BVI	US$1	—	80%	Plastic recycling
Exploitation Ressources Internationales, S.A.#	France	EURO15,388	—	80%	Plastic recycling

Not audited by Cachet Certified Public Accountants Limited

18. 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 shares 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"), a subsidiary of the Group) acquired from Zhang Jingyuen ("Mr. Zhang") (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 has subsequently reduced its equity interests in China Coal to 39.93%.

The net carrying value of Champion'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

The principal activity of China Coal is investment holding and the principal asset of China Coal is an 100% equity interest in Taiyuan Sanxing Coal Gasification (Group) Co., Limited (太原市三興煤炭氣化有限公司) ("Taiyuan Sanxing"). Taiyuan Sanxing was established in the PRC with limited liability and is principally engaged in the coal gasification and coal mining.

It came to the Group's attention on 12 November 2008 that Zhang Xinyu (張新玉) (brother of Mr. Zhang and the legal representative of Taiyuan Sanxing) 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. China Coal has made an application for an appeal to the Judgment. As disclosed on the Company's announcement dated 28 November 2008, Zhang Xinyu, Zhang Jingyuen, Gao Shanhe, Zhang Zhenwu and Wang Jifeng (collectively, the "Defaulting Persons") have failed to perform their fiduciary duties as directors of China Coal and Taiyuan Sanxing (as the case may be) and committed wilful embezzling (侵佔) of assets of Taiyuan Sanxing. Therefore China Coal has sued the Defaulting Persons in the High Court of Hong Kong and in the PRC with view to prevent their further breaches and to claim for damages against their breaches.

China Coal has not been provided with the operating and financing information of Taiyuan Sanxing since 1 January 2008 and China Coal is unable to exercise its powers on the financial and operating matters of Taiyuan Sanxing. The loss of the operating and financing control over Taiyuan Sanxing has become apparent to China Coal's board of directors because the legal representative, directors and senior management of Taiyuan Sanxing were either appointed based on the recommendation of Mr. Zhang and/or ex-senior management of Taiyuan Sanxing prior to the Group's acquisition of the present equity interests in China Coal and therefore in Taiyuan Sanxing. Following all the shareholders of China Coal except Mr. Zhang have become aware of the loss of control over Taiyuan Sanxing, the board of directors of China Coal has passed certain key resolutions demanding structural reform to the board of directors of Taiyuan Sanxing. However, due to the above management structure unfavourable to the Group, those board resolutions of China Coal cannot be executed on or by Taiyuan Sanxing. As a result of the loss of control or significant influence over Taiyuan Sanxing, China Coal's equity interests in Taiyuan Sanxing were reclassified as an available for sales investment at its carrying value during the year.

The revenue, results, assets and liabilities of China Coal as at 31 December 2008 with comparative figures of 2007, as extracted from the unaudited financial statements of China Coal, were as follows:

	Year ended 31 December 2008	**Period from 1 April 2007 to 31 December 2007**
	HK$'000	*HK$'000*
Revenue	—	487,109
(Loss)/profit for the year/period	(9,101)	168,829

	31 December 2008	31 December 2007
	HK$'000	*HK$'000*
Available-for-sale investment	944,312	—
Other assets	9	1,730,296
Total assets	944,321	1,730,296
Total liabilities	(31,907)	(808,781)
Net assets	912,414	921,515

As at 31 December 2008, China Coal's investment in Taiyuan Sanxing was stated at a carrying amount of approximately HK$944,312,000 less impairment, if any.

Pursuant to a conditional agreement dated 15 July 2006 between the Company and Mr. Zhang, Mr. Zhang has guaranteed to the Company that the audited net profit of China Coal determined in accordance with HKFRSs for the three financial years ending 31 December 2009 shall in aggregate be not less than HK$600,000,000. Should the aggregate audited net profit fall below HK$600,000,000, Mr. Zhang will pay the shortfall (the "Profit Guarantee") to the Company, on a dollar-to-dollar basis after the issuance of China Coal's audit reports for the three financial years ending 31 December 2009. Mr. Zhang had pledged all his equity interests in China Coal (the "Share Pledge") as collateral for his performance under the Profit Guarantee.

The directors of the Company have assessed the principal assets of China Coal and therefore Taiyuan Sanxing, and considered that no impairment is necessary to the carrying value of China Coal's available-for-sale investment in Taiyuan Sanxing as at 31 December 2008 and therefore the Group's investment in China Coal as at 31 December 2008.

The Group, through China Coal, has taken the necessary legal actions to protect China Coal's investment in Taiyuan Sanxing and based on a legal advice from his PRC lawyers, the directors of the Company are confident in obtaining a favourable judgment in the litigations.

(b) In November 2008, the Company has acquired a further 30% equity interest in Euro Resources China Limited ("Euro Resources"), which became an 80%-owned subsidiary of the Company. Further details of which are set out in note 33(a) to the financial statements.

19. INVENTORIES

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Raw materials	9,083	—

20. 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) (note 27(d)) pledged 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 aging 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	—
Impairment 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 does not hold any collateral over these balances.

The aged analysis of the trade receivables that are not (or neither individually nor collectively) considered to be impaired is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	9,063	12,647
3 to 6 months past due	194	2,427
6 to 12 months past due	993	164
Pass due over 1 year	—	75
	10,250	15,313

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current portion of prepaid land lease payments (note 15)	473	526	—	—
Prepayments	3,277	1,169	—	—
Rental and other deposits paid (note (a))	4,519	4,472	—	—
Other receivables	2,926	1,576	80	—
	11,195	7,743	80	—

Note (a):

Include in the rental and other deposits is a deposit of RMB1,500,000 (equivalent to HK$1,692,000) (2007: Nil) paid in respect of a proposed acquisition undertaken by Euro Resources China Limited ("Euro Resources"), which was a 50%-owned associate of the Group until the Group obtained control by increasing its equity interests from 50% to 80% in November 2008 (Note 33). On 14 July 2007, Euro Resources, entered into a conditional sale and purchase agreement between an independent third party, Mr. He Zhaorong ("Mr. He"), in relation to of the acquisition of a 60% equity interest in Foshan Shunde Euro Resources Wanhai Manufacturing Limited ("Foshan") at a total consideration of RMB9,000,000 (equivalent to HK$$10,153,800).

On the same day, Euro Resources further entered into a supplemental agreement with Mr. He, pursuant to which, Euro Resources paid a deposit of RMB1,500,000 (equivalent to HK$1,692,000) to Mr. He in respect of the proposed acquisition. As at 31 December 2008, the Group had a capital commitment of RMB7,500,000 (equivalent to HK$8,461,000) (note 36) in respect of the outstanding purchase consideration.

Subsequent to the balance sheet date, on 25 March 2009, Euro Resources entered into a supplemental agreement with Mr. He, pursuant to which, the completion date has been extended to 31 March 2011.

22. AVAILABLE-FOR-SALE ASSETS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities, at fair value	—	—	—	—

The above investment represents certain equity securities which were designated as available-for-sale financial assets on 1 January 2005. The securities have been fully impaired because China Technology Global Corporation was de-listed from the Over-The-Counter Bulletin Board of the United States of America in 2006.

23. DUE FROM/(TO) MINORITY SHAREHOLDERS OF SUBSIDIARIES

The total amount of due from/(to) minority shareholders of subsidiaries of HK$5,167,000 are unsecured, interest-free and have no fixed repayment terms and the remaining balance of HK$16,337,000 which was not repayable within the one year after the date of this report.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	15,787	31,617	8,882	20,271

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$3,297,965 (2007: HK$6,500,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

At the balance sheet date, the bank deposit amounted to HK$1,112,605 (2007: Nil) was freezed.

25. TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows: Group

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Current — 3 months	4,136	7,503
3 months — 6 months	548	1,634
6 months — 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.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	19,871	13,423	2,003	2,554
Deposit received	15	757	—	—
	19,886	14,180	2,003	2,554

27. INTEREST-BEARING BANK BORROWINGS, SECURED

	Effective interest rate	Maturity	Group 2008	Group 2007
	(%)		*HK$'000*	*HK$'000*
Bank loans — secured	Prime rate	2014	60,370	64,416
Bank overdrafts — secured	Prime rate	On demand	10	—
			60,380	64,416
Analysed into:				
Bank loans repayable:				
Within one year or on demand			8,382	7,101
In the second year			8,922	7,707
In the third to fifth years, inclusive			31,099	27,301
Beyond five years			11,977	22,307
Total			60,380	64,416
Current portion			(8,382)	(7,101)
Non-current portion			51,998	57,315

The Company's banking facilities were secured by:

(a) a charge on the premises of the Group's leasehold building of HK$86,896,000 (2007:HK$85,121,000) (note 14), which together with the prepaid land lease payments of HK$19,341,000 (2007: HK$18,855,000) (note 15), which is situate in the PRC.

(b) corporate guarantees given by the Company and a subsidiary of the Company;

(c) the Group's banking 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 breaches 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, none of the covenants relating to the drawn down facilities had been breached (2007: Nil).

(d) a charge on the trade receivables of Pearl Oriental Warehouse (Shenzhen) Limited, a wholly owned subsidiary of the Company, of approximately RMB372,214 (equivalent to HK$419,932) (note 20).

28. LOAN FROM IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

The Company entered into a loan facility agreement on 5 September 2006 with Orient Day Developments Limited ("Orient Day"), the immediate parent of the Company, in relation to the grant of a loan facility of not exceeding HK$70,000,000 by Orient Day to the Company. Orient Day is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wong Kwan.

The total amount of HK$63,903,000 has been drawn down by the Company during the period ended 31 December 2007 and remained outstanding as at 31 December 2007. The loan was unsecured and repayable within one year after the drawdown. Apart from HK$21,430,000 which is interest-free, the remaining of HK$42,473,000 bore interest at the Hong Kong Prime Rate as quoted by The Hongkong and Shanghai Banking Corporation ("HSBC") from time to time.

The Company further entered into another loan facility agreement on 5 September 2008 with Orient Day, in relation to the grant of a loan facility of not exceeding HK$25,000,000 by Orient Day to the Company. The amount of HK$21,430,000 was aggregated as part of the new loan of HK$25,000,000 with additional cash received by the Company of HK$3,570,000 during the year.

The total amount of HK$25,000,000 has been drawn down by the Company during the year and remained outstanding as at 31 December 2008. The loan is unsecured and is not repayable within one year from the date of this report. The loan of HK$25,000,000 bears interest at the Hong Kong Prime Rate as quoted by HSBC from time to time. Subsequent to the balance sheet date, on 4 March 2009, the Company entered into a conditional subscription agreement with Orient Day pursuant to which, the loan of HK$25,000,000 will be settled by part of the proceeds from the issue of certain convertible notes to Orient Day. Further details are set out in note 39(b) to the financial statements.

29. DEFERRED TAX ASSETS

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
At the beginning of the year/period	1,419	1,419
Deferred tax charged to the income statement during the year/period (note 11)	(1,419)	—
Gross deferred tax assets at 31 December	—	1,419

At 31 December 2008, the Group has unused tax losses of approximately HK$36,018,000 (2007: Nil) available for offset against future profits for a period of five years. During the year, no unrecognised tax losses have expired. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2008, the Group did not have any significant deductible temporary differences (2007: Nil).

No provision for deferred taxation has been recognised in the financial statements of the Company as the amount involved is insignificant.

30. SHARE CAPITAL

	2008	**2007**
	HK$'000	*HK$'000*
Authorised:		
200,000,000,000 ordinary shares of HK$0.10 each (2007: 600,000,000 shares of HK$0.50 each)	20,000,000	300,000
Issued and fully paid:		
464,737,960 ordinary shares of HK$0.10 each (2007: 387,281,960 shares of HK$0.50 each)	46,474	193,641

A summary of the movements in the Company's authorised and issued share capital during the year is as follows:

	Authorized			
	Ordinary shares of HK$0.10 each		**Ordinary shares of HK$0.50 each**	
	Number of shares ('000)	*HK$'000*	*Number of shares ('000)*	*HK$'000*
At 1 April 2007 and 31 December 2007	—	—	600,000	300,000
At 1 January 2008	—	—	600,000	300,000
Increase of authorized share capital (note (ii))	—	—	5,400,000	2,700,000
Capital restructuring				
Capital reduction (note (iii))	6,000,000	600,000	(6,000,000)	(3,000,000)
Increase of authorised share capital (note (iv))	194,000,000	19,400,000	—	—
At 31 December 2008	200,000,000	20,000,000	—	—

	Issued and fully paid			
	Ordinary shares of HK$0.10 each		Ordinary shares of HK$0.50 each	
	Number of shares (‘000)	*HK$’000*	*Number of shares (‘000)*	*HK$’000*
At 1 April 2007	—	—	381,641	190,821
Issue of new shares for acquisition of Pearl Oriental Sino (note (i))	—	—	5,640	2,820
At 31 December 2007	—	—	387,281	193,641
At 1 January 2008	—	—	387,281	193,641
Issue of new shares (note (ii))	—	—	77,456	38,728
Capital reduction (note (iii))	464,737	46,474	(464,737)	(232,369)
At 31 December 2008	464,737	46,474	—	—

Notes:

i. On 4 April 2007, the Company acquired a 60% equity interest in Pearl Oriental Logistics Sino Limited (“Pearl Oriental Sino”) by issuing a total of 5,640,000 new shares of the Company to Pearl Oriental Sino to satisfy the subscription monies for new shares issued by Pearl Oriental Sino to the Company.

ii. Pursuant to an ordinary resolution passed on 19 February 2008, the authorised share capital of the Company was increased from HK$300,000,000, divided into 600,000,000 shares of HK$0.50 each, to HK$3,000,000,000, divided into 6,000,000,000 shares of HK$0.50 each, by the creation of 5,400,000,000 additional shares of HK$0.50 each. Pursuant to a share subscription agreement dated 31 December 2007, the Company has allotted 77,456,000 new ordinary shares of HK$0.50 each to Orient Day Developments Limited at a price of HK$1.00 per share.

iii. Pursuant to a special resolution passed on 12 November 2008, the issued share capital of the Company be reduced by cancelling paid up capital to the extent of HK$0.40 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the “Issued Capital Reduction”) from HK$0.50 each to HK$0.10 each; and (b) the nominal value of all shares in the authorised share capital of the Company be reduced from HK$0.50 each to HK$0.10 each, resulting in the reduction of the authorised share capital from HK$3,000,000,000 to HK$600,000,000 divided into 6,000,000,000 shares of HK$0.10 each (the “Authorised Capital Reduction”). Upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the credit amount arising from the Issued Capital Reduction be applied to set off against the accumulated losses of the Company;

iv. Pursuant to an ordinary resolution passed on 12 November 2008, upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the authorised share capital of the Company be increased from HK$600,000,000, divided into 6,000,000,000 shares of HK$0.10 each, to HK$20,000,000,000, divided into 200,000,000,000 shares of HK$0.10 each, by the creation of 194,000,000,000 new shares of HK$0.10 each.

31. SHARE OPTION SCHEME

The Company has a share option scheme (“the Scheme”) which was adopted on 21 June 2002 whereby, pursuant to a written resolution of the sole shareholder, was set up for the primary purpose of providing incentives to directors and eligible employees, and which will expire on 20 June 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of any companies in the Group, to subscribe for shares in Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from shareholders of the Company. The number of shares in respect of which options may be granted to an individual in any one year is not permitted to exceed 1% of the Company's issued share capital or with a value in excess of $5,000,000; otherwise it must be approved by the shareholders of the Company.

The options may be exercised at any time from 12 months from the date of acceptance of the offer to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company. The options vest from 12 months from the date of grant and are then exercisable within a period up to 20 June 2012. Each option gives the holder the right to subscribe for one ordinary share in the Company.

Pursuant to an ordinary resolution passed on 12 November 2008, all the outstanding share options which have been granted but not exercised at that date hereof, pursuant to a share option scheme adopted by shareholders of the Company on 21 July 2002, were cancelled.

The number of share options outstanding during the year/period is as follows:

	2008		**2007**	
	Weighted average exercise prices (per share) *HK$*	**Number of options** *'000*	**Weighted average exercise prices (per share)** *HK$*	**Number of options** *'000*
At the beginning of the year/period	3.394	12,927	3.381	20,187
Lapsed during the year/period	—	—	3.356	(7,260)
Cancellation during the year	3.394	(12,927)	—	—
As at 31 December	N/A	—	3.394	12,927

The exercise prices and exercise periods of the share options outstanding as at that balance sheet dates were as follows:

	Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
As at 31 December 2008	—	N/A	N/A
As at 31 December 2007	270	6.000	20 May 2004 to 21 June 2012
	407	3.100	18 August 2005 to 20 June 2012
	1,550	3.150	29 August 2006 to 20 June 2012
	9,700	3.375	13 June 2007 to 20 June 2012
	1,000	3.375	1 January 2008 to 20 June 2012
	12,927		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Option Pricing Model (the "BS-Model"). The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the BS-Model.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 21 of the financial statements.

The capital reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation in 1996.

The treasury shares reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. During the period ended 31 December 2007, a total of 1,580,000 were disposed in the open market for an aggregate sales consideration of HK$3,208,000, which was credited to the treasury shares account in equity. At 31 December 2007 and 2008, 4,060,000 ordinary shares of the Company remained with Pearl Oriental Sino which was accounted for as a reduction in the Company's equity.

(b) Company

	Issued capital	Share premium	Contributed surplus	Share options reserve	Retained earnings/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*	*HK'000*	*HK$'000*
At 1 April 2007	190,821	334,666	45,348	21,513	(164,202)	428,146
Issue of shares	2,820	11,844	—	—	—	14,664
Equity-settled share option expenses	—	—	—	4,126	—	4,126
Share option expired under share option scheme	—	—	—	(9,060)	9,060	—
Loss for the period	—	—	—	—	(9,753)	(9,753)
At 31 December 2007	193,641	346,510	45,348	16,579	(164,895)	437,183
Issue of shares (note 30)	38,728	38,728	—	—	—	77,456
Share issue expenses	—	(330)	—	—	—	(330)
Capital reduction (note 30)	(185,895)	—	—	—	185,895	—
Cancellation of share option	—	—	—	(16,579)	16,579	—
Loss for the year	—	—	—	—	(10,624)	(10,624)
At 31 December 2008	46,474	384,908	45,348	—	26,955	503,685

Notes

(i) Contributed surplus

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Under the Companies Act 1981 Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(ii) Share premium account

The share premium account is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	Company	
	2008	**2007**
	HK$'000	*HK$'000*
Share premium	384,908	346,510
Contributed surplus	45,348	45,348
Retained earnings/(losses)	26,955	(164,895)
	457,211	226,963

33. BUSINESS COMBINATION

(a) Euro Resources China Limited ("Euro Resources") was owned as to 50% by the Group and was classified as an associate in the consolidated balance sheet as at 31 December 2007. At the time of acquiring the 50% equity interests in Euro Resources by the Group, the vendors (Mr. Laurent Kim, a former director and the founder of Euro Resources) and Mr. Ung Phong (collectively, the "Guarantors") have given a profit guarantee of Euro 4 million per year for years 2007 to 2009 (the "Profit Guarantee") to Grand Ascend Investments Limited ("Grand Ascend"), a wholly-owned subsidiary of the Company, in respect of Euro Resources' audited results for the three years ending 31 December 2009. Mr. Laurent Kim had pledged its 30% equity interests in Euro Resources in favour of Grand Ascent under a share charge (the "Share Charge") as collateral for the performance of the Guarantors under the Profit Guarantee.

As disclosed in the Company's circular dated 27 November 2008, the Guarantors had failed to honour and perform the Profit Guarantee due to their own personal reasons, and the Group had no other choice but to dispose of Mr. Laurent Kim's 30% equity interests in Euro Resources under the Share Charge by way of a private tender. Private invitations to offer had 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 ("Allfair"), a wholly-owned subsidiary of the Group, had 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. On 5 November 2008, Allfair entered into a sale and purchase agreement (the "Acquisition") with Grand Ascend to acquire the 30% equity interests in Euro Resources at a consideration of HK$9,800,000.

As disclosed in the Company's circular dated 27 November 2008, 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 (equivalent to approximately HK$60,115,000) minus the sum of HK$9,800,000 recovered by the Group as a result of enforcing the Share Charge. The Group may consider taking legal proceedings against the Guarantors after seeking legal advice if it is in the best interests of the Group. The amount of HK$9,800,000 has been recognised as other income and gains (note 5).

Upon the completion of the Acquisition, Euro Resources became an 80% owned subsidiary of the Company. The fair values of the identifiable assets and liabilities of Euro Resources as at the completion date of Acquisition and the corresponding carrying amounts immediately before the completion date of the Acquisition are as follows:

	Fair value recognised on acquisition	**Previous carrying amount**
	HK$'000	*HK$'000*
Property, plant and equipment (Note 14)	64,353	64,353
Cash and bank balances	2,029	2,029
Inventories	7,202	7,202
Trade receivables	1,887	1,887
Prepayments and other receivables	4,253	4,253
Trade payables	(9,362)	(9,362)
Other payables and accruals	(30,669)	(30,669)
Due to minority shareholders	(17,507)	(17,507)
Tax payable	(1,707)	(1,707)
	20,479	20,479
Portion attributable to the 30% equity interests in Euro Resources acquired	6,144	
Goodwill on acquisition of 30% equity interests	3,656	
Satisfied as:		
Other income — shortfall in profit of Euro Resources guaranteed by an ex-joint venture partner (Note 5)	9,800	

The net inflow of cash and cash equivalents in respect of the Acquisition represents the cash and bank balances of Euro Resources of approximately HK$2,029,000 acquired.

The goodwill in association with the piece-meal acquisition of the 80% equity interests in Euro Resources is as follows:

	HK$'000
Goodwill recognised in the previous period, included in the interests in associates (Note 18)	13,265
Goodwill on acquisition of 30% equity interests	3,656
Total goodwill arising from acquisition of a subsidiary (Note 16)	16,921

Since the acquisition of the additional 30% equity interests by the Group, Euro Resources had not contributed to the Group's revenue and contributed a loss of HK$965,000 to the consolidated loss for the year ended 31 December 2008.

(b) On 4 April 2007, the Group acquired (the "POS Acquisition") an effective 60% equity interest of Pearl Oriental Sino, which business was carried out through its wholly-owned subsidiary, Wuhan Pearl Oriental Logistics Limited ("Wuhan Pearl"), by the issue of the Company's 5,640,000 new shares at HK$2.60 each, totalling HK$14,664,000, to Pearl Oriental Sino as consideration for new shares issued to the Company. Pearl Oriental Sino was owned as to 100% and 40% by an independent third party, Ms. Yang Yu Qing, prior and subsequent to the POS Acquisition respectively. The new Company shares issued are accounted for as treasury shares and as a reduction in the Company's capital (Note 30(i)).

The fair values of the identifiable assets and liabilities of Pearl Oriental Sino as at the completion date of POS Acquisition and the corresponding carrying amounts immediately before the completion date of the POS Acquisition are as follows:

	Fair value recognised on acquisition	**Previous carrying amount**
	HK$'000	*HK$'000*
Treasury shares in the Company (Note 30(a))	14,664	14,664
Intangible assets	8,987	—
Property, plant and equipment	1,267	1,166
Cash and cash equivalents	214	214
Other net liabilities	(692)	(692)
	24,440	15,352
Portion attributable to the 60% equity interests in Pearl Oriental Sino acquired	14,664	
Satisfied as:		
Treasury shares	14,664	

The net inflow of cash and cash equivalents in respect of the Acquisition represents the cash and bank balances of Pearl Oriental Sino of approximately HK$214,000 acquired for the period ended 31 December 2007.

34. CONTINGENT LIABILITIES

At the balance sheet date, the Company's contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2008	**2007**
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to a subsidiary	60,370	64,416

As at 31 December 2008, the banking facilities granted to the a subsidiary subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$60,369,827 (2007: HK$64,416,000). No financial liabilities were recorded for the above guarantees given to banks as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 31 December 2007 and 2008.

The Group did not have any significant contingent liabilities as at 31 December 2008 (2007: Nil).

35. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to four years.

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	7,612	4,312
In the second to fifth year, inclusive	733	6,256
After five years	—	5,037
	8,345	15,605

The Company did not have any significant operating lease arrangements as at 31 December 2008 (2007: Nil).

36. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Authroised, but not contracted for:		
Proposed acquisition of a subsidiary (Note 21)	8,461	8,052

The Company did not have any significant commitments as at 31 December 2008 (2007: Nil).

37. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with the related party during the year:

	2008	**2007**
	HK$'000	*HK$'000*
Immediate and ultimate controlling party:		
Orient Day Developments Limited:		
Administrative fees paid	250	640
Loan interest paid	882	868

The related party transactions were conducted on terms negotiated between the Company and the related company.

38. LITIGATIONS

Apart from the litigation detailed in note 18(a) to the financial statements, the Group had the following significant outstanding litigations at the balance sheet date:

(a) The Group had three pending litigation claims 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 Jingyuen (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 alias, 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.

39. POST BALANCE SHEET EVENTS

(a) On 22 January 2009, the Group and Sunny Villa Investments Limited entered into a sale and purchase agreement to dispose of 60% equity in Pearl Oriental Express Holdings Limited ("POEHL"), which wholly owned Guangzhou Pearl Oriental Logistics Limited, at a consideration of HK$3,000,000 in cash and a 2-year convertible bond issued by POEHL to the Group in the principal of HK$9,000,000 which convertible into 20% of the share capital of POEHL on a fully diluted basis from time to time. The disposal of POEHL has been completed in February 2009.

(b) Apart from the subsequent events detailed in Note 21(a) to the financial statements, subsequent to the balance sheet date, on 4 March 2009, Orient Day Developments Limited ("Orient Day"), the immediate parent and ultimate controlling party, and the Company entered into an agreement (the "Subscription Agreement") in relation to the proposed issue of convertible notes (the "Convertible Notes") by the Company to Orient Day. The Convertible Notes consist of two tranches and the total principal amount is up to HK$45,000,000. The Convertible Notes are convertible into new shares of the Company at an exercise price of HK$0.30 per share, resulting in the issue of an aggregate of up to 150,000,000 new shares (the "Conversion Shares"). Pursuant to the terms of the agreement, the completion of the proposed issue is conditional ("Conditions") upon the followings:

(i) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Conversion Shares; and

(ii) the passing by the independent shareholders in the special general meeting of a resolution to approve the issue of the Convertible Notes and the Conversion Shares hereunder in accordance with the Listing Rules.

If any of the above Conditions have not been fulfilled by 30 June 2009 (or such later date as the Company and Orient Day may agree), the Subscription Agreement will lapse.

The Convertible Notes shall be issued as follows:

(i) Subject to the fulfillment of the Conditions, Orient Day shall subscribe for, and the Company shall issue, the convertible note due after 2 years from the date of issue with an aggregate principal amount of HK$30,000,000 (the "First Tranche Note"); and

(ii) Subject to fulfillment of the Conditions and if Orient Day elects to subscribe for, the Company may at its sole discretion give a written notice to Orient Day on or before 31 December 2009 to invite for the subscription for the Second Tranche Note of a further principal sum of HK$15,000,000 which shall have the same rights and interests and be subject to the Conditions as the First Tranche Note.

The proceeds from the issue of the First Tranche Note will be used partially for the settlement of the loan from Orient Day of HK$25 million (Note 28).

The proposed issue of the Convertible Notes and the Conversion Shares, with details set out in the Company's circular dated 26 March 2009, was approved by the independent shareholders in the special general meeting held on 16 April 2009.

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

During the year, the Company allotted a total of 77,456,000 ordinary shares of HK$0.50 each to Orient Day, the immediate and ultimate controlling party, at a price of HK$1.00 each of which the proceeds has settled partially against loan of HK$42,473,000 from Orient Day at the time (Note 28) and the balance in as additional working capital of the Group.

	HK$'000
Proceeds from issue of shares	77,456
Less: Share issue expenses	(330)
	77,126
Partially settled against loan from Orient Day	(42,473)
Net cash inflow arising from issue of shares	34,653

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2008

Group

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition	Financial assets at fair value through profit or loss - held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest in associates	—	—	—	420,903	—	420,903
Trade receivables	—	—	—	10,250	—	10,250
Financial assets included in prepayments, deposits and other receivables	—	—	—	11,195	—	11,195
Due from associates	—	—	—	5,593	—	5,593
Cash and cash equivalents	—	—	—	15,787	—	15,787
	—	—	—	463,728	—	463,728

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition	Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	—	—	8,767	8,767
Financial liabilities included in other payables and accruals	—	—	19,886	19,886
Loan from an immediate parent and ultimate controlling party	—	—	25,000	25,000
Due to minority shareholders of subsidiaries	—	—	21,504	21,504
Interest-bearing bank borrowings, secured	—	—	60,380	60,380
	—	—	135,537	135,537

31 December 2007

Group

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition	- held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest in associates	—	—	—	460,490	—	460,490
Trade receivables	—	—	—	15,313	—	15,313
Financial assets included in prepayments, deposits and other receivables	—	—	—	7,743	—	7,743
Due from minority shareholders of subsidiaries	—	—	—	11	—	11
Due from associates	—	—	—	9,930	—	9,930
Cash and cash equivalents	—	—	—	31,617	—	31,617
	—	—	—	525,104	—	525,104

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition	- held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	—	—	9,800	9,800
Financial liabilities included in other payables and accruals	—	—	14,180	14,180
Loan from an immediate parent and ultimate controlling party	—	—	63,903	63,903
Interest-bearing bank borrowings, secured	—	—	64,416	64,416
	—	—	152,299	152,299

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2008

Company

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition	Financial assets at fair value through profit or loss - held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	—	—	—	8,882	—	8,882
Financial assets included in prepayments, deposits and other receivables	—	—	—	80	—	80
Due from subsidiaries	—	—	—	527,076	—	527,076
	—	—	—	536,038	—	536,038

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition	Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	—	—	2,003	2,003
Loan from an immediate parent and ultimate controlling party	—	—	25,000	25,000
Due to subsidiaries	—	—	5,350	5,350
	—	—	32,353	32,353

31 December 2007

Company

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition	- held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	—	—	—	20,271	—	20,271
Due from subsidiaries	—	—	—	488,576	—	488,576
	—	—	—	508,847	—	508,847

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition	- held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	—	—	2,554	2,554
Loan from an immediate parent and ultimate controlling party	—	—	63,903	63,903
Due to subsidiaries	—	—	5,207	5,207
	—	—	71,664	71,664

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, secured and other payables and accruals, loan from immediate parent and ultimate controlling party and due to minority shareholders of the subsidiaries. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing bank borrowings, secured, loan from immediate parent and ultimate controlling party with a floating interest rate.

The following the table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in in equity
	HK$'000	*HK$'000*	*HK$'000*
31 December 2008			
Hong Kong dollars	1%	(854)	(854)
	(1%)	854	854
31 December 2007			
Hong Kong dollars	1%	(1,069)	(1,069)
	(1%)	1,069	1,069

Foreign currency risk

The Group has minimal transactional currency exposures as the sales and purchases of the Group were mainly transacted in Chinese Renminbi ("RMB"), Euro ("Euro") and Hong Kong dollars ("HKD"). Over 90% (2007: 90%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, while almost 90% of costs are denominated in the units' functional currency.

The exchange rate of RMB and EURO were comparatively volatile.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rate of RMB and EURO exchange rate, with all other variable held constant, of the Group's (loss)/profit before tax.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*HK$'000*	*HK$'000*
31 December 2008			
If HKD weakens against RMB	5%	(2,593)	(2,593)
If HKD strengthens against RMB	5%	2,593	2,593
If HKD weakens against EURO	5%	(221)	(221)
If HKD strengthens against EURO	5%	221	221
31 December 2007			
If HKD weakens against RMB	5%	(2,121)	(2,121)
If HKD strengthens against RMB	5%	2,121	2,121

At 31 December 2007 and 2008, the Group had not hedged any foreign currency sales to reduce such foreign currency risk.

In the opinion of the directors, they will monitoring this risk, if the exchange rate of these foreign currencies have continuous fluctuation, they will consider to use forward currency contracts to reduce these risks.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In additional, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss, amounts due from associates and jointly-controlled entities, other receivable and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and other interest-bearing loans. The directors of the Company are currently exploring various options for providing additional equity funding to the Group. Provided that such additional equity funding can be secured, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. A shareholder and director of the Group has indicated his willingness to continue financing the operations of the Group and the Company and has agreed not to demand repayment of the amounts due to him of his controlled entity until the Group and the Company is in a position to do so.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group
31 December 2008

	On demand	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	—	4,136	3,818	813	—	8,767
Other payables and accruals	19,886	—	—	—	—	19,886
Interest-bearing bank borrowings, secured	10	1,343	7,029	51,998	—	60,380
Due to immediate parent and ultimate controlling party	—	—	—	25,000	—	25,000
Due to minority shareholders of subsidiaries	5,167	—	—	16,337	—	21,504
	25,063	5,479	10,847	94,148	—	135,537

31 December 2007

	On demand	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	—	7,503	1,997	300	—	9,800
Other payables and accruals	14,180	—	—	—	—	14,180
Interest-bearing bank borrowings, secured	—	1,775	5,326	35,008	22,307	64,416
Due to immediate parent and ultimate controlling party	63,903	—	—	—	—	63,903
	78,083	9,278	7,323	35,308	22,307	152,299

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Company
31 December 2008

	On demand	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	2,003	—	—	—	—	2,003
Due to subsidiaries	5,350	—	—	—	—	5,350
Due to immediate parent and ultimate controlling party	—	—	—	25,000	—	25,000
	7,353	—	—	25,000	—	32,353

31 December 2007

	On demand	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	2,554	—	—	—	—	2,554
Due to subsidiaries	5,207	—	—	—	—	5,207
Due to immediate parent and ultimate controlling party	63,903	—	—	—	—	63,903
	71,664	—	—	—	—	71,664

Equity price risk

Equity price is the risk that the fair value of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. As at the balance sheet date, the Group has no significant equity price risk.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year/period ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payable and accruals, a loan from the immediate and ultimate controlling party, and amounts due to minority shareholders of subsidiaries and interest-bearing bank borrowings, secured, less cash and cash equivalents. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Trade payables	8,767	9,800
Other payables and accruals	19,886	14,180
Loan from an immediate parent and ultimate controlling party	25,000	63,903
Interests-bearing bank borrowings, secured	60,380	64,416
Due to minority shareholders of subsidiaries	21,504	—
Less: Cash and cash equivalents	(15,787)	(31,617)
Net debt	119,750	120,682
Equity attributable to equity holders	521,943	476,245
Total capital	521,943	476,245
Capital and net debt	641,693	596,927
Gearing ratio	19%	20%

43. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2009.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountants, Ng, Suen, Lau C.P.A. Limited.

25 June 2009

The Board of Directors
Pearl Oriental Innovation Limited
Suite 1908
19th Floor
9 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report regarding financial information ("Financial Information") of Get Wealthy Investments Limited ("Get Wealthy") for the period/years ended 30 April 2007, 2008 and 2009 (the "Relevant Periods"), for the inclusion in the circular, as set out on pages 109 to 119 in Appendix II to the circular, dated 25 June 2009 issued by Pearl Oriental Innovation Limited (the "Company") in connection, inter alia, with the proposed acquisition of 100% interest in the share capital of Get Wealthy (the "Circular").

For the purpose of this report, we have undertaken an independent audit of the underlying financial statements of Get Wealthy for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with the auditing Guidelines 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and, where considered appropriate, made adjustments and/or additional disclosures considered necessary in order for the Financial Information and the notes thereto to conform with the accounting principles generally accepted in Hong Kong.

The income statement, the cash flow statement, and the statement of changes in equity of Get Wealthy for the Relevant Periods and the balance sheet of Get Wealthy as at 30 April 2007, 2008 and 2009 are set out in this report have been prepared in accordance with the basis and accounting policies as set out in note 2 of Section 5 below.

The Financial Information is the responsibility of the directors of Get Wealthy who approve their issuance. The Directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion on such information and to report our opinion to you.

We planned and perform our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of Financial Information. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of Get Wealthy's affairs as at 30 April 2007, 2008 and 2009 and of its results and cash flows for the period/years ended 30 April 2007, 2008 and 2009 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

1. INCOME STATEMENT

The following is a summary of the income statement of Get Wealthy for the Relevant Periods, which is presented on the basis set out in note 2 under Section 5 below:

		Year ended 30 April		**Period ended 30 April**
		2009	**2008**	**2007**
	Note	*HK$*	*HK$*	*HK$*
		(audited)	*(audited)*	*(audited)*
Turnover	4	5,853,272	—	281,911,760
Cost of sales		23,065,860	—	34,061,200
Gross (loss)/profit		(17,212,588)	—	247,850,560
Consultancy fee		5,000,000	5,000,000	5,000,000
Administrative expenses		90,973	74,304	83,844
Impairment loss on investment		—	17,857,440	43,403,500
Profit before taxation	5	(22,303,561)	(22,931,744)	199,363,216
Income tax expenses		—	—	—
Profit (loss) for the year/period		(22,303,561)	(22,931,744)	199,363,216
Dividends		5,800,419	—	—

2. BALANCE SHEET

The following is a summary of the balance sheet of Get Wealthy as at 30 April 2007, 2008 and 2009, which is presented on the basis set out in note 2 under Section 5 below:

		As at 30 April		
		2009	**2008**	**2007**
	Note	*HK$*	*HK$*	*HK$*
		(audited)	*(audited)*	*(audited)*
Non-current assets				
Investments	6	148,357,500	148,357,500	148,357,500
Current assets				
Trade and other receivables	7	—	5,028,120	10,092,424
Financial assets at fair value through profit or loss		—	23,065,860	40,923,300
		—	28,093,980	51,015,724
Current liabilities				
Accruals		30,000	20,000	10,000
NET CURRENT (LIABILITIES)/ASSETS		(30,000)	28,073,980	199,363,224
NET ASSETS		148,327,500	176,431,480	199,363,224
CAPITAL AND RESERVES				
Paid-up capital	8	8	8	8
Retained profits		148,327,492	176,431,472	199,363,216
Equity attributable to shareholders of the company		148,327,500	176,431,480	199,363,224

3. STATEMENT OF CHANGES IN EQUITY

The following is a summary of statement of changes in equity of Get Wealthy for the Relevant Periods, which is presented on the basis set out in note 2 under Section 5 below:

	Attributable to shareholders of the company		
	Paid-up capital	**Retained profits**	**Total**
	HK$	*HK$*	*HK$*
Share issued on incorporation	8	—	8
Profit for the period	—	199,363,216	199,363,216
Balance at 30 April 2007 and 1 May 2007	8	199,363,216	199,363,224
Loss for the year	—	(22,931,744)	(22,931,744)
Balance at 30 April 2008 and 1 May 2008	8	176,431,472	176,431,480
Loss for the year	—	(22,303,561)	(22,303,561)
Balance at 30 April 2009	8	154,127,911	154,127,919
Dividend paid	—	(5,800,419)	(5,800,419)
	8	148,327,492	148,327,500

4. CASH FLOW STATEMENT

The following is a summary of cash flow statement of Get Wealthy for the Relevant Periods, which is presented on the basis set out in note (1) under section (5) below:

	As at 30 April		
	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
Operating activities			
Profit/(Loss) before taxation	(22,303,561)	(22,931,744)	199,363,216
Adjustments for:			
Impairment loss on investments	—	17,857,440	43,403,500
Non-cash payment of consultancy income	—	—	(148,357,500)
	(22,303,561)	(5,074,304)	94,409,216
Operating profit before changes in working capital			
Decrease in trading securities	23,065,860	—	(84,326,800)
(Increase)/Decrease in trade debtors and other receivables	5,028,120	5,064,304	(10,092,416)
Increase in accrued charges and other payables	10,000	10,000	10,000
Net cash (used in) generated from operating activities	5,800,419	—	(8)
Financing activities			
Proceed from issuance of share capital	—	—	8
Dividend paid	(5,800,419)	—	—
Net cash generated from financing activities	(5,800,419)	—	8
Net (decrease) increase in cash and cash equivalents	—	—	—

5. NOTES TO FINANCIAL INFORMATION

1. General information

Get Wealthy is incorporated in the British Virgin Islands with limited liability. The business address is PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and Room 2203B-C, 22/F Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, Hong Kong. The principal activities of the company are investment holding.

2. Basis of preparation and significant accounting policies

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collectively includes all applicable individual 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 and the requirements of the Hong Kong Companies Ordinance.

The presentation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in note 10.

The Financial Information has been prepared under the historical cost convention.

In addition, the Financial Information has been prepared on a going concern basis.

A summary of the significant accounting policies adopted by Get Wealthy is set out below.

(a) *Negative goodwill*

Negative goodwill represents excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities over the cost of a business combination and is recognized immediately in the consolidated income statement.

(b) *Revenue recognition*

Revenue is recognised when it is probable that the economic benefits will flow to the group and when the revenue and costs, if applicable can be measured reliably, on the following basis:

(i) revenue from provision of services is recognised when services are provided; and

(ii) revenue from disposal of securities is recognised upon completion of disposal.

(c) *Impairment of assets*

Assets that have an indefinite useful lives are not subject to amortisation, but are tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognized in prior years for an asset is reversed when there is a favourable change in the estimates used to determine the recoverable amount of an asset. A reversal of the impairment loss is limited to the asset's carrying amount (net of accumulated amortization or depreciation) that would have been determined had no impairment loss been recognized in prior years.

(d) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(e) *Trade and other payables*

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(f) *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

(g) *Provisions*

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising has a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(h) *Income tax*

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case, they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year/period, using the tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred income tax is provided in full, using the liability method, at the current tax rate on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

(i) *Borrowing costs*

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(j) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. Segmental information

All Get Wealthy's assets and liabilities as at the balance sheet dates of the Relevant Periods (section 2 of this accountants' report); and revenue, expenses and profit and loss for the Relevant Periods are attributable to the business segment of investment holding.

4. Turnover

	Year ended 30 April		**Period ended 30 April**
	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
	(audited)	*(audited)*	*(audited)*
Service fee	—	—	266,745,500
Sales of listed securities	5,853,272	—	15,166,260
	5,853,272	—	281,911,760

5. Profit before taxation

	Year ended 30 April		
	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
	(audited)	*(audited)*	*(audited)*
Profit before taxation is arrived at after charging:			
(a) Finance costs	—	—	—
(b) Directors emoluments			
Fees	—	—	—
Salaries and other benefits	—	—	—
	—	—	—
(c) Other items			
Auditors' remuneration	10,000	10,000	10,000
Consultancy fee	5,000,000	5,000,000	5,000,000

6. Investments

Details of the investments are as follows:

Name of entities	**Form of business structure**	**Place of incorporation**	**Particular of registered capital** *HK$*	**Number of shares held by the company**	**Principal activity**
Pearl Oriental Innovation Limited	Incorporated	Bermuda	20,000,000,000	—	Investment holding
China Coal Energy Holdings Limited	Incorporated	Hong Kong	100,000,000 (30 April 2007, 2008 and 2009)	15,000,000	Investment holding

7. Trade and other receivables

	As at 30 April		
	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
	(audited)	*(audited)*	*(audited)*
Due from a director	—	5,028,120	10,092,424

The amount due from director is unsecured, interest free with no fixed terms of repayment.

8. Paid-up capital

	HK$
As at 30 April 2007, 2008 and 2009	8

9. Financial risk management objectives and policies

Financial instruments of Get Wealthy include cash and cash equivalents, fixed deposits, trade and other receivables, trade and other payables, bank loans and overdraft.

a) *Credit risk*

Get Wealthy's maximum exposure to credit risk in the events of counterparties failure to perform their obligation as at 30 April 2009 is the carrying amount of the trade and other receivables. In order to minimise the credit risk, the management has set up credit policies and appointed a team of professional to approve the credit limit, monitor and recover the overdue debts. Besides, the management reviews the recoverable amount of each trade and other receivables at each balance sheet date to ensure that adequate impairment losses are made for the irrecoverable amount and actions are taken by the credit department to recover the debts. In this regard, the management consider the credit risk is significantly reduced.

b) *Interest rate risk*

All of the group's borrowings were at fixed interest rate and are not subject to the fluctuation of market interest rate.

c) *Liquidity risk*

The director has undertaken to provide continuous financial support to Get Wealthy.

d) *Fair values*

The fair values of Get Wealthy's financial assets and liabilities are approximate to their corresponding carrying amounts.

10. Critical accounting estimates and judgements

Get Wealthy makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Yours faithfully
Ng, Suen, Lau C.P.A. Limited
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, from Cachet Certified Public Accountants Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix:

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司

25 June 2009

The Directors
Pearl Oriental Innovation Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Pearl Oriental Innovation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition pursuant to an agreement dated 27 May 2009 from an independent third parties of the entire issued share capital of Get Wealthy Investments Limited ("Get Wealthy") and also 184,600 shares in China Coal Energy Holdings Limited ("China Coal", and together with the Group, hereinafter collectively referred to as the "Enlarged Group") (the "Acquisitions") for an aggregate consideration of HK$58,000,000 (the "Consideration") which shall be satisfied by the issue of 145,000,000 new shares of the Company of HK$0.10 each (the "Consideration Shares") at a price of HK$0.40 per Consideration Share. Get Wealthy currently owns 15% of the issued share capital of China Coal. The Group will own over 55% of China Coal after the completion of the Acquisitions. The basis of preparation of the pro forma financial information is set out in Appendix III to the circular (the "Circular") of the Company dated 25 June 2009.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors of Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its nature, does not provide any assurance of indication that any event will take place in the future and may not be indicative of:

— the financial position of the Enlarged Group as at 31 December 2008 or at any future date; or

— the results or the cash flows of the Enlarged Group for the year ended 31 December 2008 or for any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Cachet Certified Public Accountants Limited
Certified Public Accountants
Hong Kong

Chan Yuk Tong
Practising Certificate Number P03723

1. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition pursuant to an agreement dated 27 May 2009 from independent third parties of the entire issued share capital of Get Wealthy Investments Limited ("Get Wealthy") and also 184,600 shares in China Coal Energy Holdings Limited ("China Coal", and together with the Group, hereinafter collectively referred to as the "Enlarged Group") (the "Acquisitions") for an aggregate consideration of HK$58,000,000 (the "Consideration") which shall be satisfied by the issue of 145,000,000 new shares of the Company of HK$0.10 each (the "Consideration Shares") at a price of HK$0.40 per Consideration Share. Get Wealthy currently owns 15% of the issued share capital of China Coal. The Group will own over 55% of China Coal after the completion of the Acquisitions.

The unaudited pro forma income statement and cash flow statement of the Enlarged Group are prepared based on the audited income statement and cash flow statement of the Group for the year ended 31 December 2008 as extracted from the annual report of the Company and the audited income statement and cash flow statement of Get Wealthy for the year ended 30 April 2009 as extracted from the accountants' report as set out in Appendix II to the Circular, and the unaudited income statements and cash flow statements of China Coal for the year ended 31 December 2008 as provided by the directors of China Coal, respectively, after a number of pro forma adjustments assuming the Acquisitions had been completed on 1 January 2008.

The unaudited pro forma balance sheet of the Enlarged Group is prepared based on the audited balance sheet of the Group as at 31 December 2008 as extracted from the annual report of the Group and the audited balance sheet of Get Wealthy as at 30 April 2009 as extracted from the accountants' report as set out in Appendix II to the Circular, and the unaudited balance sheet of China Coal as at 31 December 2008 as provided by the directors of China Coal, respectively, after a number of pro forma adjustments assuming the Acquisitions had been completed on 31 December 2008.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisitions. It is prepared for illustrative purpose only and it does not purport to represent what the results, cash flows or financial position of the Enlarged Group as on the completion of the Acquisitions.

2. UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

	The Group Year ended 31 December 2008	Get Wealthy Year ended 30 April 2009	China Coal Year ended 31 December 2008	Sub-total	Pro forma adjustments						The Enlarged Group Year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	*Audited*	*Unaudited*	*Unaudited*	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*Unaudited*
REVENUE	78,783	5,853	—	84,636				(5,853)			78,783
Cost of services provided/cost of sales	(51,095)	(23,066)	—	(74,161)				(23,066)			(51,095)
Gross profit/(loss)	27,688	(17,213)	—	10,475							27,688
Other income and gains	12,493	—	1	12,494							12,494
Selling and distribution costs	(17,609)	—	—	(17,609)							(17,609)
Consultancy fee	—	(5,000)	—	(5,000)							(5,000)
Administrative expenses	(43,171)	(91)	(5,820)	(49,082)						(320)	(49,402)
Finance costs	(6,494)	—	(3,282)	(9,776)							(9,776)
Share of losses of associates	(12,752)	—	—	(12,752)				3,635			(9,117)
LOSS BEFORE TAX	(39,845)	(22,304)	(9,101)	(71,250)							(50,722)
Tax	(1,420)	—	—	(1,420)							(1,420)
LOSS FOR THE YEAR	(41,265)	(22,304)	(9,101)	(72,670)							(52,142)

	The Group Year ended 31 December 2008	Get Wealthy Year ended 30 April 2009	China Coal Year ended 31 December 2008	Sub-total	Pro forma adjustments						The Enlarged Group Year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	*Audited*	*Unaudited*	*Unaudited*	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*Unaudited*
Attributable to:											
Equity holders of the Company	(38,310)	(22,304)	(9,101)	(69,715)				(5,853)		(320)	(45,101)
								23,066			
								3,635			
								4,086			
Minority interests	(2,955)	—	—	(2,955)				(4,086)			(7,041)
	(41,265)	(22,304)	(9,101)	(72,670)							(52,142)

3. UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP

	The Group 31 December 2008	Get Wealthy 30 April 2009	China Coal 31 December 2008	Sub-total	Pro forma adjustments						The Enlarged Group 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	*Audited*	*Unaudited*	*Unaudited*	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*Unaudited*
NON-CURRENT ASSETS											
Property, plant and equipment	165,331	—	—	165,331							165,331
Prepaid land lease payments	18,868	—	—	18,868							18,868
Goodwill	16,921	—	—	16,921							16,921
Interests in associate/subsidiary	420,903	—	—	420,903		49,300	(470,203)				—
Available-for-sale investments	—	148,358	944,312	1,092,670	141,688		(148,358)				1,086,000
Deferred tax assets	—	—	—	—							—
Total non-current assets	622,023	148,358	944,312	1,714,693							1,287,120
CURRENT ASSETS											
Inventories	9,083	—	—	9,083							9,083
Trade receivables	10,250	—	—	10,250							10,250
Prepayment, deposit and other receivables	11,195	—	—	11,195							11,195
Available-for-sales financial assets	—	—	—	—							—
Due from minority shareholders of subsidiaries	—	—	—	—							—
Due from associate	5,593	—	—	5,593					(5,593)		—
Cash and cash equivalents	15,787	—	9	15,796							15,796
Total current assets	51,908	—	9	51,917							46,324

	The Group 31 December 2008 HK$'000 *Audited*	Get Wealthy 30 April 2009 HK$'000 *Audited*	China Coal 31 December 2008 HK$'000 *Unaudited*	Sub-total HK$'000 *Unaudited*	Pro forma adjustments HK$'000 *(a)*	HK$'000 *(b)*	HK$'000 *(c)*	HK$'000 *(d)*	HK$'000 *(e)*	HK$'000 *(f)*	The Enlarged Group 31 December 2008 HK$'000 *Unaudited*
CURRENT LIABILITIES											
Trade payables	8,767	—	—	8,767							8,767
Other payables and accruals	19,886	30	8,507	28,423					5,593	(320)	23,150
Interest-bearing bank borrowings, secured	8,382	—	—	8,382							8,382
Loan from immediate parent and ultimate controlling party	—	—	—	—							—
Other loans	—	—	23,400	23,400							23,400
Due to minority shareholders of subsidiaries	5,167	—	—	5,167							5,167
Tax payable	16,451	—	—	16,451							16,451
Total current liabilities	58,653	30	31,907	90,590							85,317
NET CURRENT LIABILITIES	(6,745)	(30)	(31,898)	(38,673)							(38,993)
TOTAL ASSETS LESS CURRENT LIABILITIES	615,278	148,328	912,414	1,676,020							1,248,127

	The Group 31 December 2008	Get Wealthy 30 April 2009	China Coal 31 December 2008	Sub-total	Pro forma adjustments						The Enlarged Group 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	*Audited*	*Unaudited*	*Unaudited*	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*Unaudited*
NON-CURRENT LIABILITIES											
Due to minority shareholders of subsidiaries	16,337	—	—	16,337							16,337
Interest-bearing bank borrowings, secured	51,998	—	—	51,998							51,998
Loan form immediate parent and ultimate controlling party	25,000	—	—	25,000							25,000
Total non-current liabilities	93,335	—	—	93,335							93,335
Net assets	521,943	148,328	912,414	1,582,685							1,154,792
EQUITY											
Equity attributable to equity holders of the Company											
Issued capital	(46,474)	—	(100,000)	(146,474)		(1,450)	100,000				(47,924)
Reserves	(466,822)	(148,328)	(812,414)	(1,427,564)	(141,688)	(47,850)	812,414			320	(625,035)
							148,328				
							141,688				
							(110,683)				—
	(513,296)	(148,328)	(912,414)	(1,574,038)							(672,959)
Minority interests	(8,647)	—	—	(8,647)			(473,186)				(481,833)
Total equity	(521,943)	(148,328)	(912,414)	(1,582,685)							(1,154,792)

4. UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP

	The Group Year ended 31 December 2008	Get Wealthy Year ended 30 April 2009	China Coal Year ended 31 December 2008	Sub-total	Pro forma adjustments						The Enlarged Group Year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	*Audited*	*Unaudited*	*Unaudited*	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*Unaudited*
CASH FLOWS FROM OPERATING ACTIVITIES											
Loss from operations	(39,845)	(22,304)	(9,101)	(71,250)				3,635		(320)	(50,722)
								(5,853)			
								(23,066)			
Adjustments for :	—										
Finance costs	6,494	—	—	6,494							6,494
Share of losses of associates	12,752	—	—	12,752				(3,635)			9,117
Interest income	(171)	—	—	(171)							(171)
Loss on disposal of property, plant and equipment	356	—	—	356							356
Depreciation of property, plant and equipment	5,664	—	—	5,664							5,664
Amortisation of prepaid land lease payment	473	—	—	473							473
Impairment loss on trade receivables	1,838	—	—	1,838							1,838
Other receivables written off	1,206	—	—	1,206							1,206
Write-back of other payables	(545)	—	—	(545)							(545)
Written-off of property, plant and equipment	7,716	—	—	7,716							7,716

	The Group Year ended 31 December 2008 HK$'000 Audited	Get Wealthy Year ended 30 April 2009 HK$'000 Audited	China Coal Year ended 31 December 2008 HK$'000 Unaudited	Sub-total HK$'000 Unaudited	Pro forma adjustments HK$'000 (a)	HK$'000 (b)	HK$'000 (c)	HK$'000 (d)	HK$'000 (e)	HK$'000 (f)	The Enlarged Group Year ended 31 December 2008 HK$'000 Unaudited
Shortfall in profit of an associate guaranteed by an ex-joint venture partner	(9,800)	—	—	(9,800)							(9,800)
Equity-settled share option expenses	—	—	—	—							—
	(13,862)	(22,304)	(9,101)	(45,267)							(28,374)
Increase in inventories	(1,881)	—	—	(1,881)							(1,881)
Decrease in trade receivables	5,112	—	—	5,112							5,112
Decrease/(increase) in prepayments, deposits and other receivables	(458)	5,028	1,291	5,861							5,861
Decrease in trading securities	—	23,066	—	23,066				(23,066)			—
Decrease in trade payables	(10,395)	—	—	(10,395)							(10,395)
Increase/(decrease) in other payables and accruals	(24,468)	10	7,725	(16,733)					(5,593)	320	(22,006)
Cash generated from/(used in) operations	(45,952)	5,800	(85)	(40,237)							(51,683)
Income tax paid	(1,721)			(1,721)							(1,721)
Net cash inflow/(outflow) from operating activities	(47,673)	5,800	(85)	(41,958)							(53,404)

	The Group Year ended 31 December 2008	Get Wealthy Year ended 30 April 2009	China Coal Year ended 31 December 2008	Sub-total	Pro forma adjustments						The Enlarged Group Year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	*Audited*	*Unaudited*	*Unaudited*	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*Unaudited*
CASH FLOWS FROM INVESTING ACTIVITIES											
Interest received	171	—	—	171							171
Purchases of items of property, plant and equipment	(3,699)	—	—	(3,699)							(3,699)
Purchases of items of available-for-sale investments	—	—	(171)	(171)							(171)
Net cash and cash equivalent inflow from acquisition of subsidiaries	2,029	—	—	2,029							2,029
Proceeds from issue of shares	34,653	—	—	34,653							34,653
Proceeds from disposal of items of property, plant and equipment	70	—	—	70							70
Repayment from associate	4,337	—	—	4,337					5,593		9,930
Net cash inflow/(outflow) from investing activities	37,561	—	(171)	37,390							42,983
CASH FLOWS FROM FINANCING ACTIVITIES											
Repayment of bank loans	(4,036)	—	—	(4,036)							(4,036)
Proceeds from disposal of treasury shares								5,853			5,853

	The Group Year ended 31 December 2008 HK$'000 Audited	Get Wealthy Year ended 30 April 2009 HK$'000 Audited	China Coal Year ended 31 December 2008 HK$'000 Unaudited	Sub-total HK$'000 Unaudited	Pro forma adjustments HK$'000 (a)	HK$'000 (b)	HK$'000 (c)	HK$'000 (d)	HK$'000 (e)	HK$'000 (f)	The Enlarged Group Year ended 31 December 2008 HK$'000 Unaudited
Advance from minority shareholders of subsidiaries	4,008	—	—	4,008							4,008
Advance from an immediate parent and ultimate controlling party	3,570	—	—	3,570							3,570
Interest paid	(6,444)	—	—	(6,444)							(6,444)
Dividend paid	—	(5,800)	—	(5,800)							(5,800)
Net cash outflow from financing activities	(2,902)	(5,800)	—	(8,702)							(2,849)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,014)	—	(256)	(13,270)							(13,270)
Cash and cash equivalents at beginning of the year	31,617	—	265	31,882							31,882
Effect of foreign exchange rate changes, net	(2,816)	—	—	(2,816)							(2,816)
CASH AND CASH EQUIVALENTS AT END OF YEAR	15,787	—	9	15,796							15,796
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS											
Cash and bank balances	15,787	—	9	15,796							15,796

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) The adjustment reflects the fair value adjustments to restate the available for sale investment held by China Coal at their respective fair values of approximately HK$1,086,000,000 with reference to the net carrying value of the Group's 39.93% equity interests in China Coal as at 31 December 2008. The change in fair value of HK$141,688,000 was recognised in capital reserve.

(b) The adjustment reflects the issue of the 145,000,000 Consideration Shares at an issue price of HK$0.40 per share by the Company for the Acquisitions. The closing price of the Company's share as at 31 December 2008 was HK$0.34 per share. Thus, the fair value of the 145,000,000 Consideration Shares would amount to approximately HK$49,300,000 assuming the Acquisitions had completed on 31 December 2008.

(c) The adjustment reflects the elimination of the issued capital and pre-acquisition reserves of Get Wealthy and China Coal attributable to their respective equity interests in relation to the Acquisitions, and the recording of the 44.89% minority interests in China Coal assuming the Acquisitions had completed on 31 December 2008.

The reconciliation of the capital reserves arising from the acquisition of the equity interests in Get Wealthy and China Coal in relation to the Acquisitions and the minority interests is as follows:

		HK$'000
Assets and liabilities of Get Wealthy and China Coal as at 31 December 2008 acquired:		
Available-for-sales financial assets		1,086,000
Cash and bank balances		9
Other payables		(8,537)
Other loans		(23,400)
Net assets of Get Wealthy and China Coal		1,054,072
Minority interests of China Coal (44.89%)		(473,186)
Net assets of Get Wealthy and China Coal attributable to the equity holders of the Company		580,886
Satisfied by:		
Fair value of the 145,000,000 Consideration Shares issued (note (b))	49,300	
Carrying value of previously held equity interests in China Coal (39.93%)	420,903	470,203
Surplus recognised in capital reserve #		110,683

\# The Acquisitions are not accounted for as a business combination under Hong Kong Financial Reporting Standard 3 "*Business Combinations*" in the Group's consolidated financial statements as the Group obtains control of Get Wealthy and China Coal through the Acquisitions that are not businesses, the bringing together of those entities is not a business combination. Accordingly, in accordance with Hong Kong Accounting Standard 39 "*Financial Instruments: Recognition and Measurement*", the cost of the Group was allocated between the individual identifiable assets and liabilities in Get Wealthy and China Coal based on their relative fair values at 31 December 2008 assuming the Acquisitions had completed on 31 December 2008. According to Hong Kong Financial

Reporting Standard 2 "*Share-based payments*", the difference between (A) the net assets of Get Wealthy and China Coal attributable to the equity holders of the Company over (B) the aggregate value of the fair value of the Consideration Shares and the carrying value of the previously held equity interests in China Coal is recognised in capital reserve.

(d) The adjustment reflects (i) the elimination of the Group's 39.93% share of the loss of China Coal of approximately HK$3,635,000 for the year ended 31 December 2008 and the recording of the 44.89% minority interests' share in the loss of China Coal of approximately HK$4,086,000 for the year ended 31 December 2008; and (ii) the elimination of the gains on disposal of the Company's own share of approximately HK$5,853,000 disposed in the open market, which was credited to the treasury shares account in equity.

(e) The adjustment reflects the elimination of the inter-company balance between the Group and China Coal as at 31 December 2008 and the related inter-company cashflows for the year ended 31 December 2008.

(f) The adjustment reflects the accrual for the legal and other professional fees of approximately HK$320,000 directly related to the Acquisitions.

The following is the management discussion and analysis on the Group extracted from the annual reports of the Company for the three periods/years ended 31 December 2008:

FOR THE YEAR ENDED 31 MARCH 2007

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 March 2007 (the "Year"), the Group recorded a consolidated turnover of HK$65,344,000 (2006 (restated): HK$75,157,000), representing a decrease of approximately 13% over the last year. The share of loss from associated companies for the year was HK$1,201,000 (2006: Nil). Basic loss per share was 20 HK cents as compared to the loss per share of 78 HK cents for the previous year.

Business Review

Turnover of Guangzhou Pearl Oriental Logistics Limited decreased by approximately 25% over the previous year due to the company's focused investment in the expansion of the innovative, potential e-commerce logistics, while the warehouse operation of Pearl Oriental Logistics (Shenzhen) Ltd. grew by approximately 28%. However, the gross profit margin has remained at around 22% during the Year (2006: 23%).

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, and from Orient Day Developments Limited ("Orient Day").

Mr. Wong Kwan became the new controlling shareholder of the Company on 24 May 2006. As a result, the financial positions of the Group have been improved substantially and become solid and strong during the year. As at 31 March 2007, the Group's gearing ratio had decreased to 11% (calculated on the basis of the Group's bank borrowings over total assets) from 57% as at 31 March 2006. At the year end date, the Group's total bank borrowings amounted to HK$58 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 Year.

Furthermore, the Group's cash and bank balances as at 31 March 2007 have increased from HK$1,785,000 as at 31 March 2006 to approximately HK$11,184,000. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has remained at a level of 0.28 as at 31 March 2007 (31 March 2006: 0.30).

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, the Management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

Employees and remuneration policies

As at 31 March 2007, the number of employees of the Group was about 270. 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.

PROSPECTS

Energy and Natural Resources Sectors

To further increase the shareholders' value in the Company, the Company has been exploring new business opportunities for the Group actively. In view of the limited supply but ever increasing demand for energy and natural resources, the Management will correspondingly formulate prompt and appropriate operation and investment strategies to capitalize any business opportunities arisen and to timely expand into the new energy and resources businesses with high potential growth. The Management is also of the opinion that diversification of the Group's business into the coal mining and related resources businesses can provide additional dividend revenue to the Group and reduce the Group's business risk.

The Management believes that China's economic development will expand continuously within the next 10 years thus there will be a strong increasing demand for energy and natural resources, providing a great opportunity for the Company to achieve fast-growing development. Given the broad social network resources of the new Board of Directors formed in June 2006, and the Management Team's extensive experience and ability in business development, the Management strongly believes that the Company will, while retaining the logistics business which has collaborative and synergy effect, strengthen its energy and natural resources businesses and bring very good investment return to the shareholders.

COAL INDUSTRY

The Group has actively expanded its business in the energy and natural resources, in October 2006, the Company has successfully completed the acquisition of 40% equity interests of a coal mining company, Shanxi Taiyuan Sanxing Coal Gasification (Group) Company Limited at a consideration of HK$400 million, through China Coal Energy Holdings Limited ("CCEH").

Demands for Coal in China

In a recent National Development and Reform Commission's release of statistics of the Coal Industry of China on 28 May 2007, China has emerged as a net coal importing country instead of a net coal exporting country for the first time in history.

China economic growth in recent years has led to a surge in the demand for energy. China's real GDP grew at a Compound Annual Growth Rate ("CAGR") of 9.8% from 2001 to 2005 according to a report by the PRC's Statistics Bureau in February 2006. Coal accounts for almost 70% of the total natural energy consumption of China. In the same period, China's total primary energy consumption grew at a CAGR of 11.7%. Coal consumption in China amounted to 2.14 billion tons in 2005. The PRC Government estimates that the domestic demand for coal will increase to 2.5 billion tons by 2010.

CCEH's coke products include mainly metallurgical coke. They process coking coal into coke in CCEH's coking plant pursuant to specifications given by its customers. CCEH also purchases and resells coke in the domestic market. In addition, CCEH produces coal-based chemicals in its coking plant and ancillary facilities. CCEH's main chemicals products include coal gas, refined tar, benzene. All the coal gas CCEH produced will be supplied to Taiyuan City under a coal gas supply agreement.

On 8 September 2006, the Company, Sinosteel International Holding Co., Limited ("Sinosteel International") and Taiyuan Sanxing entered into a Strategic Partnership Framework Agreement. Sinosteel International is willing to purchase most of the coking coal, coke and related chemical products of Taiyuan Sanxing. The parties' preliminary plan of the total sale of each of coking coal and coke by Taiyuan Sanxing to Sinosteel International will be 200,000 tons for the year 2007, and will be gradually increased after the production volume of the new coal mine reached an optimal level.

Sinosteel International, a window company in Hong Kong, is a wholly owned subsidiary of Sinosteel Corporation, a Central state owned enterprise, and engaged in international trade, mining of metallurgical resources and investments. The total turnover of Sinosteel Corporation in 2005 is over RMB35 billion and that of Sino International is over RMB6 billion respectively. Sinosteel Corporation is one of the largest trading companies and exporters of coking coal and coke in China.

On 29 December 2006, CCEH entered into an agreement with Shanxi Coal Import and Export Group Luliang Corporation and other two joint venture partners to acquire 60% equity interest of Shanxi Jiao Cheng Shen Yu Coal Mine Company Limited ("Shen Yu Coal") at a consideration of HK$42 million. After the shareholding restructuring, Shen Yu Coal holds 100% coal mining equity interests of Bei Ta Coal Mine, Nan Ta Gou Coal Mine and Zhai Hao Bo Coal Mine in Jiao Cheng County of Shanxi Province. After reorganizing, the area of the coal mining is 4.35 square kilometers. It is now exploiting the second and third strata of the coal mine. The coking coal reserves is 18.79 million tons and the exploitable reserve is 9.33 million tons, with the annual production of 300,000 tons. The expected sales amount is HK$90 million per annum with the gross profit of HK$50 million. Upon completion, Shanxi Coal Import and Export Group Luliang Corporation will retain 10.4% equity interest and continue to cooperate with China Coal to complement the advantages of each other.

The coal mine of Shen Yu Coal has expansion potential. The new management is planning to exploit the fourth, fifth and sixth strata and together with the second and third strata, the anticipated exploitable reserve will be increased to 25 million tons with a mining value of HK$7.5 billion.

PLASTIC RECYCLING INDUSTRY

The Group has also spent HK$50 million to acquire 50% equity interests in and has become the single largest shareholder of Euro Resources China Limited during the Year. 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 other South East Asian countries like Vietnam, Cambodia, etc.

China's Demand for waste Plastic Raw Material

Plastics as raw materials have been increasingly used in today's industry as an ideal substitute to replace other materials such as iron, wood and paper. In 2000, China alone produced 13 million tons of plastics products; in 2005, 32 million tons, representing an annual growth rate of 13%. The demand for plastics packaging materials reached 5 million tons in 2005. Increasing use of plastics has caused serious environmental problems. Recycling has become the most recognized solution. The demand for the recycled waste plastic materials in the Guangdong and Southern China district is over 1,000,000 tons per year.

China is the world's largest importer for waste and recycled plastics, with 18% of demands for polypropylene and 15% for polyethylene ("PE").

China is the world's largest market for PE film, a market greater in size than the USA or Western Europe as a whole. There are over 10,000 converters with an estimated capacity of more than 11 million tons in 2004.

It is expected that the coal mining project and plastic resources recycling project will bring long-term stable income to the Group.

Logistics Business

In order to increase the market share of the logistics business, the Company has entered into an agreement during the year to acquire a 60% equity interest of Pearl Oriental Logistics Sino Limited at a consideration of HK$22 million. We expect it will help the continual growth of the Group's logistics business.

Financial Positions of the Group

After Mr. Wong Kwan became the new controlling shareholder of the Company on 24 May 2006, the financial positions of the Group have been improved immediately. Apart from the proceeds of HK$80 million from the issue of new shares, an unsecured loan facility of HK$70 million has been granted by Mr. Wong Kwan to the Group as additional working capital which is beneficial to the Group's various investing and operating activities. As a whole, all of our major bankers, customers and business partners have great confidence in the Group's future development. Therefore, the Group will be in a better position to grasp various business and investment opportunities in the future.

As at 31 March 2007, the Group has outstanding short-term bank loans in aggregate of approximately HKD58,093,000 (2006: HKD88,880,000). The Group is currently in the process of negotiation with certain banks to grant new credit facilities to the Group sufficient to repay the existing loans. The directors do not anticipate any difficulties in obtaining the new banking facilities. In addition, the immediate holding company and the controlling shareholder of the Company has undertaken to provide such financial assistance as is necessary.

The Company will operate and invest bilaterally in energy and natural resources businesses as well as logistics businesses. As the energy and resources projects require more capital investment thus will account for as high as 70% of the total net assets of the Company.

The New Management has built brand new corporate culture of the Group that not only creates value for the shareholders, but also boosts the team spirit of the employees and is beneficial to the all round and balanced development of the Group.

FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2007

RESULTS AND REVIEW OF OPERATION

For the 9-month period ended 31 December 2007 (the "Period"), the Group recorded a consolidated turnover of HK$55,620,000 (31 March 2007: HK$65,344,000), implying an annualized increase of approximately 13.5%. The share of profit from associated companies for the period was HK$61,884,000 (31 March 2007: loss of HK$1,201,000). Basic earnings per share was 10 HK cents for the period ended 31 December 2007 as compared to the basic loss per share of 20 HK cents for the year ended 31 March 2007.

BUSINESS REVIEW

The financial status of the Group has further improved. The profit attributable to shareholders for the Period amounted to HK$38,422,000 (31 March 2007: Loss HK$53,278,000), turnaround from loss to profit. Such increases were mainly attributable to the share of profit from associates.

LOGISTICS

Logistics is still the major source of revenue for the Group. For the period ended 31 December 2007, Guangzhou Pearl Oriental Logistics Limited reallocated its resources on the high potential growth e-commerce logistics, while the warehouse operations of Pearl Oriental Logistics (Shenzhen) Ltd still have steady growth.

COAL INDUSTRY

The Group's share its associates, China Coal Energy Holdings Limited ("CCEH"), for the period ended 31 December 2007 was approximately HK$67 million.

On 9 November 2007, CCEH entered into an agreement with two independent partners to acquire 89.4% equity interest of Shanxi Qinhe Coal Company Limited ("Qinhe Coal") at a consideration of

RMB142 million. After the shareholding restructuring, Qinhe Coal holds 100% coal mining equity interests of Qinhe Coal Mine in Shanxi Province. After reorganising, the area of the coal mining is 1.416 square kilometers. It will exploit the fourth, seventh and ninth strata of the coal mine. The coking coal reserve is 26.42 million tonnes and the exploitable reserve is 11.39 million tonnes, with the current annual production limit of 300,000 tonnes.

The Group believes that as the demand for coal will increase in foreseeable future, the contribution from CCEH will keep increasing.

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 2007, the Group's gearing ratio had decreased to 10% (calculated on the basis of the Group's bank borrowings over total assets) from 11% as at 31 March 2007. At the Period end date, the Group's total bank borrowings amounted to HK$64 million (31 March 2007: HK$58 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 31 December 2007 have increased to HK$31,617,000 from approximately HK$11,184,000 as at 31 March 2007. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 0.58 as at 31 December 2007 (31 March 2007: 0.28).

At 31 December 2007, 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 and 31 March 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, the Management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

PROSPECTS

Energy and Natural Resources Sectors

To further enhance the value in the Company, the Company has been actively exploring various new business opportunities for the Group. In view of the limited supply but ever increasing demand for energy and natural resources in China, the Management will continue to formulate prompt and appropriate operation and investment strategies to capitalize on any business opportunities and to timely expand into the new energy and resources business with high potential growth. Management is also of the opinion that diversification of the Group's business into the coal mining and related business can provide additional dividend revenue to the Group and reduce the Group's business risk.

Management believes that China's economic development will continuously expand within the next decade thus there will be a strong increasing demand for energy and other natural resources, providing a great opportunity for the Company to capitalize on them. Given the broad reach of the Board of Directors, and the Management Team's extensive experience and ability in business development, the Management strongly believes that the Company will, while retaining the logistics business which has collaborative and synergy effect, strengthen its energy and natural resources business and bring very good investment return to the shareholders.

COAL INDUSTRY

The Group has actively expanded its business in the energy and natural resources, in October 2006, the Company has successfully completed the acquisition of 40% equity interests of a coal mining company, Shanxi Taiyuan Sanxing Coal Gasification (Group) Company Limited at a consideration of HK$400 million, through China Coal Energy Holdings Limited ("CCEH"), an associate of the Company which has already made profit contribution to the Group during the Period. Subsequently, CCEH is in the process to acquire one to two more coking coal mines in Shanxi and there will be more acquisitions for CCEH.

DEMANDS FOR COAL IN CHINA

In a recent National Development and Reform Commission's release of statistics of the Coal Industry of China, China has become a net importer of coal which is expected on a sustained basis given the strong demand from the power and steel industries in China and the tighter regional supply of coal.

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.

It is believed that coal producers in China are enjoying a confluence of positive factors that will result in strong growth in the next few years. We have witnessed a surge in coal prices during the Period, management of CCEH maintains its optimistic view on coal prices, especially for the coking coal. CCEH exploits and sells coking coal in the domestic market. CCEH's coke products include mainly metallurgical coke. They process coking coal into coke in CCEH's coking plant pursuant to specifications given by its customers.

Chinese coking coal prices increased significantly in the 2nd half of 2007 due to the strong demand from the steel industry. Representative prices in Shanxi province were up greater than 40% in the 2nd half of 2007.

In addition, CCEH produces diversified coal-based chemicals in its coking plant and ancillary facilities. CCEH's main chemical products include coal gas, refined tar and benzene. All the coal gas CCEH produced will be supplied to Shanxi Taiyuan City under a coal gas supply agreement.

CCEH owns a coke plant in Shanxi Taiyuan with a production capacity of 600,000 tonnes of coke per year and also 3 coal mines near Shanxi Taiyuan City which have coking coal reserves of around 67.5 million tonnes, 26 million tonnes and 19 million tonnes respectively, totalling over 110 million tonnes of coking coal. It is expected that the total annual coal production of these 3 coal mines of CCEH will be around 1.8 million tonnes in 2008.

Given the strategic importance of coal in its energy needs, the Chinese government has been keen to improve the industry structure so as to achieve more efficient and safe mining of the country's coal resources. The thrust of the government's policy direction has been towards 'bigger and stronger' coal mining operations. As such, we believe the sizeable coal producers like CCEH are well-positioned to benefit from consolidation opportunities in the industry.

CCEH's customers are predominantly domestic coke plants and steel companies, which should continue to expand at a fast pace. Pricing for its product is determined through negotiations with customers, and recent settlements in the current coal markets show that customers are still willing to pay ever-higher prices to secure supplies.

Coal is one of the resources that China has abundantly, and given the strategic importance of this resource in China's energy mix, we see greater efforts by the Chinese government to improve the structure of the coal industry. Such moves, we expect, will benefit the sizeable coal producers, who can partake of opportunities to consolidate smaller players and improve their already-strong production profiles.

A combination of fast-rising demand, persisting supply deficit, severe bottle neck in transportation, control of coal export in China and less government interference in setting coal prices shall enable sizeable Chinese coal companies to achieve strong earnings growth over the next few years.

CCEH plans to become a leading non-State-Owned coking coal and coke producer in Shanxi of China. Its development strategies are to focus on growth in Shanxi Province by acquiring more resources and expand production capacity and to further improve its mining, coal processing and production efficiency.

PLASTIC RECYCLING INDUSTRY

The Group has 50% equity interests in Euro Resources China Limited ("ERC"). 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 and Cambodia, Malaysia, Korea, Japan and etc.

The Group expected that ERC will have contribution from Year 2008 as another major source of income of the Group

CHINA'S DEMAND FOR WASTE PLASTIC RAW MATERIAL

Plastics as raw materials have been increasingly used in today's industry as an ideal substitute to replace other materials such as iron, wood and paper. In 2000, China alone produced 13 million tonnes of plastics products; in 2005, 32 million tonnes, representing an annual growth rate of 13%. The demand for plastics packaging materials reached 5 million tonnes in 2005. Increasing use of plastics has caused serious environmental problems. Recycling has become the most recognized solution. The demand for the recycled waste plastic materials in the Guangdong and Southern China district is over 1,000,000 tonnes per year.

China is the world's largest importer for waste and recycled plastics, consisting of 18% of demands for polypropylene and 15% for polyethylene ("PE").

China is the world's largest market for PE film, a market greater in size than the USA or Western Europe as a whole. There are over 10,000 converters with an estimated capacity of more than 11 million tonnes in 2004.

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, ERC has already formed a joint-venture in Shunde of Guangdong province, China to generate more profits and broaden the customer base in the manufacturing process of plastic granulation.

It is expected that the coal mining project and plastic resources recycling project will bring long-term stable income to the Group.

To expedite the appreciation of the Group's investment projects and generate overall benefits for our shareholders, the management team is planning to spin off the coal mining project for listing on recognized stock markets as soon as possible. The Board expects that CCEH, upon listing, will generate very satisfactory returns to the Group.

The Company will operate and invest bilaterally in energy and natural resources business as well as logistics business. As the energy and resources projects require more capital investment thus will account for as high as 70% of the total net assets of the Company.

FINANCIAL POSITIONS OF THE GROUP

After Mr. Wong Kwan became the new controlling shareholder of the Company on 24 May 2006, the financial positions of the Group have been improved immediately. Apart from the net proceeds of HK$77.46 million from the placing of new shares in the Company in March 2008, an unsecured loan facility of HK$70 million has been granted by Mr. Wong Kwan to the Group as additional working capital which is beneficial to the Group's various investing and operating activities. As a whole, all of our major bankers, customers and business partners have great confidence in the Group's future development. Therefore, the Group will be in a better position to grasp various business and investment opportunities in the future.

As at 31 December 2007, the Group has outstanding bank loans in aggregate of approximately HK$64 million (31 March 2007: HK$58 million).

FOR THE YEAR ENDED 31 DECEMBER 2008

For the year ended 31 December 2008 (the "Year"), the Company and its subsidiaries (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) Limited 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 cash HK$3,000,000 together with convertible bonds of HK$9,000,000 (the "Convertible Bonds").

The board of Directors of the Company (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 former 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.

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 and the trade receivables of a subsidiary. 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).

During the year, 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, Euro and 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.

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).

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

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 Proposed Issue of convertible notes of up to HK$100,000,000 to 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.

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 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.

FOR THE PERIOD ENDED 30 APRIL 2007

Results

For the period from 12 May 2006 (its date of incorporation) to 30 April 2007, Get Wealthy recorded a turnover and net profit of approximately HK$282 million and HK$199 million respectively. The revenue was mainly derived from service fee and investment holding.

Business Review

Get Wealthy holds its investment in listed shares in Pearl Oriental Innovation Limited (the "Company") and 15% equity interests China Coal during the period ended 30 April 2007.

Future Plans for Material Investments or Capital Assets

Get Wealthy had no plan for material investments or capital assets.

Capital Structure, Liquidity and Financial Resources

Get Wealthy's funding and treasury policies are established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. Get Wealthy generally finances its operations with internally generated resources and shareholders' loans.

As at 30 April 2007, Get Wealthy had no contingent liabilities, cash and bank balances, loans or borrowings, therefore its gearing ratio was zero.

Get Wealthy conducted its business transactions principally in Hong Kong dollars. The management of Get Wealthy considered that Get Wealthy had no significant exposure to foreign exchange fluctuations and did not use any financial instrument for hedging purposes.

As at 30 April 2007, no guarantee has been given by Get Wealthy and there was no charge on its assets.

Material Investments, Acquisitions or Disposals

Get Wealthy did not have any material investment, acquisition or disposal of subsidiaries during the period ended 30 April 2007 except the disposal of around 10 million shares in the Company.

Segmental Analysis

During the period under review, Get Wealthy mainly focused on its principal activity of investment holding. Apart from consultancy fee paid during the period, no salary has been paid by Get Wealthy.

FOR THE YEAR ENDED 30 APRIL 2008

Results

For the year ended 30 April 2008, Get Wealthy had no turnover. The net loss of Get Wealthy was HK$22.9 million for the year mainly represented impairment loss on the listed shares in the Company.

Business Review

During the year under review, Get Wealthy holds its 15% equity interests in China Coal and 24.8 million shares in the Company.

Capital Structure, Liquidity and Financial Resources

Get Wealthy's funding and treasury policies are established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. Get Wealthy generally finances its operations with internally generated resources and shareholders' loans.

As at 30 April 2008, Get Wealthy had no contingent liabilities, cash and bank balances, loans or borrowings, therefore its gearing ratio was zero.

Get Wealthy conducted its business transactions principally in Hong Kong dollars. The management of Get Wealthy considered that Get Wealthy had no significant exposure to foreign exchange fluctuations and did not use any financial instrument for hedging purposes.

As at 30 April 2008, no guarantee has been given by Get Wealthy and there was no charge on its assets.

Material Investments, Acquisitions or Disposals

Get Wealthy did not have any material investment, acquisition or disposal of subsidiaries during the year ended 30 April 2008.

Segmental Analysis

During the year under review, Get Wealthy was mainly engaged in the business of investment holding. Apart from consultancy fee paid during the year, no salary has been paid by Get Wealthy.

FOR THE YEAR ENDED 30 APRIL 2009

Results

For the year ended 30 April 2009, Get Wealthy recorded a turnover of approximately HK$5.85 million. The revenue was mainly derived from disposal of shares in the Company. Get Wealthy recorded a net loss of approximately HK$22.3 million for the current year (2008: loss of approximately HK$22.9 million) mainly due to realized loss on disposal of shares in the Company.

Business Review

During the year under review, Get Wealthy holds its 15% equity interests in China Coal.

Capital Structure, Liquidity and Financial Resources

Get Wealthy's funding and treasury policies are established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. Get Wealthy generally finances its operations with internally generated resources and shareholders' loan.

As at 30 April 2009, Get Wealthy had no cash and bank balances, loans or borrowings, therefore its gearing ratio was zero. A dividend of approximately HK$5.8 million has been paid by Get Wealthy during the year.

Get Wealthy conducted its business transactions principally in Hong Kong dollars. The management of Get Wealthy considered that Get Wealthy had no significant exposure to foreign exchange fluctuations and did not use any financial instrument for hedging purposes.

As at 30 April 2009, Get Wealthy had no contingent liabilities and has not given any guarantee.

Material Investments, Acquisitions or Disposals

Get Wealthy did not have any material investment, acquisition or disposal of subsidiaries during the year ended 30 April 2009 except the disposal of all its shares in the Company.

Segmental Analysis

During the year under review, Get Wealthy was solely engaged in investment holding. Apart from consultancy fee paid during the year, no salary has been paid by Get Wealthy.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

Authorised:	*HK$*
200,000,000,000 Shares of HK$0.1 each	20,000,000,000
Issued and fully paid:	*HK$*
581,403,960 Shares of HK$0.1 each	58,140,396

3. 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

(a) ***Ordinary Shares of HK$0.10 each of the Company***

	Number of Shares held in the Capacity of				Percentage of the
Name of directors	**Beneficial Owner**	**Family interest**	**Held by controlled corporation**	**Total number of shares held**	**issued share capital of the Company**
Wong Kwan *(Note)*	—	—	378,425,800	378,425,800	65.09%
Johnny Yuen	640,000	—	—	640,000	0.11%

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.

4. 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 31 December 2008, 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 *(Note)*	Beneficial owner	378,425,800	65.09%

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.

5. LITIGATIONS

The Enlarged Group have below litigation at the date of this circular.

(a) The Group had three pending litigation claims with 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. A judgment was given in favour of Horace Yao Yee Cheong, Habile International Holdings Limited and

Makdavy Holdings Limited (collectively, the "Plaintiffs") against the Company on 22 May 2009 for the aggregate sum of approximately HK$6.9 million together with interests thereon and legal costs. The Company will seek legal advice on the judgment in order to consider whether to appeal against the judgment or not.

(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 Jingyuen (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, Get Wealthy, 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 alias, 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.

6. INDEBTEDNESS STATEMENT

As at the close of business as at 31 May 2009, being the Latest Practicable Date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had a secured bank loan of approximately HK$56.9 million, amounts due to minority shareholders of subsidiaries of approximately HK$17,507,000 and other borrowings of approximately HK$23,400,000.

The secured bank loan of the Group as at 31 May 2009 is secured by:

a) the Group's leasehold land and buildings situated in Shenzhen, with an aggregate carrying value of RMB93,046,651 (approximately HK$104,975,000 at 31 May 2009.

b) corporate guarantees given by the Company and a subsidiary of the Company.

c) a charge on the trade receivables of a wholly-owned subsidiary of the Company of approximately RMB36,000 (equivalent to HK$40,000) at 31 May 2009.

The amounts due to minority shareholders of subsidiaries of approximately HK$17,507,000 represented amounts of approximately HK$1,170,000 which are unsecured, interest-free and have no fixed repayment terms with the remaining balance of approximately HK$16,337,000 which are unsecured, interest-free and are not repayable within one year after the date of this Circular.

The other borrowings of approximately HK$23,400,000 are unsecured, bears interest at 9% per annum and are repayable on 23 December 2009.

At 31 May 2009, the Group incurred contingent liabilities arising as a result of a judgment given in favour of Horace Yao Yee Cheong, Habile International Holdings Limited and Makdavy Holdings Limited (collectively, the "Plaintiffs") against the Company on 22 May 2009 for the aggregate sum of approximately HK$6.9 million together with interests thereon and legal costs. The Company will seek legal advice on the judgment in order to consider whether to appeal against the judgment or not.

Save as disclosed above and the pending litigations as disclosed in "5(a)" in this Appendix and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Enlarged Group, none of the members of the Enlarged Group had, at the close of business on 31 May 2009, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness or hire purchase commitments, liabilities under any guarantee, liabilities under acceptances, acceptance credits or other material contingent liabilities.

7. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that there has not been any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up. In line with the worldwide economic slowdown however it is possible that its financial or trading position may deteriorate in the future, in which case the Company will make further disclosure pursuant to the Listing Rules if necessary.

8. WORKING CAPITAL

Taken into account the existing facilities available and the fact that the immediate holding company of the Company has undertaken to provide such financial assistance when necessary to maintain the Company as a going concern and not to call upon the Company to repay any part of the advances made by it to the Company, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this circular.

9. 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)).

10. 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 2008 (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 Enlarged Group, or were proposed to be acquired or disposed of by or leased to the Enlarged Group.

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 Enlarged Group.

11. 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.

12. EXPERT AND CONSENT

(a) The following are the qualifications of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
Cachet Certified Public Accountants Limited ("Cachet")	Certified public accountants
Ng, Suen, Lau C.P.A. Limited	Certified public accountants
Wallbanck Brothers	a licensed corporation for carrying out types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO

(b) As at the Latest Practicable Date, Cachet, Ng, Suen, Lau C.P.A. Limited and Wallbanck Brothers does not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Cachet, Ng, Suen, Lau C.P.A. Limited and Wallbanck Brothers does not have any interest in any assets which had been, since 31 December 2008 (being the date to which the latest published 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.

(c) Wallbanck Brothers has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and/or references to its name in the form and context in which it appears.

13. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular are or may be material:

(a) The term loan facility agreement dated to 10 September 2007 entered into between Pearl Oriental Warehouse (Shenzhen) Limited, an indirect wholly-owned subsidiary of the Company, and Hang Send Bank (China) Limited, Shenzhen Branch in relation to the granting of credit facilities of up to RMB60 million by Hang Seng Bank (China) Limited to Pearl Oriental Warehouse (Shenzhen) Limited with maturity of seven years and an interest rate of 105% of the RMB benchmark lending rate for loans with maturity over 5 years announced by the People's Bank of China;

(b) A share subscription agreement dated 31 December 2007 entered into between the Company and Orient Day pursuant to which Orient Day would subscribe for 77,456,000 new ordinary Shares at a subscription price of $1 per Share;

(c) The Company entered into a loan facilities agreement with Orient Day Developments Limited ("Orient Day") on 5 September 2008 in relation to the grant of a loan facility of not exceeding HK$25,000,000. Orient Day is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Wong Kwan. The loan due to Orient Day is unsecured, bears interest at Prime Rate as quoted by HSBC and repayable at the end of each calendar month commencing from one year after the drawdown date;

(d) A sale and purchase agreement dated 5 November 2008 entered into between Allfair Limited, a wholly-owned subsidiary of the Company, and Grand Asscend Investments Limited in relation to the acquisition by the Group of the 30% equity interest in Euro Resources China Limited for a total consideration of HK$9,800,000;

(e) The sale and purchase agreement dated 22 January 2009 between Pearl Oriental Logistics Holdings Limited, a wholly-owned subsidiary of the Company as vendor and Sunny Villa Investments Limited as purchaser in respect of the disposal of 60% of the entire share capital of Pearl Oriental Express Holdings Limited at HK$3,000,000;

(f) A conditional convertible note agreement dated 4 March 2009 between the Company and the Subscriber in respect of the subscription of convertible notes of up to HK$45,000,000;

(g) The Agreements; and

(h) the CN Agreement.

14. MISCELLANEOUS

A. The company secretary of the Company is Mr. Cheung Kwok Yu, who is a professional accountant in Hong Kong and 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 registered office of Wallbanck Brothers is located at Room 2310, Tower 2, Lippo Centre, 89 Queensway, Central, Hong Kong.

E. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

15. 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 15 July 2009:

(a) the memorandum of association and the bye-laws of the Company;

(b) the Agreements and the CN Agreement;

(c) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A which has been issued since the date of the latest published audited accounts;

(d) the annual reports of the Group for the period ended 31 December 2007 and for the year ended 31 December 2008;

(e) the report from Cachet on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular; and

(f) any material contracts referred to in this Appendix VI.

SHARE OPTION SCHEME

Unless otherwise stated, terms used in this appendix VII shall bear the same meanings as those defined in this circular.

The following is a summary of the principal terms of the New Share Option Scheme to be adopted at the SGM:

1. Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to advance the interests of the Company and its Shareholders by providing to Eligible Persons a performance incentive for continued and improved service with the Company and its Subsidiaries and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership.

2. Duration of the New Share Option Scheme

Subject to paragraph 17, the New Share Option Scheme shall be valid and effective until the close of business of the Company on the date which falls ten (10) years after the Adoption Date, after which period no further Options will be granted but the provisions of the Scheme shall remain in full force to the extent necessary to give effect to the exercise of any Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue.

3. Who may join

The Board of the Company, may, at its discretion, offer any Eligible Persons the Options at a consideration of HK$1.00 pursuant to the rules of the New Share Option Scheme.

4. Grant of option

An offer shall be made to an Eligible Person at a consideration of HK$1.00 by letter in such form as the Board may from time to time determine requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme. The New Share Option Scheme shall remain open for acceptance by the Eligible Person concerned for a period of 21 days from the Offer Date. An Offer may not be accepted unless the grantee remains an Eligible Person on acceptance.

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month (or such period as prescribed by the Stock Exchange from time to time) immediately preceding the earlier of:

4.1 the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

4.2 the deadline for the Company to publish its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or required under the Listing Rules);

and ending on the date of the results announcements.

5. Payment on acceptance of an Offer

Upon acceptance of the Offer, the Eligible Person shall pay HK$1.00 by way of consideration for the grant thereof.

6. Subscription price

The Subscription Price shall determined by the Board at its absolute discretion but in any event shall be at least the higher of:

6.1 the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a Business Day;

6.2 the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the date of grant of the relevant Option; and

6.3 the nominal value of a Share on the date of grant.

7. Exercise of Options

Subject to paragraph 12, an Option may be exercised in whole or in part at any time during a period as the Board may determine which will not be more than 10 years from the date of grant of the Option. The exercise of Options by a grantee is not tied to any performance target requirements. When an Option is exercised only in part, the balance shall remain exercisable on the same terms as originally applied to the whole Option and a new Option certificate shall be issued accordingly by the Company as soon as reasonably practicable after such partial exercise.

8. Options shall be personal

Except for a transfer to an offeror pursuant to an offer made in accordance with the Takeovers Code, an Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or attempt to do so.

9. Ranking of Shares and rights of Option holders

A Share allotted upon the exercise of an Option shall rank pari passu with the other fully paid Shares in issue as from the date when the name of the grantee (or any other person) is registered in the register of shareholders of the Company. If under the terms of a resolution passed or an announcement made by the Company prior to the date of exercise of an Option, a dividend is to be or is proposed to be paid to holders of Shares by reference to a record date prior to such date of exercise, the Shares to be issued upon such exercise will not rank for such dividend.

10. Rights on general offer

In the event of a general offer (other than by way of scheme of arrangement referred to below) being made to all the Shareholders (or all such holders other than the offeror, any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeovers Code) with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the grantee (or his legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

11. Rights on a compromise or arrangement

In the event of a compromise or scheme of arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Participants on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and the Participants (or his personal representatives) may by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participant which falls to be issued on such exercise of the Option credited as fully paid and register the Participant as holder thereof. Upon the compromise or arrangement becoming effective, all outstanding Options shall lapse except insofar as exercised.

Subject to paragraph 12, in the event that a notice is given by the Company to its Shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company when the Company is solvent, the Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all grantees (together with a notice of the existence of this provision). Thereupon each grantees (or where permitted his legal personal representatives) shall be entitled to exercise all or any of his outstanding Options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

12. Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the following events:

12.1 the relevant option period in respect of the Option having expired;

12.2 the first anniversary of the death of the grantee;

12.3 the date on which the Group terminates the grantee's employment or removes the grantee who has been guilty of serious misconduct from his or her office on the ground that the grantee commits an act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of such grantee has or has not been terminated on one or more of the grounds specified in this sub-clause shall be conclusive and binding on the grantee;

12.4 the expiry of a period of three months from the date of the Participant ceasing to be an Eligible Person by reason of:

(a) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this clause, at a younger age;

(b) ill health or disability recognised as such expressed by the Board in writing for the purpose of this paragraph;

(c) the company by which he or she is employed and/or of which he or she is a director (if not the Company) ceasing to be a Subsidiary;

(d) the expiry of his or her employment contract or the vacation of his or her office with the Company or a Subsidiary and such contract is not immediately extended or renewed; or

(e) at the discretion of the Committee, any reason other than death or the reasons described in paragraph 12.3 or 12.4(a) to 12.4(d).

12.5 the expiry of any period referred to in paragraph 10 or 11, provided that:

(a) (in the case of paragraph 10) the offeror who acquires all or part of the issued Shares, or all or part of the issued Shares other than those held by the offeror and any persons acting in concert with the offeror (as defined in the Takeovers Code), may exercise any Options tendered in acceptance of its offer within 21 days after the date on which the offer becomes or is declared unconditional;

(b) (in the case of paragraph 11) all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; or

12.6 the date the grantee commits any breach of the provision of paragraph 8.

13. Maximum number of Shares available for subscription

The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time ("**Scheme Limit**").

The total number of Shares available for issue under Options which may be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date ("**Scheme Mandate Limit**"), unless Shareholders' approval has been obtained. On the basis of 581,403,960 Shares in issue as at the date hereof, the Scheme Mandate Limit will be 58,140,396 Shares available for issue under Options which may be granted under the New Share Option Scheme. Options lapsed in accordance with the terms of the New Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Scheme Mandate Limit may be renewed at any time subject to Shareholders' approval in general meeting. The Scheme Mandate Limit as "refreshed" must not exceed 10% of the Shares in issue at the date of the approval of the Scheme Mandate Limit. Options previously granted under the New Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "**refreshed**". A circular for the purpose of seeking Shareholders' approval on the renewal of the Scheme Mandate Limit containing information required under the Listing Rules must be sent to the Shareholders.

The total number of Shares issued and to be issued upon exercise of the Options granted to each grantee (including both exercised and outstanding Options) in any 12-month period up to the date of the grant to such grantee shall not exceed 1% of the Shares in issue (the "**1% Limit**"). Any further grant of Options in excess of this 1% Limit must be subject to Shareholders' approval with that grantee and his associates abstaining from voting and the issue of a circular. The circular must disclose the identity of the grantee, the number and the terms of the Options granted and to be granted. The number and terms of the Options to be granted to such grantee must be fixed before Shareholders' approval and the date of the Board meeting for proposing such further grant to such grantee should be taken as the date of grant for the purpose of calculating the Subscription Price of the Shares.

The Company may also seek separate Shareholders' approval for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such approval is sought and subject to Shareholders' approval and the issue of a circular to all the Shareholders. The circular must contain a generic description of the identified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the identified Participants, an explanation as to how the terms of such Options serve the intended purpose and such other information as the Shareholders' consider applicable and required under the Listing Rules.

14. Changes in share capital of the Company

If there is any alteration in the capital structure of the Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party) or otherwise, such corresponding alterations (if any) shall be made in:

14.1 the number of Shares (without fractional entitlements) subject to the Option so far as unexercised; and/or

14.2 the subscription price.

Except alterations made on a capitalisation issue, any alteration to the number of Shares subject to the Option, the subscription price and/or the method of exercise of the Option shall be conditional on the Auditors confirming in writing to the Board or the Committee that the alteration made is on the basis that the proportion of the issued share capital of the Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased. The capacity of the Auditors in this paragraph is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the Participants in the absence of manifest error. The costs of the Auditors in so certifying shall be borne by the Company.

15. Alteration of the New Share Option Scheme

The New Share Option Scheme may be altered in any respect by resolution of the Board or the Committee except that the provisions of the Scheme relating to Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Eligible Persons, Participants or prospective Participants provided that the prior sanction of a resolution of the Company in general meeting has been obtained, with the Eligible Persons, the Participants and their respective Associates abstaining from voting. No alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such number of Participants as shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under the Scheme. Any alterations to the terms and conditions of the Scheme which are of a material nature shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Scheme.

Notwithstanding the foregoing, no modification of or amendment to the Scheme made by the Board or the Committee shall be effective prior to approval by the Shareholders to the extent Shareholders' approval is otherwise required by applicable legal requirements.

The amended terms of the Scheme shall continue to comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the Scheme must be approved by the shareholders in general meeting.

16. Grant of Options to connected persons or any of their associates

Where Options are proposed to be granted to a connected person or his associates, the proposed grant must be approved by all independent non-executive directors of the Company (excluding independent non-executive director of the Company who is the grantee of the relevant Options).

If a grant of Options to a Substantial Shareholder, chief executive or an independent non-executive director or their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including exercised, cancelled and outstanding Options) to such person in the 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, then such further grant of Options must be approved by the Shareholders in general meeting and the Company must send a circular to the Shareholders. All connected persons must abstain from voting in favour at such general meeting.

Shareholders' approval as described above is required for any change in the terms of Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive director of the Company or their respective associates.

For the avoidance of doubt, the requirements for granting of Options to a director, or chief executive of the Company set out above do not apply where the Eligible Person is only a proposed director or chief executive of the Company.

17. Termination

The Company may at any time by ordinary resolution in general meeting terminate the operation of the Scheme before the end of its life and in such event no further Options will be offered but the provisions of the New Share Option Scheme shall, subject to the paragraph below, remain in all other respects in full force and effect of any Options granted prior thereto but not yet exercised at the time of termination.

Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the New Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be exercisable in accordance with their terms of issue within one month after the termination of the operation of the New Share Option Scheme.

18. Existing Share Option Scheme

Notwithstanding the termination of Existing Share Option Scheme upon the passing of an ordinary resolution by the Shareholders of the Company at the SGM, unless otherwise stated, options which are granted during the life of the Existing Share Option Scheme and remain unexercised immediately prior to the termination of the operation of the Existing Share Option shall remain valid and exercisable in accordance with their terms of issue set out in the Existing Share Option Scheme.

19. Cancellation

Any cancellation of Options granted but not exercised must be approved by the Shareholders in general meeting, with Participants and their Associates abstaining from voting. Any vote taken at such general meeting to approve such cancellation must be taken by poll. Details of the Options granted, including Options exercised or outstanding, under the Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

Notwithstanding the above, new Options may be granted to the Option holder in substitution of his or her cancelled Options subject to the availability of the unissued Options within the Scheme Mandate Limit (excluding the cancelled Options).

20. Conditions of the New Share Option Scheme

The New Share Option Scheme is conditional on:

20.1 the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders of the Company at the SGM; and

20.2 the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Shares which may be issued pursuant to the exercise of the Options to be granted under the New Share Option Scheme.

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

(Incorporated in Bermuda with limited liability)
(Stock code: 632)

NOTICE IS HEREBY GIVEN that a special general meeting of Pearl Oriental Innovation Limited (the "Company") will be held at Suite 1908, 19th Floor, 9 Queen's Road Central, Hong Kong at 4:30 p.m., Wednesday on 15 July 2009 for the purpose of considering and, if though fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** two agreements for sale and purchase dated 27 May 2009 (copies of which have been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) (the "Agreements") entered into between the Company and Mr. Wong Chok Wah and Favour Good Investment Limited, regarding the Acquisitions (as defined in the circular of the Company dated 25 June 2009 ("Circular")) be approved and **THAT** the respective directors of the Company be and are hereby authorised on behalf of the Company respectively (a) to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of the implementation of the Agreements; and (b) to complete the Agreements in accordance with the terms therein."

2. "**THAT**, subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting its approval on the listing of, and permission to deal in, the shares of the Company (the "Shares") which may be issued pursuant to the exercise of the options which may be granted under the new share option scheme (a copy of which has been produced to the meeting and signed by the chairman of this meeting for identification) (the "New Share Option Scheme") and subject to such amendments to the New Share Option Scheme as the Stock Exchange may request,

   (a) the operation of the existing share option scheme (the "Existing Share Option Scheme") adopted by the Company on 21 June 2002 be terminated and that no further options be granted under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme; and

* *For identification purposes only*

(b) the rules of the New Share Option Scheme be and are hereby approved and adopted and that the directors of the Company be and are hereby authorised:

(i) to administer the New Share Option Scheme under which the options will be granted to the eligible persons under the New Share Option Scheme to subscribe for the Shares;

(ii) to modify and/or amend the rules of the New Share Option Scheme from time to time subject to the provisions of such rules;

(iii) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options granted under the New Share Option Scheme;

(iv) to make application at the appropriate time or times to the Stock Exchange for listing of, and permission to deal in, the Shares which may hereafter from time to time issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and

(v) to consent, if it do deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme."

3. "**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the Conversion Shares (as defined below):

(a) a conditional convertible note agreement dated 27 May 2009 (the "CN Agreement") entered into between the Company and Orient Day Developments Limited (the "Subscriber") for the issue of convertible notes in the aggregate principal amount of HK$100,000,000 to the Subscriber convertible up to 250,000,000 Shares (the "Conversion Shares") in total at the conversion price of HK$0.40 per Conversion Share within 2 years from the date of issue of the convertible note (information relating to the CN Agreement is set out in the circular of the Company dated 25 June 2009, and a copy of the CN Agreement has been produced to the meeting marked "B" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed and any directors of the Company (the "Directors") be and are hereby authorized to make such changes or amendments to the CN Agreement and to execute any other documents in relation thereto as such Director, in their absolute discretion deems fit; and

(b) any one of the Directors be and are hereby authorized to do all such further acts and things, take all steps and execute all such further documents which in his opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated in the CN Agreement and any other documents or matters incidental thereto and/or as contemplated therein."

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

Hong Kong, 25 June 2009

Principal place of business:
Suite 1908, 19th Floor
9 Queen's Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. To be valid, the form of proxy, together with the notarially certified power of attorney or other authority (if any) under which it is signed must be lodged at the Company's branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of member of the Company in respect of such share shall alone be entitled to vote in respect of it.

4. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.

5. The votes to be taken at the meeting for the resolutions will be by way of poll.