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

(the "Company")
(Incorporated in Bermuda with limited liability)
(Stock Code: 632)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

CHAIRMAN'S STATEMENT

In 2009, a year full of challenges and opportunities, Pearl Oriental Innovation Limited has unfolded a new chapter.

The turnover of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 (the "Year") was approximately HK$195,530,000, representing an increase of 148% as compared with that of 2008. The loss attributable to the shareholders of the Company was approximately HK$566,840,000. Such significant loss is mainly attributed to a full provision for impairment loss on the coal mining assets owned by China Coal Energy Holdings Limited with a book value of approximately HK$922,318,000, in which the Group held a 55.11% equity interest. The provision attributable to the equity shareholders of the Company was approximately HK$523,224,000. The Group's cash and bank balances as at the end of the reporting period was approximately HK$224,314,000, representing an increase of 13.2 times as compared with that of 2008, which manifested our healthy financial condition.

The Board has adopted a prudent fiscal policy after considering professional advice cautiously. As a result of the judgment made by the People's High Court of Shanxi Province (山西省高級人民法院), it was held that the Department of Land and Resources, Shanxi Province (山西省政府國土資源廳) has acted illegally in administration and the mining permit of a coal mine owned by China Coal's subsidiary has been cancelled, and the Group has decided to make a full provision for an one-off non-cash impairment loss on the related asset.

The Board is pleased that during the annual conferences of the Chinese People's Political Consultative Conference ("CPPCC") and the National People's Congress of the People's Republic of China held in March 2010, a motion was put forward and jointly signed by 28 committee members of CPPCC from Hong Kong requesting the Government of Shanxi Province (山西省政府) to assume responsibility of compensation to the Company in accordance with the laws which has caused serious concerns from the Central Authorities including the Supreme People's Court (最高人民法院). Currently, Management is under negotiation with the related authorities of Shanxi Province to resolve the matters. In addition, since the second half of 2009, the Group has started to negotiate with independent third parties for disposal of the controlling shareholding of China Coal and the negotiation is still ongoing. The Board will take all the lawful, reasonable and effective measures to protect and even enhance the interests of the shareholders as a whole.

The Group has restructured its core business last year. With the acquisition of IB Group's recycled plastic business, which had an annual turnover over HK$500 million, and forming the joint venture, China Environmental Resources Limited, the Group has resolutely cut loss by disposing of logistics business and the bonded warehouse which had been suffering losses for years. After the disposal, the Group has realized a net proceed of approximately HK$54,987,000 and does not have any outstanding bank loans by then.

Dr. Lew Mon Hung, a committee member of CPPCC, a member of the Commission on Strategic Development of HKSAR and a financial expert, joined the Company as the Deputy Chairman and Executive Director in December 2009. The Company also appointed Mr. Yu Jianmeng, who has extensive connections in commercial and political areas in China, as an Independent Non-executive Director. Thereafter, the Company has successfully accomplished two shares placements, raising fund of approximately HK$500 million, and a number of reputable international funds and strategic investors have become our new shareholders. The Company's financial position has been further strengthened. By capitalizing the favourable situation, the Group will invest US$225 million to acquire 100% ownership interest in the Utah Gas and Oil Field which will be satisfied by a relatively small portion of cash and mainly by issuing new shares of the Company. The transaction has been approved by the Committee of Foreign Investment of the United States ("CFIUS"). At the same time, the Company is going to take this opportunity to build up a long-term mutual beneficial partnership with large-scale state-owned enterprises. It is expected upon completion of the transaction, the Utah Gas and Oil Field project will bring long-term and steady income and desirable return on investment to the Group. The Company is on the track moving into a new era of development at full speed.

"Although the road is challenging, we will explore right ways to move forward!" The core business of the Group will concentrate on investment and operation in energy and environmental recycling resources. Together with our management team, I do have full confidence on the development of Pearl Oriental and strongly believe that under the dynamic leadership of the Board, the Company will achieve good results at a firm and vigorous pace.

I would like to take this opportunity to thank all of our shareholders, directors and staff for their full and hearted support.

The board of directors (the "Board") of Pearl Oriental Innovation Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 (the "Year") as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	195,530	78,783
Cost of sales		(175,091)	(51,095)
Gross profit		20,439	27,688
Other income and gains	5	23,968	12,493
Selling and distribution costs		(5,345)	(17,609)
Administrative expenses		(78,242)	(43,171)
Finance costs	7	(5,597)	(6,494)
Impairment loss on available-for-sales investments		(922,318)	—
Share of profits and losses of associates		(548)	(12,752)
LOSS BEFORE TAX	6	(967,643)	(39,845)
Income tax expense	8	(319)	(1,420)
LOSS FOR THE YEAR		(967,962)	(41,265)
Attributable to:			
Owner of the Company		(566,840)	(38,310)
Minority interests		(401,122)	(2,955)
		(967,962)	(41,265)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic		(87.6) cents	(8.5) cents
Diluted		(87.6) cents	(8.5) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009 *HK$'000*	2008 *HK$'000*
LOSS FOR THE YEAR	(967,962)	(41,265)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	1,949	5,742
Income tax effect	—	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	1,949	5,742
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(966,013)	(35,523)
Attributable to:		
Owners of the Company	(564,911)	(33,778)
Minority interests	(401,102)	(1,745)
	(966,013)	(35,523)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		64,465	165,331
Prepaid land lease payments		—	18,868
Deposit paid		761	—
Goodwill		121,945	16,921
Interests in an associate	12	—	420,903
Available-for-sales investments	14	—	—
Total non-current assets		187,171	622,023
CURRENT ASSETS			
Inventories		8,707	9,083
Trade receivables	13	6,199	10,250
Prepayments, deposits and other receivables		47,521	11,195
Available-for-sales investments	14	—	—
Due from an associate		—	5,593
Cash and cash equivalents		224,314	15,787
Total current assets		286,741	51,908
CURRENT LIABILITIES			
Trade payables	15	5,700	8,767
Other payables and accruals		51,696	19,886
Interest-bearing bank borrowings, secured		—	8,382
Due to minority shareholders of subsidiaries		—	5,167
Tax payable		319	16,451
Loan from immediate parent and ultimate controlling party		4,910	—
Total current liabilities		62,625	58,653
NET CURRENT ASSETS/(LIABILITIES)		224,116	(6,745)
TOTAL ASSETS LESS CURRENT LIABILITIES		411,287	615,278
NON-CURRENT LIABILITIES			
Due to minority shareholders of subsidiaries		—	16,337
Interest bearing bank borrowings, secured		—	51,998
Loan from immediate parent and ultimate controlling party		66,300	25,000
Total non-current liabilities		66,300	93,335
Net assets		344,987	521,943

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital		115,922	46,474
Reserves		212,906	466,822
		328,828	513,296
Minority interests		16,159	8,647
Total equity		344,987	521,943

NOTES :

1. **BASIS OF PREPARATION**

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

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

The Group has incurred a significant loss of approximately HK$967,962,000 for the year ended 31 December 2009. Excluding the effect of impairment losses on available-for-sales financial assets incurred for the year of approximately HK$922,318,000, the operating loss for the year is approximately HK$45,644,000. Despite of the above, these financial statements have been prepared on the basis that the Group will continue to operate as a going concern because the Group has net current assets and net assets of approximately HK$224,116,000 and HK$ 344,987,000, respectively, as at 31 December 2009. Moreover, subsequent to the end of the reporting period, the Company has entered into arrangements to increase its issued share capital with an aggregate gross proceeds of approximately HK$66.3 million already received and HK$319 million to be received on the completion by the Company.

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 2009. 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. Contingent consideration is recognised if the adjustment is probable and can be measured reliably. Subsequent measurement of the contingent consideration affects goodwill.

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 parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2. CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 Revenue — Determining whether an entity is acting as a principal or as an agent
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation

HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement — Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)*	Amendments to a number of HKFRSs except for Amendment to HKFRS 5

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(b) HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions [2]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [6]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues [3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement [5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary [1]
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

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

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate assets as these liabilities are managed on a group basis.

Year ended 31 December 2009

	Provision of logistics andrelated services segment *HK$'000*	Plastic recycling segment *HK$'000*	Total *HK$'000*
Segment revenue:			
Service income	28,266	—	28,266
Gross rental income	3,826	—	3,826
Sales of plastic recycling materials	—	163,438	163,438
	32,092	163,438	195,530
Segment results	(8,822)	(16,686)	(25,508)
Other income and gains			23,968
Unallocated expenses			(959,958)
Loss from operations			(961,498)
Finance costs			(5,597)
Share of losses of an associate			(548)
Loss before tax			(967,643)
Income tax expense			(319)
Loss for the year			(967,962)
Segment assets	8,450	241,710	250,160
Unallocated assets			223,752
Total assets			473,912
Segment liabilities	8,082	17,541	25,623
Unallocated liabilities			103,302
Total liabilities			128,925
Capital expenditure	415	4,236	4,651
Unallocated capital expenditure			22
			4,673
Depreciation and amortisation	4,245	4,653	8,898
Unallocated depreciation and amortisation			262
			9,160
Impairment loss on available-for-sales investments			922,318
Write-off of other receivables	—	—	955

Year ended 31 December 2008

	Provision of logistics and related services segment *HK$'000*	Plastic recycling segment *HK$'000*	Total *HK$'000*
Segment revenue:			
Service income	66,928	—	66,928
Gross rental income	11,855	—	11,855
Sales of plastic recycling materials	—	—	—
	78,783	—	78,783
Segment results	(9,398)	(968)	(10,366)
Other income and gains			12,493
Unallocated expenses			(22,726)
Loss from operations			(20,599)
Finance costs			(6,494)
Share of losses of associates			(12,752)
Loss before tax			(39,845)
Income tax expense			(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	65,520	67,532
Unallocated capital expenditure			520
			68,052
Depreciation and amortisation	5,296	143	5,439
Unallocated depreciation and amortisation			698
			6,137
Impairment loss on trade receivables	—	1,838	1,838
Write-off of other receivables	1,178	28	1,206

* Capital expenditure consists of additions to property, plant and equipment including assets from acquisition of subsidiaries.

Geographical information

(a) *Revenue from external customers*

The revenue information is based on the location of the customers.

Year ended 31 December 2009

	Hong Kong	**The PRC**	**France**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Service income	—	28,266	—	28,266
Gross rental income	—	3,826	—	3,826
Sales of plastic recycling materials	162,045	—	1,393	163,438
	162,045	32,092	1,393	195,530

Year ended 31 December 2008

	Hong Kong	**The PRC**	**France**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Service income	—	66,928	—	66,928
Gross rental income	—	11,855	—	11,855
Sales of plastic recycling materials	—	—	—	—
	—	78,783	—	78,783

Geographical information

(a) *Non current assets*

Year ended 31 December 2009

	Hong Kong	**The PRC**	**France**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	73,352	—	113,819	187,171

Year ended 31 December 2008

	Hong Kong	**The PRC**	**France**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	432,177	120,028	69,818	622,023

Information about a major customer

Revenue of approximately HK$20,442,000 (2008: HK$ 21,996,000) was derived from sales to a single customer during the year ended 31 December 2009.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents service income from logistics and other services rendered, gross rental income and sales of plastic recycling materials during the Year.

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

	2009 *HK$'000*	**2008** *HK$'000*
Revenue		
Services income	28,266	66,928
Gross rental income	3,826	11,855
Sales of plastic recycling materials	163,438	—
Total revenue	195,530	78,783
Other income and gains		
Bank interest income	12	171
Gain on disposal of subsidiaries	20,270	—
Exchange gains, net	3,012	1,763
Written off of the other payables	—	545
Shortfall in profit of an associate guaranteed by an ex-joint venture partner	—	9,800
Others	674	214
Total other income and gains	23,968	12,493
Total revenue, other income and gains	219,498	91,276

6. LOSS BEFORE TAX

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

	2009 *HK$'000*	2008 *HK$'000*
Cost of services provided and goods sold*	175,091	51,095
Amortisation of prepaid land lease payments	459	473
Depreciation of property, plant and equipment*	9,160	5,664
Write-off of property, plant and equipment	5	7,716
Minimum lease payments under operating leases:		
Land and buildings	4,298	4,606
Auditors' remuneration:		
Annual audit:		
Current year	850	750
Under-provision for the previous years	—	140
Other assurance services	420	—
	1,270	890
Impairment loss on trade receivables	—	1,838
Write-off of other receivables	955	1,206
Impairment loss on available-for-sales investments	922,318	—
Staff costs (including directors' remuneration):		
Wages and salaries	28,689	24,132
Equity-settled share option expenses	6,727	—
Pension scheme contributions	168	179
	35,584	24,311
Exchange gains, net	(3,012)	(1,763)
Bank interest income	(12)	(171)

* The cost of services provided and goods sold included depreciation of property, plant and equipment of approximately HK$2,480,000 (2008: HK$2,552,000).

7. FINANCE COSTS

	2009 *HK$'000*	2008 *HK$'000*
Interests on bank advances and other borrowings wholly repayable within five years	3,570	5,359
Bank overdraft interest	4	3
Interest on the other loans	1,738	882
Others	285	250
	5,597	6,494

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2009	**2008**
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax	319	—
PRC corporate income tax	—	1
	319	1
Deferred tax:		
Overprovision for deferred tax assets in prior years	—	1,419
Tax charge for the year	319	1,420

9. DIVIDENDS

The Directors did not recommend a final dividend for the year ended 31 December 2009 (2008: Nil).

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$546,417,000 (2008: HK$10,624,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2008 and 2009 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic loss per share are based on:

	2009 *HK$'000*	2008 *HK$'000*
Earnings		
Loss attributable to equity holders of the Company used in the basic loss per share calculation	566,840	38,310

	Number of shares (thousand) 2009	 2008
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation:		
Issued ordinary shares at 1 January	447,182	383,059
Effect of shares issued during the year	199,763	64,123
	646,945	447,182

12. INTEREST IN AN ASSOCIATE

	2009 *HK$'000*	2008 *HK$'000*
Share of net assets	—	365,012
Goodwill arising from acquisition	—	55,891
	—	420,903
Due from associates	—	5,593
	—	426,496

The amount due from associate was unsecured, interest-free and had no fixed terms of repayment.

Particulars of the Group's interests in China Coal 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")	Hong Kong	HK$100,000,000	55.11% (2008: 39.93%)	Coal gasification and coal mining

During the year, the Company further acquired from independent third parties an aggregate of 15.18% equity interests in China Coal through the acquisition of the 100% equity interests in Get Wealthy Investments Limited ("Get Wealthy") (which holds 15% equity interests in China Coal) and the remaining 0.18% equity interests in China Coal. Upon the completion of which on 15 July 2009, China Coal became an indirect non-wholly-owned subsidiary of the Company. These interests in associates have therefore formed part of the consideration of the acquisition of Get Wealthy/China Coal.

	HK$'000
Balance of interests in an associate at 1 January 2009	420,903
Shares of losses of China Coal during the period from 1 January 2009 to 14 July 2009	(548)
	420,355
Transfer to form part of the consideration of the acquisition of Get Wealthy	(420,355)
Balance of interests in an associate at 31 December 2009	—

The following table illustrated the summarised financial information of China Coal extracted from their financial statements for the year ended 31 December 2008:

	2008 *HK$'000*
Revenue	—
Loss for the year	(9,101)
Available-for-sale investment	944,312
Other assets	9
Total assets	944,321
Total liabilities	(31,907)
Net assets	912,414

13. TRADE RECEIVABLES

	2009 *HK$'000*	**2008** *HK$'000*
Trade receivables	9,142	13,130
Less: Impairments	(2,943)	(2,880)
	6,199	10,250

At 31 December 2008, included in the trade receivables were receivables of a then subsidiary of the Group in the amount of approximately RMB372,000 (equivalents to approximately HK$420,000) pledged to a bank as securities for the bank loan granted to the then subsidiary of the Group, which was disposed of during the year.

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

An aged analysis of the trade receivables as at the end of reporting period, based on the invoice date, is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Less than 3 months	5,995	9,063
3 months to 6 months	96	194
6 months to 12 months	108	993
	6,199	10,250

14. AVAILABLE-FOR-SALES INVESTMENTS

The available-for-sales investments grouped in current assets are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Equity securities, at cost:		
Balance at 1 January	12,412	12,412
Written off during the year	(12,412)	—
Balance at 31 December	—	12,412
Impairments:		
Balance at 1 January	12,412	12,412
Written off during the year	(12,412)	—
Balance at 31 December	—	12,412
Net carrying value	—	—

The above investment represents certain equity securities of China Technology Global Corporation 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. The above investment was written-off during the year as the directors were of the opinion that it is unlikely for any recovery of the investment.

The available-for-sales investments grouped in non-current assets are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Unlisted equity investment at cost	922,318	—
Impairment	(922,318)	—
Net carrying value	—	—

The non-current available-for-sales investment represented the 100% equity interests in Taiyuan Sanxing Coal Gasification (Group) Co., Limited (太原市三興煤炭氣化有限公司) ("Taiyuan Sanxing") held by China Coal.

As at 31 December 2008, the Group had 39.93% equity interest in China Coal and classified as "Interests in an associate" (note 12) and shared its results during that year. On 15 July 2009, the Group has further acquired from independent third parties an aggregate of 15.18% equity interest in China Coal through the acquisition of the entire equity interests in Get Wealthy Investments Limited (which holds 15% equity interests in China Coal) and the remaining equity interests in China Coal at an aggregate consideration of HK$58,000,000. Upon the completion, the Group's equity interest in China Coal increased from 39.93% to 55.11% and the Group obtained control over the financial and operating policies of China Coal. China Coal became an indirect non-wholly-owned subsidiary of the Company which has an effective equity interest of 55.11%. China Coal's results have been equity picked-up until July 2009 and fully consolidated into the Group's consolidated financial statements since then.

The principal activity of China Coal is investment holding and the principal asset of China Coal is a 100% equity interest in Taiyuan Sanxing. Taiyuan Sanxing was established in the PRC with limited liability and the Taiyuan Sanxing Group is principally engaged in the coal gasification and coal mining. The principal assets of Taiyuan Sanxing and its subsidiary Shanxi Sanxing Coal and Coke Limited (山西三興煤焦有限公司) ("Shanxi Sanxing") (collectively, the "Taiyuan Sanxing Group") are certain coal mines.

Pursuant to a conditional agreement dated 15 July 2006 between the Company and Mr. Zhang Jingyuan (formerly known as "Zhang Genyu") ("Mr. Zhang") (張景淵), Mr. Zhang has guaranteed the Company that the audited net profit of China Coal determined in accordance with HKFRSs for the three financial years ended 31 December 2009 should in aggregate be not less than HK$600,000,000. Should the aggregate audited net profit of China Coal fall below HK$600,000,000, Mr. Zhang will pay the shortfall to the Company on a dollar-to-dollar basis after the issuance of China Coal's audit reports for the three financial years ended 31 December 2009. Mr. Zhang had pledged all his 44.89% equity interests in China Coal (the "Share Pledge") as collateral for his performance under the Profit Guarantee in a the deed of charge dated 25 October 2006 (the "Deed of Charge").

As announced by the Company on 12 August 2008, on 7 August 2008, Mr. Zhang issued and served a writ (the "Writ") in the High Court of Hong Kong against, inter alia, the Company, Get Wealthy Investment Limited ("Get Wealthy"), Champion Merry Investment Limited ("Champion", a subsidiary of the Company) and Mr. Wong Kwan, Chairman, Chief executive, executive director and also a major shareholder of the Company, in which Mr. 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 Mr. Zhang also applied for an order that the Joint Venture Agreement and the Deed of Charge be rescinded.

After considering the opinion from the Company's legal advisors, the directors are of the opinion that the Company is of the view that all the claims in the Writ are of no substance and groundless, and the directors will strongly defend and has confidence to defeat such claims and the Company has issued counter claim 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.

The Group and the other defendants have made applications for striking out of Mr. Zhang's claims against the Group and the other defendants and also a summary judgment for counterclaims against Zhang for dividend from China Coal of HK$80,000,000 and other damages. The applications have been dismissed by the Court with costs, and the parties to the legal action would proceed to trial on dates to be fixed. After consultation with the Company's legal advisors, the directors are confident that the Group's rights and interests can be fully protected during the coming trial.

In addition to the above:

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

   1. an agreement (the "December 2006 Agreement") entered into among Zhang Xinyu, Mr. Zhang and Taiyuan Sanxing on 28 December 2006 in relation to the capital injection and transfer of equity interests in Shanxi Sanxing from Mr. Zhang and Zhang Xinyu to Taiyuan Sanxing will be cancelled; and

   2. after the Judgment becomes effective, Shanxi Sanxing has to be restored to the original situation before the December 2006 Agreement, and all shares in Shanxi Sanxing have to be transferred back to Zhang Xinyu and Mr. Zhang.

   Zhang Xinyu is the younger brother of Mr. Zhang and the chairman of board, a director and also the legal representative of Taiyuan Sanxing. Unknown to the Company, Zhang Xinyu has instituted legal proceedings (the "Legal Proceedings") against Taiyuan Sanxing in the Taiyuan Intermediate People's Court, and the Legal Proceedings have been wilfully concealed to the Company and China Coal. China Coal has made an application for an appeal to the judgement.

ii) Subsequent to the acquisition of the additional 15.18% equity interest in China Coal, it came to the attention of the Company's directors that there is a dispute over the title of the mining permit of a coal mine located at 山西省臨縣林家坪鎮白家峁村 (the "Coal Mine") owned by Shanxi Sanxing. In particular, (山西省臨縣林家坪鎮白家峁村民委員會) (the "Village") has sued the Department of Land and Resources, Shanxi Province (山西省國土資源廳) in the People's Intermediate Court of Taiyuan (太原市中級人民法院) and claimed that the Department of Land and Resources, Shanxi Province (山西省國土資源廳) has wrongfully transferred the title of the Coal Mine from the Village to other party and to obtain an administrative judgment of revoking such change. The Company understands that the Department of Land and Resources, Shanxi Province (山西省國土資源廳) has filed its appeal against the judgment but the appeal has been dismissed by the People's High Court of Shanxi Province (山西省高級人民法院) in October 2009. As a result of the judgment, the transfer of the title of the Coal Mine to Shanxi Sanxing in April 2002 has been confirmed as an illegal administrative action, and the mining permit of Shanxi Sanxing issued by the Department of Land and Resources, Shanxi Province (山西省國土資源廳) in December 2006 has been cancelled.

iii) According to the legal advice of the Company's PRC lawyers, the Company and China Coal, as the controlling stakeholder of Taiyuan Sanxing and the Coal Mine, have paid genuine consideration as bona fide purchasers and the investments have been approved by the Department of Commerce, Shanxi Province (山西省商務廳), the Department of Land and Resources, Shanxi Province (山西省國土資源廳) and the Department of Industrial and Commercial Administration, Shanxi Province (山西省工商行政管理局), therefore the investments should be protected by the PRC laws. They have relied on the legality of Shanxi Sanxing as the registered owner of the title of the Coal Mine according to the records in the Department of Land and Resources, Shanxi Province (山西省國土資源廳), the Department of Commerce Shanxi Province (山西省商務廳) and the Department of Industrial and Commercial Administration, Shanxi Province (山西省工商行政管理局). The Company has already taken immediate steps and measures including but not limited to the reporting to the People's Government of Shanxi Province (山西省人民政府), the People's High Court of Shanxi Province (山西省高級人民法院), the Department of Commerce, Shanxi Province (山西省商務廳) and the Department of Land and Resources, Shanxi Province (山西省國土資源廳) to request suspension of execution of the administrative judgment made by the People's High Court of Shanxi Province (山西省高級人民法院) and also requesting the case be fairly handled in accordance with the laws and facts in order to protect its rights and interests in the Coal Mine. The Company also indicates that it will reserve its rights of taking necessary legal actions against the relevant government authorities of Shanxi Province for compensations should the Company incur any damages suffered from loss of the title of the Coal Mine as a result of the issue being not resolved reasonably and lawfully by the government of Shanxi Province.

iv) Since Zhang Xinyu, Mr. Zhang, Gao Shanhe, Zhang Zhenwu and Wang Jifeng (the directors of Taiyuan Sanxing) have refused to execute the resolutions of China Coal, the sole shareholder of Taiyuan Sanxing, refused to account for profits of Taiyuan Sanxing, obviously failed to perform their fiduciary duties as directors of Taiyuan Sanxing and also caused damages to lawful rights and interests of China Coal as a foreign investor, China Coal has therefore issued a writ against them in the People's High Court of Shanxi Province (山西省高級人民法院) to claim for damages against breaches of their fiduciary duties and their conducts amounted to wilful embezzling of assets of Taiyuan Sanxing which are clearly contrary to the laws of the PRC.

Because of the above legal claims between the Company and Mr. Zhang, China Coal had not been provided with the operating and financing information of Taiyuan Sanxing since 1 January 2008 and China Coal was 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 had 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 had become aware of the loss of control over Taiyuan Sanxing, the board of directors of China Coal had 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 ended 31 December 2008.

The Group, through China Coal, has taken the necessary legal actions to protect China Coal's investment in Taiyuan Sanxing. However, based on the legal advice, the directors of the Company may not be able to obtain favourable judgment in the litigations.

In view of the above litigations and the inability of China Coal to deal with its interests in Taiyuan Sanxing as well as the significant deterioration of the Taiyuan Sanxing Group's operations and assets, particularly as evidenced by the cancellation of the title of the Coal Mine, a full provision of impairment loss of approxiamtly HK$922,318,000 on the available-for-sales-investment in Taiyuan Sanxing was made by the Group during the year ended 31 December 2009, in which an amount of approximately HK399,094,000 was attributable to its minority interests.

15. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Current — 3 months	3,622	4,136
3 months — 6 months	—	548
6 — 12 months	—	3,270
Over 1 year	2,078	813
	5,700	8,767

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

Scope of work of auditors

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited) ("Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2009. The work performed by Cachet in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Cachet on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2009 (the "Year"), the Company and its subsidiaries (the "Group") recorded a consolidated turnover of HK$195,530,000 (2008: HK$78,783,000), implying an increase of approximately 148%. The share of loss of associates for the Year was HK$548,000 (2008: HK$12,752,000). Basic loss per share was 87.6 HK cents for the Year as compared to the basic loss per share of 8.5 HK cents for the year ended 31 December 2008.

BUSINESS REVIEW

The substantial increase in the turnover was due to the formation of the joint venture company, China Environmental Resources Limited ("China Environmental"), which is 60% owned by the Group and its sales of plastic recycling materials accounted for over 80% of the Group's turnover during the Year, although the logistics business has decreased due to the Board's decision to disposing of the loss making business, Guangzhou Pearl Oriental Logistics Limited and the bonded warehouse in Shenzhen during the year 2009.

The global economic downturn has impacted the entire export and logistics industries substantially, and in turn, our business. The gross profit margin has decreased from approximately 35% in 2008 to 10.5% during the Year as the margin of trading of recycling material is generally lower than that of logistics service income.

PROSPECTS

Logistics

As previously announced by the Company, during the Year, the Group has disposed of a bonded warehouse property in Futian, Shenzhen, PRC (the "Warehouse") and the Group will concentrate on its core business in the energy and environmental recycling plastic resources sectors.

Following the completion of the disposal of the Warehouse, the logistics operations of the Group has substantially scaled down accordingly. As a result and as announced before, the Group will focus its effort on energy, natural resources and environmental plastic recycling businesses by utilizing the proceeds from the recent placing of Shares and the disposal of the Warehouse.

Coal Investment

In July 2009, the Company has completed the acquisition of additional 15.18% equity interest of China Coal Energy Holdings Limited ("China Coal"). Accordingly, the Group holds an aggregate 55.11% controlling shareholding of China Coal and it renders the Group at a better position.

Plastic Recycling Industry

The Company is optimistic on the potential development of the environmental plastic recycling business. In August 2009, the Company announced to invest at a total of HK$100 million to acquire IB Group's recycled plastic business with its 2008 annual turnover exceeding HK$500 million and 20% minority interests of Euro Resources China Limited ("Euro Resources"). The Group currently owns 60% equity interest of the restructured China Environmental. The Board anticipates that the plastic recycling business will make a significant contribution to the leap development of the Group in 2010.

After the completion of the acquisition and restructuring, China Environmental owns the entire equity interest of IB Environmental Plastic and Euro Resources.

The Board is pleased to point out that Mr. Cheung Mo Kit has founded the IB Group to operate the environmental plastic business for over 30 years, and has a large number of stable customers in China and has a good reputation in the market, and also has extensive supplier networks in Japan. The Company's plastic recycling business will have a greater development potential after the joining of Mr. Cheung Mo Kit and the management team led by him given their solid experience.

OUTLOOK

Utah Gas and Oil Field Project

Subsequent to the end of the reporting period, the Group has announced an acquisition of the Utah Gas and Oil Field project (the "Acquisition") for a consideration of up to US$225 million in January 2010.

Countries around the world are striving for reducing emissions and solving the problems of global warming. A number of international energy enterprises are increasing their investments actively in the green energy sector. Therefore, the exploring, mergers and acquisitions of natural gas has become a crowded situation. Experts forecasted the future demand for natural gas will increase and the market price will definitely rise steadily which is favourable for increasing the operating profit.

The Board believes that the Acquisition is a good opportunity for the Group to achieve good investment returns in the energy sector. Especially, as a result of the global financial tsunami, it is difficult for small non-listed gas and oil enterprises in United States to raise financing for their operations. In such situation, good opportunity for the Acquisition has therefore arisen.

Together with internal resources of the Company and upon the completion of the recent issues of new shares raised about HK$319 million in April 2010, the Company will have adequate funding to finance the consideration and the development costs for the Acquisition. In addition, as CFIUS has already granted approval for the Company's acquisition of ownership interest in the Utah Gas and Oil Field, the Company will complete the Acquisition soon after obtaining independent shareholders' approval at a special general meeting of the Company to be held since most of the Conditions Precedent have been fulfilled.

The Board is pleased to be advised that, the rework of seven (7) existing wells of Utah Gas and Oil Field project has been started, and that of other seven (7) new wells are under planning. We expect that there will be the first gas production in sales within 3 months. The Board believes that the Utah Gas and Oil Field project will bring long-term, steady and desirable return on investment to the Group.

As the Group has effectively managed through the turbulent economic times and emerges as a more healthy company which is positioned to take advantage of growth in the energy and recycling sectors in the near future.

As disclosed before, Management has been making its best endeavour to protect and maximize the Group's interest in China Coal Group, including without limitation, by taking appropriate legal and other actions, and considering to dispose of its interest in China Coal Group if such terms of disposal are to the best interests of the Group and its shareholders as a whole.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of news shares and convertible notes and internally generated resources. As at 31 December 2009, the Group has a net cash position while the Group's gearing ratio (calculated on the basis of the Group's bank borrowings over total assets) was 19% as at 31 December 2008. At the end of the reporting period, the Group did not have any outstanding bank borrowings (2008: HK$60,000,000), which was secured by certain properties of the Group located in the PRC and the trade receivables of a subsidiary. The Group has received proceeds of approximately HK$53 million from the disposal of the Warehouse, and the Group does not have any outstanding bank loan upon the completion. Furthermore, the Group's cash and bank balances as at 31 December 2009 have substantially increased to approximately HK$224 million from HK$15.8 million as at 31 December 2008 due to the placing of about 180 million new shares in December 2009. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 4.7 as at 31 December 2009 (2008: 0.89).

During the year, the Group's bank loan facilities were 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 2009, the banking facilities have been terminated following the disposal of the related subsidiaries.

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.

LITIGATIONS

Apart from the litigations detailed in note 14 to this announcement, the Group had the following significant outstanding litigations at the end of the reporting period:

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 (the "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 has filed an appeal against the Judgment and the appeal was allowed by the Court of Appeal and the Judgment was set aside on 13 April 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the number of employees of the Group was about 80 (2008: 950). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

FINANCIAL POSITIONS OF THE GROUP

As at 31 December 2009, the Group does not have any outstanding bank loans (31 December 2008: HK$60,000,000).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

During the year, the Group has increased its interests in China Coal, Euro Resources, China Environmental.

CONTINGENT LIABILITIES

As at 31 December 2008, corporate guarantees were given to the banks by the Company for the banking facilities granted to the subsidiary of the Company, which were utilised to the extent of approximately HK$60,000,000. The relevant corporate guarantees were released upon the disposal of subsidiaries during the year ended 31 December 2009.

Details of the Group's litigation and the related contingent liabilities (if any) are set out in the section headed "Litigations" in this announcement.

CAPITAL COMMITMENTS

As at 31 December 2009, the Group had contracted but not provided for capital commitments for the proposed acquisition of a subsidiary and leasehold improvements of approximately HK$8,384,000.

ASSETS PLEDGED

As at 31 December 2009, no asset (31 December 2008: carrying value of approximately HK$106,237,000) was pledged with banks as security for loan facilities granted to the Group.

SHARE OPTION SCHEME

The Company has a share option scheme ("the Old 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 Old 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.

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.

An ordinary resolution of the Company was passed on 15 July 2009 in respect of terminating the Old Scheme (such that no further options could be granted under the Old Scheme but in all other respects the provisions of the Old 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 Old Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old 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 became effect on 15 July 2009.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'SISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "Board") is committed to achieving high standard of corporate governance. In the opinion of the Board, the Company has complied throughout the year ended 31 December 2009 (the "Year") with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the following:

(a) The Chairman and the Managing Director are not subject to retirement by rotation pursuant to Bye-laws of the Company.

(b) Pursuant to Bye-law 87(1) of the Company, at each annual general meeting one-third of the Directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that, the Chairman of the Board and/or the Managing Director of the Company shall not whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Year.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

AUDIT COMMITTEE

As at 31 December 2009, the Audit Committee currently comprises the three independent nonexecutive directors, namely Mr. Lam Ka Wai, Graham (Chairman of the Audit Committee), Mr. Yu Jianmeng and Mr. Fung Hing Chiu, Cyril. The Audit Committee held two meetings during the Year. The Audit Committee is provided with sufficient resources to discharge its duties. The terms of reference of the Audit Committee follow the guidelines set out in the CG Code. The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2009.

CHANGE OF AUDITORS' NAME

The Company's auditors has recently changed its name from Cachet Certified Public Accountants Limited to Ascenda Cachet CPA Limited ("Cachet").

Cachet has confirmed that there was no circumstances connected with the change of name that they considered should be brought to the attention of the shareholders of the Company. The Board also confirms that there is no circumstances in respect of the change of the auditors' name which should be brought to the attention of the shareholders of the Company.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises six executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Dr. Lew Mon Hung, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang, Mr. Zheng Yingsheng and Mr. Johnny Yuen; and three independent non-executive Directors, namely Mr. Yu Jianmeng, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham.

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

Hong Kong, 28 April 2010

* *For identification purposes only*