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)

(1) VERY SUBSTANTIAL ACQUISITION — TRANSFER OF PLASTIC RECYCLING BUSINESS
(2) FORMATION OF A JOINT VENTURE COMPANY CHINA ENVIRONMENTAL RESOURCES LIMITED AND
(3) A CONNECTED AND DISCLOSEABLE TRANSACTION

Independent financial adviser to the Independent Board Committee and Independent Shareholders

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL 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 is set out on page 16 of this circular. A letter from Bridge Partners containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition is set out on pages 17 to 32 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 p.m. on Friday, 16 October 2009 is set out on pages 216 to 217 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 purposes only*

25 September 2009

CONTENTS

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"Acquisition"	the proposed acquisition by the Company from Mr. Tan of 100% of equity interest in Poly Keen
"Agreements"	The Merger Agreement and S&P Agreement
"S&P Agreement"	An agreement for the sale and purchase dated 30 July 2009 between the Company and Mr. Tan in respect of the acquisition of 100% equity interest of Poly Keen
"Board"	board of Directors
"Business"	All the existing business of IBG including without limitation its customer base, suppliers and management team in waste plastic industry to be transferred to IBE, a subsidiary of the Joint Venture Company pursuant to the Merger Agreement
"Business Day"	Any day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"Bridge Partners"	Bridge Partners Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Cachet"	Cachet Certified Public Accountants Limited
"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
"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.
"Director(s)"	Director(s) of the Company

"ER Consideration Shares"	100,000,000 new Shares to be issued by the Company to the Vendor as consideration pursuant to the S&P Agreement
"ERI"	Exploitation Ressources Internationales, S.A., a company incorporated in France with limited liability and which is wholly owned by Euro Resources
"Euro Resources"	Euro Resources China Limited, a company incorporated in Hong Kong with limited liability
"Get Wealthy"	Get Wealthy Investments Limited, a wholly owned subsidiary acquired by the Company as disclosed in the Company's circular dated 25 June 2009
"Group"	The Company and its subsidiaries
"HK Dollar(s)" "HK$"	the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IBG"	IB Group Trading Limited, a company incorporated in Hong Kong with limited liability
"Independent Board Committee"	An independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Yu Jian Meng, Mr. Dong Zhixiong, Mr. Fung Hing Chiu, Cyril and Mr. Lam Ka Wai, Graham, who did not have material interests in the Acquisition
"Independent Shareholders"	Shareholders (Other than Mr. Tan and his respective concert parties and associates and those Shareholders who are involved in, or interested in the Acquisition) who are not required to abstain from voting on the resolutions to be proposed at the SGM to approve the Acquisition under the Listing Rules
"Joint Venture Company" or "China Environmental"	China Environmental Resources Limited, a company to be formed pursuant to the Merger Agreement
"JV Consideration Shares"	100,000,000 new Shares to be issued by the Company to the JV Partner as consideration pursuant to the Merger Agreement
"JV Partner" or "Mr. Cheung"	Mr. Cheung Mo Kit
"Latest Practicable Date"	23 September 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
"Merger Agreement"	An agreement dated 30 July 2009 entered into between the Company and the JV Partner in relation to the formation of the Joint Venture Company
"SGM"	A special general meeting of the Company to be convened to consider and approve the Acquisition and the Merger Agreement
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	Ordinary share(s) of HK$0.10 in the share capital of the Company
"Subscriber" or "Orient Day"	Orient Day Developments Limited
"subsidiary"	Has the meaning ascribed to it under the Listing Rules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tony Ng"	Tony Kwok Tung Ng & Co. Certified Public Accountants
"Vendor" or "Mr. Tan"	Mr. Tan Kian Chung
"%"	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:
Yu Jian Meng
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 September 2009

To the Shareholders

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION — TRANSFER OF PLASTIC RECYCLING BUSINESS
(2) FORMATION OF A JOINT VENTURE COMPANY CHINA ENVIRONMENTAL RESOURCES LIMITED AND
(3) A CONNECTED AND DISCLOSEABLE TRANSACTION

INTRODUCTION

The Board has announced that the Company entered into the Merger Agreement with the JV Partner on 30 July 2009, after the trading hours, pursuant to which the Joint Venture Company will be established for the development of the business of waste plastic recycling.

The Company will contribute HK$30 million as registered capital of the Joint Venture Company; whereas the JV Partner will contribute HK$20 million as registered capital of the Joint Venture Company. The total registered capital of the Joint Venture Company therefore will be HK$50 million and the Joint Venture Company will become a 60% owned subsidiary of the Company upon

* *For identification purposes only*

Completion. In addition, pursuant to the Merger Agreement, the Company will issue 100,000,000 new Shares to the JV Partner as the JV Consideration Shares will be issued and allotted under a special mandate, the issue of which is subject to the Shareholders' approval at the SGM. The Group will inject 100% equity interest in Euro Resources to the Joint Venture Company pursuant to the Merger Agreement. For this purpose, the Company has entered into the S&P Agreement to increase its stake in Euro Resources to 100%.

The formation of the Joint Venture Company and the intended transfer of the Business to IBE pursuant to the Merger Agreement constitutes a very substantial acquisition of the Company under the Listing Rules, and therefore is subject to the shareholders' approval at the SGM.

The Board is also pleased to announce that, on 30 July 2009, the Group entered into the S&P Agreement to acquire the entire issued share capital of Poly Keen Limited ("Poly Keen") (the "Acquisition") for an aggregate consideration of HK$50,000,000 which shall be satisfied by the issue of 100,000,000 new shares at a price of HK$0.50 per share. Poly Keen currently owns 20% of the issued share capital of Euro Resources. The Group will own 100% of Euro Resources after the completion of the S&P Agreement.

The Acquisition contemplated under the S&P Agreement constitutes a connected and discloseable transaction of the Company under Rule 14.06 of the Listing Rules. The completion of the S&P Agreement is, among other things, subject to a special mandate for the issue of the ER Consideration Shares proposed to be sought from the Independent Shareholders at the SGM and the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the ER Consideration Shares.

An Independent Board Committee (comprising independent non-executive Directors only) has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the S&P Agreement and the transactions contemplated thereunder, and as to whether the Acquisition is in the interests of the Company and the Shareholders as a whole and will advise the Shareholders on how to vote. An independent financial adviser has been appointed to advise the Independent Board Committee in this regard.

SUMMARY OF THE AGREEMENTS

THE MERGER AGREEMENT

Date:	30 July 2009
Parties:	The Company Mr. Cheung Mo Kit (the "JV Partner"), the beneficial owner of 100% capital of IB Group Trading Limited ("IBG"). To the best of Director's knowledge, information and belief, and having made all reasonable enquiries, the JV Partner is a third party independent of the Company and its connected persons (as defined under the Listing Rules) of the Company.

Principal terms:

The Joint Venture Company	CHINA ENVIRONMENTAL RESOURCES LIMITED (中國環保資源有限公司), a new company to be established in Hong Kong. Upon completion, the Joint Venture Company will be jointly owned by the Company and the JV Partner in the manner as detailed below.
Registered capital and capital contribution :	The registered capital of the Joint Venture Company will be HK$50 million comprising 50 million shares of HK$1 per share of the total amount of registered capital, HK$30 million will be contributed by the Company while the remaining HK$20 million will be contributed by the JV Partner. Accordingly, the Joint Venture Company will be owned as to 60% by the Group and 40% by the JV Partner upon completion. The Joint Venture Company will become a 60% owned subsidiary of the Company and its financial results will be consolidated into the Group's financial accounts. A new operating company, IB Environmental Plastic Limited (百利環保塑料有限公司) ("IBE") will be set up as the wholly owned subsidiary of the Joint Venture Company to operate all the Business in the plastic recycling industry in Europe, Japan, the PRC and other countries. The Company's total capital commitment in the Joint Venture Company and IBE is HK$30 million. The Company will contribute its share of the registered capital of the Joint Venture Company in cash, which will be funded by the Group's internal resources.

	The JV Partner will contribute its share of the registered capital of the Joint Venture Company by way of cash.
Other co-operative terms:	The parties to the Merger Agreement agreed, primarily through the Joint Venture Company, to develop the Business. The JV Partner shall procure all the Business to be transferred effectively from IBG to IBE from 1 September 2009 onwards, and that all the existing banking facilities of IBG shall be made available to support the Business of IBE. The Company shall cause and procure 100% equity interest of Euro Resources to be transferred to the Joint Venture Company upon completion. For this purpose, the Company has entered into the S&P Agreement to increase its stake in Euro Resources to 100%. The Company will issue 100,000,000 new Shares ("JV Consideration Shares") at the price of HK$0.50 per Share, representing approximately 13.16% and 10.42% of the total issued share capital of the Company as at the Latest Practicable Date and the issued share capital of the Company as enlarged by the JV Consideration Shares (and after the completion of the S&P Agreement), to the JV Partner as consideration for the JV Partner's agreeing to enter into the Merger Agreement. The JV Consideration Shares will be issued and allotted under special mandate, the grant of which is subject to the Shareholders' approval at the SGM. The JV Partner shall not dispose of the JV Consideration Shares without the Company's consent, however, he is free to do so after one year from the date of completion of the Merger Agreement. The amount of the JV Consideration Shares was arrived at after arm's length negotiations between the Company and the JV Partner. The JV Consideration Shares will rank pari passu with all the existing issued Shares. Moreover, the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the JV Consideration Shares.
Composition of the board:	The board of directors of the Joint Venture Company will consist of five members, three of whom will be appointed by the Company and the remaining two will be appointed by the JV Partner.

The JV Partner will be appointed as the managing director of the Joint Venture Company and IBE for a period of five years.

Conditions precedent : Completion of the Merger Agreement is conditional upon:

(a) the Company is satisfied with the legal, financial and operational due diligence on the Business;

(b) the obtaining of the approval of the Shareholders at the SGM in relation to the Merger Agreement and the issue and allotment of the JV Consideration Shares to the JV Partner;

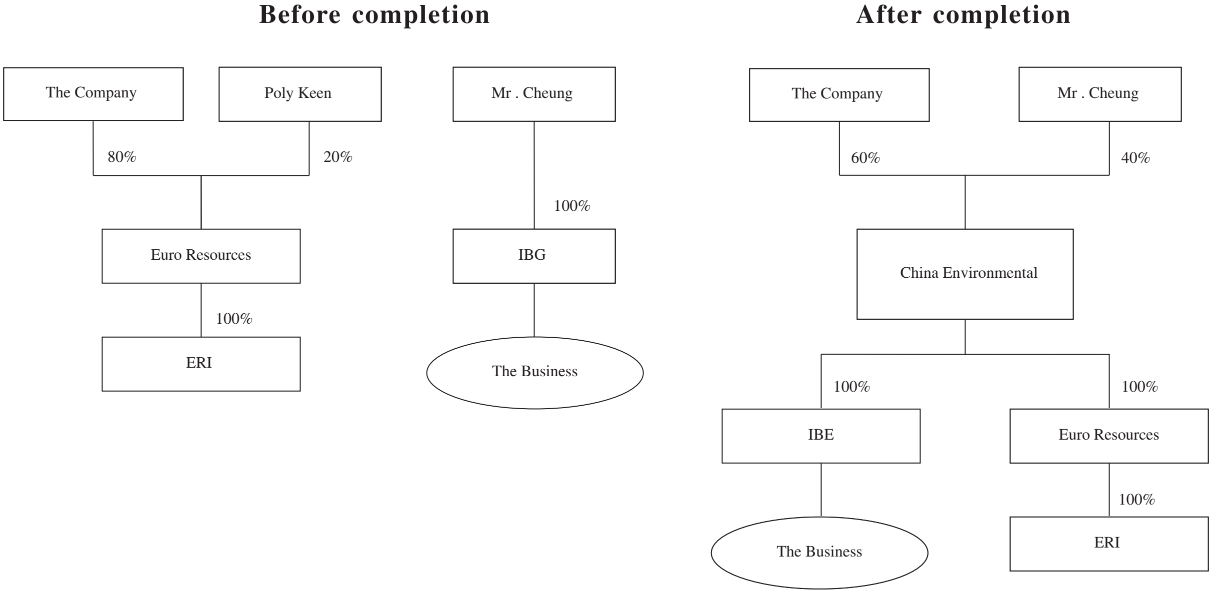
(c) the obtaining of the approval of the Stock Exchange in respect of the listing of and dealing in the JV Consideration Shares; and

(d) the completion of the S&P Agreement.

Non-competition clause: The JV Partner undertakes to the Company that he shall wholly devote his time and effort to develop the Business of the Joint Venture Company and IBE. For a period of 10 years after the Completion, the JV Partner warrants that he and IBG shall not engage in or invest in any plastic recycling activities which shall compete or in conflict with the Business to be operated by the Joint Venture Company and IBE, except in case the Joint Venture Company and IBE change or cease their business in plastic industry and recycling of waste plastic.

Completion : Completion of the Merger Agreement is expected to take place on or before 30 November 2009.

Shareholding structure of China Environmental before and after completion of the Acquisition and the Merger Agreement



REASONS FOR THE FORMATION OF THE JOINT VENTURE COMPANY

Mr. Cheung has over 30 years experience in the plastic industry especially in the manufacturing of processing and trading of recycled plastic and IBG has extensive supplier networks in Japan and Malaysia which has a large number of customers in China and Taiwan for its products. To the best knowledge of the Company, IBG has good reputation and is one of the market leaders in the plastic market in China and Hong Kong.

The formation of the Joint Venture Company can substantially enlarge the scale of the Group's business in the plastic recycling sector, in particular, the turnover of IBG were approximately HK$465.8 million and HK$555.4 million for the years end 31 December 2007 and 2008 respectively.

In addition, the Group's plastic recycling business will be benefited from the solid experience and expertise of Mr. Cheung in the industry.

Despite the substantial drops in demand and prices of waste materials last year as a result of the global financial tsunami and sharp decrease in oil price, the prices has been picking up gradually in the recent months. 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 further increase its stake in Euro Resources and then to form a joint venture with the JV Partner.

The Board considers that the Merger Agreement was entered into on normal commercial terms which are fair and reasonable and in their interests of the Shareholders as a whole.

INFORMATION OF IBG

IBG is a company incorporated in Hong Kong with limited liability which engages in the trading of plastic (i.e. including high density Polyethylene, low density Polyethylene etc) since 1995. IBG's registered office is located in Hong Kong.

Based on the information available to the Company, the net profit before and after tax of the Business for years 2007 and 2008 and the first half of year 2009 are approximately as follows:-

	Year ended 31 December 2007	Year ended 31 December 2008	Six-month ended 30 June 2009
	HK$'000	*HK$'000*	*HK$' 000*
	(Audited)	*(Audited)*	*(Unaudited)*
Turnover	465,844	555,401	284,772
Net Profit before tax	10,824	12,278	8,193
Net Profit after tax	8,981	10,287	6,841

The net asset value of IBG is approximately HK$22,823,000 as at 31 December 2008. To the best knowledge of the Company, the unaudited net profits from the Business (after carving out the income and expenses of IBG which are not related to the Business) for the year ended 31 December 2007, 31 December 2008 and the 6-month period ended 30 June 2009 amounted to approximately HK$8,981,000, HK$10,287,000 and HK$6,841,000 respectively.

The net liabilities of the Business as at 31 December 2008 (i.e. that of IBG deducting those assets and liabilities which are not related to the Business) was HK$100,833,000. For the avoidance of doubts, the Business, i.e. all the existing business of IBG including its customer base, supplier and management team in waste plastic industry will be transferred to IBG pursuant to the Merger Agreement.

The remuneration paid to director of IBG will be remain unchanged.

Sale & Purchase Agreement (the "S&P Agreement")

Date: 30 July 2009

Parties

Purchaser: Grand Ascend Investments Limited ("Grand Ascend"), a wholly owned subsidiary of the Company, which owns 50% of the issued capital of Euro Resources

Vendor : Mr. Tan Kian Chung ("Mr Tan")

Assets to be acquired:	100% equity interest of Poly Keen Limited ("Poly Keen") which shall become a wholly owned subsidiary of the Company after completion. Poly Keen currently owns 20% of equity interest in Euro Resources. The unaudited book value of Poly Keen is approximately HK$41.2 million as at 31 December 2008.
Consideration:	HK$50,000,000 to be satisfied by the issue of 100,000,000 new Shares. The aggregate consideration for the Acquisition is HK$50,000,000 (the "Consideration") which shall be satisfied by the issue of an aggregate of 100,000,000 new shares (the "ER Consideration Shares") at a price of HK$0.50 per Share. To the best knowledge of the Company, the principal activity of Poly Keen is investment holding, and its only asset is the 20% shareholding in Euro Resources as at the date of this announcement, and it has no trading activity since its date of incorporation on 18 May 2006. Therefore, Poly Keen has no historical record since the date of its incorporation. The ER Consideration Shares are subject to a lock-up period of one year after the issuance of them, and Mr. Tan shall not dispose of any of the ER Consideration Shares during such period without prior written consent of the Company. The amount of the ER Consideration Shares was arrived at after arm's length negotiations between the Company and Mr. Tan.
Completion Date:	It is expected to be completed on or before 30 November 2009

Mr. Tan is currently a director of Euro Resources and ERI. He will resign as a director of Euro Resources and ERI and the Group shall have the right to appoint a director to replace Mr. Tan upon the completion of the S&P Agreement. Based on the information available to the Company, the original purchase cost of 20% equity interest of Euro Resources by Mr. Tan was approximately HK$41.5 million.

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 businesses.

INFORMATION ON THE VENDOR

To the best knowledge of the Company, Mr. Tan is an independent third party saves as he is a director of both Euro Resources and ERI. Mr. Tan currently owns 8,356,000 Shares in the Company.

Save as disclosed herein, to the best knowledge of the Directors and having made all reasonable enquiries, the Vendor does not have any relationship with the Company or any of its associates, and is a third party independent of the Company and connected persons of the Company.

INFORMATION ON EURO RESOURCES

Euro Resources is an investment holding company incorporated in Hong Kong with limited liabilities. Apart from Poly Keen, Euro Resources is currently a 80% subsidiary of the Group. Euro Resources currently owns 100% equity interest of ERI.

ERI is mainly engaged in collecting, recycling and trading of waste plastic materials in France and selling them as raw materials in the PRC market since 2006. ERI is successful in recycling waste plastic materials by applying automatic and environmental friendly procedures in processing these waste plastic materials.

The net profit before and after tax of Euro Resources for years 2007 and 2008 and the first half of year 2009 are approximately as follows:-

	Year ended 31 December 2007 *HK$'000* *(Audited)*	**Year ended 31 December 2008** *HK$'000* *(Audited)*	**Six-month ended 30 June 2009** *HK$'000* *(Unaudited)*
Turnover	2,670	1,250	1,352
Net (Loss) / Profit before tax	(11,290)	(19,200)	2,513
Net (Loss) / Profit after tax	(11,290)	(19,200)	2,513

There is no further update on the status of the legal claims in relation to the profit guarantee of Euro Resources as disclosed in th Company's circular dated 27 November 2008, the Group still reserves the right to claim against Mr. Laurent Kim and Mr. Ung Phong as guarantors.

Conditions precedent:

The S&P Agreement is subject to certain conditions precedent including without limitation the following, being satisfied or waived by the party entitled to their benefit:

(i) The ER 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 approval of the Independent Shareholders in the SGM for the transactions contemplated under the S&P Agreement.

The Acquisition contemplated under the S&P Agreement constitutes a connected and discloseable transaction of the Company under the Listing Rules. The completion of the S&P

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

Mr. Tan and his associates shall abstain from voting at the SGM in respect of the Acquisition. All other Shareholders do not have any material interests in the Acquisition as the Acquisition does not confer upon any Shareholders or their associates a benefit (economic or otherwise) not available to other Shareholders. Mr. Tan shall also abstain from voting on the resolution in relation to the Merger Agreement in the SGM voluntarily for the benefit of the Company and the Shareholders.

EFFECT ON SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE ACQUISITION AND THE MERGER AGREEMENT

Set out below is the table for the shareholding in the Company before and after completion of the Acquisition and the Merger Agreement:

Shareholders	**Shareholding as at the date of this circular**		**Shareholding after the completion of setting up the Joint Venture but before the conversion of Convertible Notes approved by SGM on 15 July 2009**		**Shareholding after full conversion of the Convertible Notes approved by SGM on 15 July 2009 (assuming no adjustment to the Conversion Price and no further issue of Shares) and the completion of setting up the Joint Venture (Note)**	
	Shares	*% of shareholding*	*Shares*	*% of shareholding*	*Shares*	*% of shareholding*
Orient Day, Mr. Wong Kwan and their concert parties	411,758,800	54.20	411,758,800	42.90	661,758,800	54.70
Other Director	640,000	0.08	640,000	0.07	640,000	0.05
JV Partner	—	—	100,000,000	10.42	100,000,000	8.27
Mr. Tan	8,356,000	1.10	108,356,000	11.29	108,356,000	8.96
Mr. Wong Chok Wah	97,522,000	12.84	97,522,000	10.16	97,522,000	8.06
Other public shareholders	241,460,160	31.78	241,460,160	25.16	241,460,160	19.96
Subtotal of public shareholders	—	—	—	—	447,338,160	36.98
Total	759,736,960	100	959,736,960	100	1,209,736,960	100

Note: Mr. Wong Chok Wah and Mr. Tan will be regarded as public shareholders.

In addition, as disclosed in the Company's circular dated 25 June 2009, 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.

As at the date of this circular, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

The transaction will not result in a change of control of the Company.

CAPITAL-RAISING ACTIVITIES DURING PAST 12 MONTHS

Except that the Company has issued convertible notes of HK$45,000,000 in aggregate to Orient Day in May 2009, the, save as disclosed herein, Company did not have any capital-raising activities during the past 12 months preceding the date of this circular.

In aggregate, convertible notes (as announced on 5 March 2009) of HK$45 million have been issued by the Company, and the Company has not yet invited the Subscriber to subscribe for the Convertible Notes (as disclosed in the Company's announcement dated 4 June 2009) for the sum of HK$100 million up to the date of this circular.

Given that the price of HK$0.50 per Share was at an approximately 4.17% premium to the closing price of the Shares on 30 July 2009, being the last trading day immediately before the date of the Agreements and at a premium of approximately 4.17% to the average closing price of HK$0.5 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including 30 July 2009, the Directors (excluding the independent non-executive Directors who will express their views in the circular to the Shareholders) consider that the price of the ER Consideration Shares and the JV Consideration Shares is fair and reasonable under the current market conditions and in the best interest of Shareholders and the Company as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, the financial results of China Environmental will be consolidated into the Company's financial statements. The Company's assets and liabilities will increase whilst its profit expected will increase as a result of consolidated the financial statement of China Environmental.

GENERAL

The formation of the Joint Venture Company and the intended transfer of the Business to IBE pursuant to the Merger Agreement constitutes a very substantial acquisition of the Company under of the Listing Rules, and therefore is subject to the Shareholders' approval at the SGM.

The S&P Agreement constitutes a connected and discloseable transaction for the Company under the Listing Rules. Completion of the S&P Agreement is therefore subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM. Mr. Tan and his associates shall abstain from voting at the SGM in respect of the Acquisition. Mr. Tan shall also abstain from voting on the resolution in relation to the Merger Agreement in the SGM voluntarily for the benefit of the Company and the Shareholders.

The Independent Board Committee (comprising all the 4 independent non-executive Directors) has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the S&P Agreement and the transactions contemplated thereunder, and as to whether the Acquisition is in the interests of the Company and the Shareholders as a whole and will advise the Shareholders on how to vote. All the 4 members of the Independent Board Committee do not have any material interests in the Acquisition.

The completion of the Merger Agreement is conditional on that of the Acquisition.

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 Bridge Partners on pages 17 to 33 of this circular as well as the additional information set out in the appendix to this circular.

RECOMMENDATION

The Directors are of the opinion that the transactions contemplated under the Agreements are in the interest of the Company and the Shareholders as a whole and the terms of the Agreements are fair and reasonable. Accordingly, the Directors recommended you to vote in favour of the resolutions to be proposed at the SGM.

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 September 2009

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

We refer to the circular of the Company dated 25 September 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 S&P Agreement are on normal commercial terms, 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 S&P Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 17 to 32 of this Circular, we are of the opinion that the terms of the S&P Agreement are on normal commercial terms and the transaction contemplated thereunder is 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 S&P Agreement and the transaction contemplated thereunder.

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

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

* *For identification purposes only*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners relating to the S&P Agreement and the transactions contemplated thereunder dated 25 September 2009 prepared for the purpose of incorporation in this circular:

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Bridge Partners Capital Limited
Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

25 September 2009

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

Dear Sirs,

CONNECTED AND DISCLOSEABLE TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 25 September 2009 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 30 July 2009, after the trading hours, the Company entered into the Merger Agreement with the JV Partner, pursuant to which the Joint Venture Company will be established for the development of the business of waste plastic recycling. The Company will contribute HK$30 million as registered capital of the Joint Venture Company; whereas the JV Partner will contribute HK$20 million as registered capital of the Joint Venture Company. The Group will inject 100% equity interest in Euro Resources to the Joint Venture Company pursuant to the Merger Agreement. According to the Letter from the Board, the Company has entered into the S&P Agreement to increase its stake in Euro Resources to 100% for this purpose.

On the same date, Grand Ascend, a wholly owned subsidiary of the Company, entered into the S&P Agreement to acquire the entire equity interest in Poly Keen, which owns 50% of the issued share capital of Euro Resources, for an aggregate consideration of HK$50,000,000 which shall be satisfied by the issue of 100,000,000 new Shares at a price of HK$0.50 per Share. Poly Keen currently owns

20% of the equity interest in Euro Resources. The Group will own 100% of Euro Resources upon completion of the S&P Agreement. Euro Resources currently owns 100% equity interest in ERI which has been mainly engaged in collecting, recycling and trading of waste plastic materials in France and selling them as raw materials in the PRC market since 2006.

To the best of the Directors' knowledge, information and belief, Mr. Tan, being the vendor in the S&P Agreement, is a director of both Euro Resources and ERI and a Shareholder who held 8,356,000 Shares as at the Latest Practicable Date. Accordingly, the Acquisition constitutes a connected transaction for the Company and is subject to a special mandate for the issue of ER Consideration Shares proposed to be sought and the Independent Shareholders' approval at the SGM in respect of the Acquisition. In addition, he shall abstain from voting on the resolution in relation to the Merger Agreement in the SGM voluntarily for the benefit of the Company and the Shareholders.

We, Bridge Partners, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the S&P Agreement are on normal commercial terms and the transactions contemplated therein is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the Acquisition, in compliance with Rule 13.39 (6)(b) of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have reviewed, amongst others, (i) the annual report for the year ended 31 December 2008 (the "Annual Report"), (ii) the S&P Agreement, (iii) the Merger Agreement, (iv) the financial information of Poly Keen and Euro Resources and (v) accountants' report of IBG. In addition to the above, we have reviewed the research reports and websites related to the waste materials and plastic recycling industry and the trading performance of the Shares on the Stock Exchange. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules.

We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of the Circular.

We consider that we have been provided with sufficient information to form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, having made all reasonable enquiries, 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 the Circular, including this letter, misleading.

We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, Mr. Tan, Poly Keen, Euro Resources, ERI, Mr. Cheung, IBG, their respective associates and subsidiaries, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the S&P Agreement and the transaction contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. We have no obligation to update this letter after the date of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken the following principal factors and reasons into consideration:

(A) Background of the Group and Euro Resources

The principle activity of the Company is an investment holding company. It is principally engaged in the provision of logistics and related services, and processing and sales of recycling materials.

Set out below is a summary of the audited consolidated income statement of the Group for the period from 1 April 2007 to 31 December 2007 and the year ended 31 December 2008:

	Period from 1 April 2007 to 31 December 2007 *HK$'000* *(Audited)*	**Year ended 31 December 2008** *HK$'000* *(Audited)*
Turnover	55,620	78,783
Operating loss	(23,531)	(20,599)
Net (Loss)/Profit attributable to Shareholders	38,422	(38,310)

Note: Since the financial year-end date of the Company has been changed from 31 March to 31 December, the 2007 figure above covers the 9-month period from 1 April 2007 to 31 December 2007 only.

According to the Annual Report, the turnover of the Group was approximately HK$78.8 million for the year ended 31 December 2008 and was mainly generated from services income from logistics and other services rendered by the Group amounting to approximately HK$66.9 million, which represents approximately 84.95% of the total turnover of the Group. The loss attributable to equity shareholders of the Company was approximately HK$38.3 million for the year ended 31 December 2008 and it was mainly attributed to various litigations in connection with the Group's major investment of 40% equity interest in China Coal Energy Holdings Limited and the failure to honour and perform the profit guarantee from Euro Resources by the guarantors. The Group recorded a loss of approximately HK$0.97 million from the plastic recycling segment for the year ended 31 December 2008. During the year ended 31 December 2008, Euro Resources has acquired new machines to improve its product quality and production capacity. Based on the representation from the management of the Company, the loss of this segment was mainly due to the fact that the newly acquired machines are currently on their trial run and have not yet fully operated. The existing annual production of the machinery of Euro Resources is 2,400 tons per year and it is expected that the machines may increase the annual production to 15,000 tons once the operation is commenced. As noted from the Annual Report, the Company expected that Euro Resources will contribute another source of income for the Group and will explore various opportunities to expand its market for plastic materials to North America and other Asian countries.

Euro Resources

As at the Latest Practicable Date, the Company holds 80% equity interest in Euro Resources which in turn owns 100% equity interest in ERI. ERI has been mainly engaged in collecting, recycling and trading of waste plastic materials in France and selling them as raw materials in the PRC market since 2006. ERI has applied automatic and environmental friendly procedures in processing the recycling waste plastic materials and also provides a range of services to its customers ranging from collecting the low-density polyethylene film ("LDPE"), cutting, dehydrating and processing by applying automatic and environmental friendly procedures on the recycling waste plastic materials, to delivery to the customers.

The table below sets out the financial information of Euro Resources for the two financial years ended 31 December 2008 and for the six-month ended 30 June 2009:

	Year ended 31 December		**Six-month ended 30 June**
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*
Turnover	2,670	1,250	1,352
Net (loss)/profit after tax	(11,290)	(19,200)	2,513

As compared to the corresponding period in 2007, the audited turnover of Euro Resources dropped approximately 53.2% and the net loss widened to approximately HK$19.2 million for the year ended 31 December 2008. We were advised by the management of the Company that the increase in the net loss before and after tax of Euro Resources was mainly attributable to the drops in demand and prices of waste materials as a result of the financial tsunami and the sharp decrease in oil price during that period of time. For the six months ended 30 June 2009, the unaudited turnover of Euro Resources was approximately HK$1.35 million, which has already exceeded the annual turnover of the year 2008. As referred to the unaudited financial information of Euro Resources, Euro Resources has also turned from making losses to profit of approximately HK$2.5 million and it was because of the loans waived due to its shareholder and associates. As discussed with the management of the Company, the demand of waste materials gradually increased from the beginning of the year 2009 and market price of the natural resources has been gradually picked up.

We had also studied the market price of LDPE, being the main product produced by ERI. Based on the statistics from commodity price website of the Ministry of Commerce of China (http://price.mofcom.gov.cn), we noted that the average European market export FOB price of LDPE was US$1,210/ton in mid-November 2008, which dropped to an average of US$1,125/ton in mid-December 2008, then further dropped to an average of US$850/ton in the end of December 2008. Notwithstanding, the prices gradually increase to an average of US$875/ton in mid-April 2009. According to the Company, the recycled waste plastic materials can serve as substitutes in the manufacturing process, which help to reduce manufacturing costs in the long run. Having considered the above, we concur with the Directors' view that the future potential of recycling business of waster plastic is positive in the long run.

(B) Background of and reasons for the proposed Acquisition

Background of the Acquisition

In view of the prospects of the recycled plastic raw materials in the PRC market, the Group has entered into the waste materials industry since 2006 in order to diversify its income stream. In August 2006, with a view to broaden the income base of the Group and the future business development potential of Euro Resources, the Group acquired 50% equity interest in Euro Resources for an aggregate consideration of approximately HK$50 million. Mr. Laurent Kim ("Mr. Kim") (a former director of Euro Resources and the founder of ERI) and Mr. Ung Phong (the "Guarantors") have provided a profit guarantee of Euro 4 million (equivalent to approximately HK$40 million) per year for each of the three financial years ending 31 December 2009. To guarantee the profit, Mr. Kim had also pledged his 30% equity interest in Euro Resources in favor of the subsidiary of the Company under a share charge as collateral. The aforesaid transaction was completed in October 2006. Nevertheless, as disclosed in the Company's circular dated 27 November 2008, the Guarantors failed to honour and perform the profit guarantee. The Group then enforced the share charge and disposed of Mr. Kim's 30% equity interest in Euro Resources which had been pledged to the Group as collateral for the performance of the profit guarantee by way of a private tender. Allfair Limited (a wholly owned subsidiary of the Group) submitted an offer of HK$9.8 million to the sale agent of the private tender and subsequently entered the agreement to acquire the 30% equity interest in Euro Resources, thereby the Group further increased its participation from 50% to 80% interest in Euro Resources and gained the control in Euro Resources.

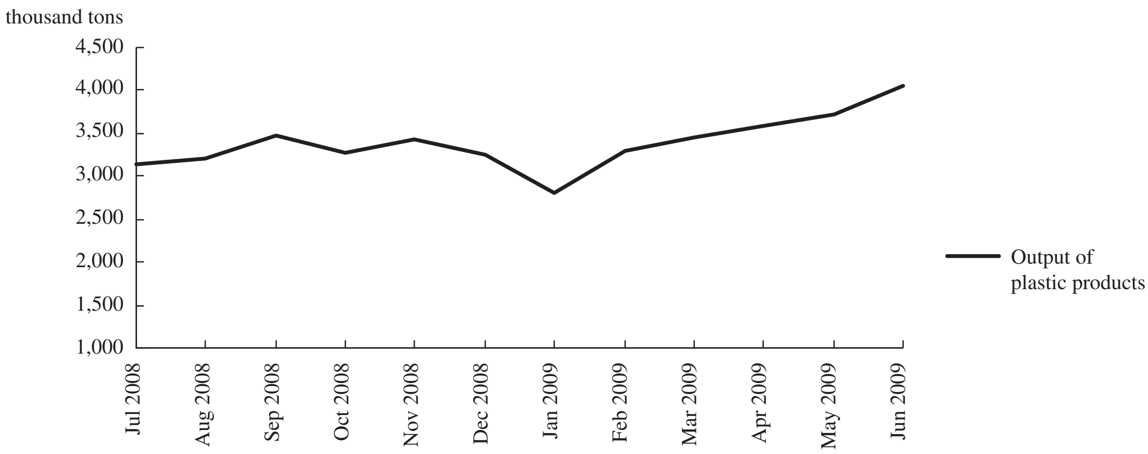
Reasons for the Acquisition

As stated in the Letter from the Board, the Board is confident in the long term development potential of recycling business of waste plastic due to the demand in the PRC for the recycled plastic raw materials since the recycled plastic raw materials can help reducing manufacturing costs in the long run. According to the Letter from the Board, ERI is mainly engaged in collecting, recycling and trading of waste plastic materials in France and selling them as raw materials in the PRC market since 2006. As confirmed by the management of the Company, over 90% of the revenue of ERI was generated from the PRC market. To form part of our analysis, we have studied the websites of China National Light Industry Council, China Plastics Processing Industry Association, National Bureau of Statistics of China and China Customs in order to evaluate the view of the Board and our findings are as follows:

Trends of waste materials and plastic recycling industry

According to China National Light Industry Council, the average annual growth rate of the plastic product sector has maintained at more than 10% in recent years. Furthermore, according to the China Plastics Processing Industry Association, the total output of plastic products of China for the first six months of 2009 reached 20.16 million tons, representing an increase of 4.9% from the same period in 2008 and the details of output of plastic products in China is shown in the following chart.

Output of plastic products in China



Source: Website of the National Bureau of Statistics of China

Other than the strong growth in the output of plastic products, China also imports recycled materials (which includes copper, plastic, etc) due to high Chinese demand for raw materials and relatively low shipping costs. We found that the demand for recovered plastic in China also grew rapidly during the last decade with total consumption rising to 15 million tons in 2007 from 4 million tons in 2000. According to China Customs, import of waste plastic through DongGuang, China, has reached US$70.2 million in 2007, representing an increase of 3.4% as compared to 2006.

Apart from the prospect of the plastic recycling industry as mentioned above, we also studied an announcement from the National Bureau of Statistics of China in July 2009 that China's gross domestic product grew 7.9% year-on-year in the second quarter of the year 2009 as the nation became the first of the major economies to rebound from the global recession and we consider the bases of the positive view of the Board to the plastic recycling industry fair.

Taking into consideration the continuing economy growth in the PRC and the positive prospect of the plastic recycling industry, we consider the Acquisition is beneficial for the Group to further strengthen its foothold into the plastic recycling industry and we concur with the Directors' view that the Acquisition and the entering into the S&P Agreement are in the interests of the Company and the Independent Shareholders as a whole.

(C) Principal terms of the Agreements

Major terms of the S&P Agreement

i. *Asset to be acquired*

The asset to be acquired is the 100% equity interest in Poly Keen and the only asset of which is the 20% shareholding in Euro Resources as at Latest Practicable Date. As confirmed by the management of the Company, save for holding the 20% shareholding in Euro Resources, Poly Keen has no trading activity since its date of incorporation on 18 May 2006. Upon completion of the S&P Agreement, ERI and Euro Resources will become indirect wholly-owned subsidiaries of the Company.

ii. *Basis of consideration for the Acquisition*

As stated in the Letter from the Board, the consideration for the Acquisition (the "Consideration") is HK$50,000,000 which has been arrived at after arm's length negotiations between the Company and the Vendor under the S&P Agreement. According to the Letter from the Board, the unaudited book value of Poly Keen is approximately HK$41.2 million as at 31 December 2008.

As there is no company listed on the Stock Exchange with the identical principal business of the Group, we have therefore reviewed and identified, on a best effort basis, 5 companies listed on the Stock Exchange whose principally engaged in waste material handling recycling business and with over 80% of the turnover from these segments attributable to the total revenue of the listed companies during the latest audited financial year (the "Comparables"). However, owing to the fact that the business, operations and prospects of the Company are not the same as the Comparables, Independent Shareholders should note that the Comparables are only used to provide a general reference for the common market performance of companies listed on the Stock Exchange. The only asset of Poly Keen is the 20% shareholding in Euro Resources. Since Euro Resources is loss making in its latest audited accounts, we compare the price-per-book value ("P/B") ratio of the Comparables and set out below is a summary of our findings:

Company name (Stock code)	Principal activities	Closing price of the shares on the date of the S&P Agreement	P/B ratio
		(HK$)	*(times)*
China Sciences Conservational Power Limited (351)	Waste incineration power generation business, computer hardware and maintenance support services, and software design and development	0.167	3.86
China Metal Recycling (Holdings) Limited (773)	Metal recycling, involving the recycling of scrap metal into recycled ferrous and non-ferrous metals, collects scrap steel, scrap copper and others scrap metals to produce quality recycled scrap metals	8.88	11.16 *(Note 3)*
Green Energy Group Limited (979)	Provision of construction contracts, distributions and trading and waste recycling	0.7	3.21
Tianjin Capital Environmental Protection Company Limited (1065) *(Note 1)*	Sewage water processing, tap water supply, production of recycled water and construction materials and operation of toll roads	2.15	0.88
Shenzhen Dongjiang Environmental Company Limited (8230) *(Note 1)*	Production and sales of recycled products and the provision of waste treatment services; construction and operation of environmental protection systems; trading of chemical products; and consultation service	2.23	2.41
Maximum			11.16
Minimum			0.88
Mean			4.30
The Acquisition		0.48	1.21 *(Note 4)*

Source: Website of Stock Exchange

Notes:

1. Amounts in RMB have been translated into HK$ at exchange rate of HK$1.00 to RMB 0.88 for illustration purpose only.

2. The issued share capital and the net assets value of the Comparables is based on their latest audited financial statements or the prospectus as the case may be.

3. The P/B ratio of China Metal Recycling (Holdings) Limited is based on the assumption of 1,045,000,000 shares in issue.

4. The P/B ratio of the Acquisition is calculated by using the Consideration of HK$50 million and the unaudited book value of Poly Keen of approximately HK$41.2 million as at 31 December 2008.

As shown in the above table, the P/B ratio of the Comparables, which were calculated with reference to their respective closing prices on the date of the S&P Agreement and their latest audited book value per share published by the date of the S&P Agreement, are trading in the range from 0.88 times to 11.16 times, with the average at approximately 4.30 times. The P/B ratio represented by the Consideration of 1.21 is lower than the average of those of the Comparables. Accordingly, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

iii. *Mode of settlement of Consideration*

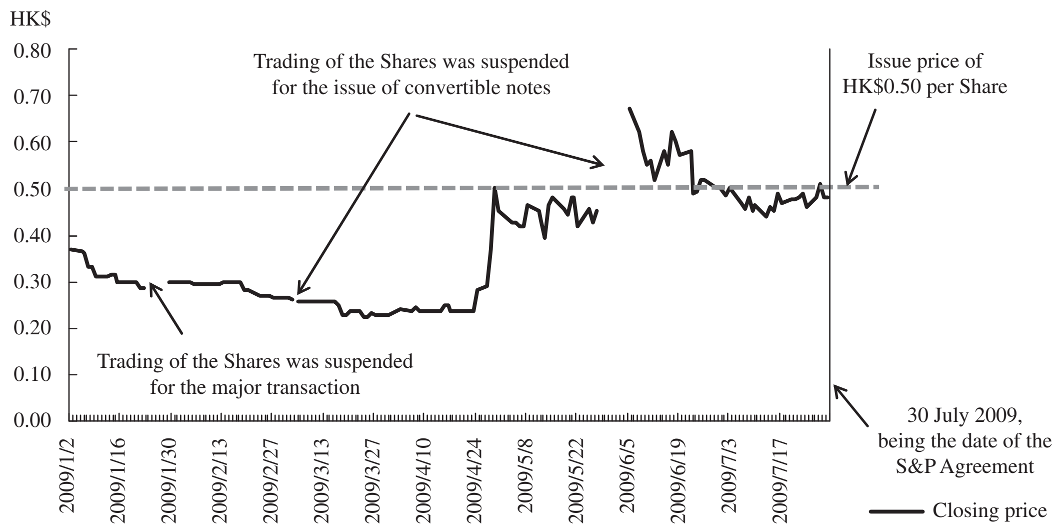
The Consideration amounts to HK$50,000,000 and shall be satisfied by the issue of aggregate of 100,000,000 ER Consideration Shares at HK$0.50 each. The ER Consideration Shares will be issued at HK$0.50 each, which represents:

- a discount of approximately 21.88% to the closing price of HK$0.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 4.2% over the closing price of HK$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 3.7% over the average closing price of HK$0.482 per Share for the last five trading days up to and including the Last Trading Day;
- a premium of approximately 1.8% over the average closing price of about HK$0.491 per Share for the last 30 trading days up to and including the Last Trading Day; and
- a discount of approximately 54.5% to the consolidated net asset value of the Company per Share of about HK$1.10 as at 31 December 2008.

Historical price and trading volume of the Shares

The following chart shows the closing price of the Shares traded on the Stock Exchange since January 2009 up to and including the date of the S&P Agreement (the "Review Period"):

Closing prices of the Shares



Source: Website of Stock Exchange

During the Review Period, the closing price of the Shares ranged from HK$0.225 to HK$0.67 per Share. We observed there had been an exceptional jump in the price of Shares from HK$0.29 on 27 April 2009 to HK$0.50 on 29 April 2009. Prior to such event, the Share price has been largely on a gentle decreasing trend from January 2009 till 27 April 2009. According to the announcement of the Company dated 28 April 2009, the Directors are not aware of any reasons for such movements in the price and trading volume of the Shares save and except that on that day the Board was notified by Orient Day Developments Limited ("Orient Day"), the majority shareholder of the Company, had preliminary talks with an independent third party, pursuant to which the third party had intention to acquire part of the Shares owned by Orient Day. Subsequent to the exceptional jump in the price of Shares after, the price of the Shares has fluctuated within a range between HK$0.395 and HK$0.57. On the last trading day immediately before the date of the Agreements (the "Last Trading Day"), Shares closed at HK$0.48. Following the resumption of trading of the Shares after the publication of the announcement of the Acquisition, Share price increased gradually to close at HK$0.64 on the Latest Practicable Date.

The following table sets out the total monthly trading volume of the Shares, the average trading volume of the Shares per trading day, the total monthly trading volume of the Shares and the average trading volume of the Shares per trading day to the total number of Shares in issue during the Review Period:

Trading volume of the Shares

	Total monthly trading volume of the Shares *(number of Shares)*	**Average trading volume of the Shares per trading day** *(number of Shares)*	**% of total monthly trading volume of the Shares to the total number of Shares in issue** *(%)* *(Note)*	**% of average trading volume of the Shares per trading day to the total number of Shares in issue** *(%)* *(Note)*
2008				
August	22,550,000	1,186,842	4.85	0.255
September	2,810,000	133,809	0.60	0.029
October	5,053,360	240,636	1.09	0.052
November	573,000	28,650	0.12	0.006
December	1,947,800	92,752	0.42	0.020
2009				
January	1,542,600	85,700	0.33	0.018
February	267,200	13,360	0.06	0.003
March	3,343,012	151,955	0.72	0.033
April	8,706,600	435,330	1.87	0.094
May	3,576,600	188,242	0.62	0.032
June	21,611,817	982,355	3.72	0.169
July (up to and including the date of the S&P Agreement which is on 30 July 2009)	3,842,960	182,998	0.51	0.024

Source: Website of Stock Exchange

Note: *Based on total 464,737,960 Shares in issue from August 2008 to May 2009, 581,403,960 Shares in issue in May and June 2009 and 759,736,960 Shares in issue from 1 July 2009 to the date of the S&P Agreement.*

As shown from the above table, the trading volume of the Shares during most of the months of the Review Period shown above was very thin, representing less than 1% of the total Shares issued, except during August and October of 2008 and April and June 2009 where there had been exceptional share volume volatility.

iv. *Other terms of the S&P Agreement*

The S&P Agreement provides that the ER Consideration Shares are subject to a lock-up period of one year after their issuance and the Vendor shall not dispose of any of the ER Consideration Shares during such period without prior written consent of the Company. We consider that the disposal restriction is in the interests of the Company and the Shareholders as a whole as the disposal restriction will not add volatility to the Shares in the short run.

The issue of ER Consideration Shares is one of the methods to settle consideration of acquisitions by listed companies on the Stock Exchange as compared with other methods by way of cash and cash equivalents, issue of convertible instruments and/or a combination of the aforesaid. As referred in the Annual Report, the Group had cash and cash equivalent balance of approximately HK$15.79 million as at 31 December 2008. We consider that the issue of ER Consideration Shares for settling the Consideration will not pressurize the working capital of the Company and, in our opinion which is crucial for the Company under the financial tsunami, and is in the interests of the Company and the Shareholders.

Taking into consideration that (i) the P/B ratio of Poly Keen at 1.21 is lower than the average of those of the Comparables; (ii) the issue price of ER Consideration Shares represents a premium of approximately 4.2% over the closing price of the Shares on the Last Trading Day, the last five and thirty average trading days up to and including the Last Trading Day; (iii) settling of the Consideration by way of issuing ER Consideration Shares will not pressurize the working capital of the Company; and (iv) the completion of the Acquisition would help further strengthen the Group's foothold into the plastic recycling industry, we consider the terms of the S&P Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

Major terms of the Merger Agreement

i. *Registered capital and capital contribution*

Pursuant to the Merger Agreement, the Joint Venture Company will be owned as to 60% by the Group and 40% by the JV Partner upon completion. The registered capital of the Joint Venture Company will be HK$50 million comprising 50 million shares of HK$1 per share, of which HK$30 million will be contributed by the Company while the remaining HK$20 million will be contributed by the JV Partner.

We notice that the registered capital contribution is proportion to the respective shareholding of the Group and the JV Partner in the Joint Venture Company and we consider the terms related to the capital contribution are on normal commercial terms.

ii. *Business activities*

Pursuant to the Merger Agreement, the JV Partner shall procure all the existing business of IBG, including its customer base, suppliers and management team in waste plastic industry to be transferred effectively from IBG to IBE from 1 September 2009 onwards, and that all the existing banking facilities of IBG shall be made available to support the business of IBE. The Company shall also cause and procure 100% equity interest in Euro Resources to be transferred to the Joint Venture Company upon completion of the S&P Agreement.

The Company will issue 100,000,000 new Shares at the price of HK$0.50 per Share to the JV Partner as consideration for the JV Partner's agreeing to enter into the Merger Agreement. The issue price of JV Consideration Shares is as the same as the ER Consideration Shares.

iii. *Other co-operative terms*

The Merger Agreement provides that (i) for management aspect, the board of directors of the Joint Venture Company will comprise 5 members, three of which will be appointed by the Company and the remaining two will be appointed by the JV Partner and (ii) for business operations aspect, JV Partner will be appointed as the managing director of the Joint Venture Company and IBE for a period of five years. According to the management of the Company, the Company will take precaution measurement to exercise control over the business operations and management of the Joint Venture Company, including the formulation of business strategies and treasury management. It is also a term of the Merger Agreement that the JV Partner shall not dispose of the JV Consideration Shares without the consent from the Company within 1 year from the date of completion of the Merger Agreement.

Further, the JV Partner undertakes to the Company that he shall wholly devote his time and effort to develop the recycling waste plastic material business of the Joint Venture Company and IBE. The JV Partner also warrants that he and IBG shall not engage in or invest in any plastic recycling activities which shall compete or in conflict with the Business to be operated by the Joint Venture Company and IBE for 10 years following the Completion, except in case the Joint Venture Company and IBE change or cease their business in plastic industry and recycling of waste plastic.

As discussed with the Directors, the Board holds positive view to the JV Partner's solid experience in the plastic industry and the extensive supplier networks in Japan and Malaysia of IBG. As discussed with the management of the Company, the JV Partner is a member of Hong Kong Plastic Materials Suppliers Association Limited and possesses number of years of experience in the plastic industry especially in the manufacturing of processing and trading of recycled plastic.

We consider that the non-competition clause and the co-operative terms of the Merger Agreement maintain a clear segregation of duties among the parties, underpinned by the regulatory regime, of the businesses of the Joint Venture Company and IBG and ensure that there would be no competition between them. We are of the view that the non-competition clause and the co-operative terms are appropriate arrangements to safeguard the interests of the Company after the completion of the Merger Agreement.

Taking into the account (i) the Group will have majority control over the board of the Joint Venture Company; (ii) the solid experience of the JV Partner in the plastic industry; and (iii) the non-competition clause undertaken by the JV Partner for 10 years, we are of the view that terms of the Merger Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Independent Shareholders should note that the completion of the Merger Agreement is conditional on the Acquisition. In the event that the S&P Agreement is not approved by the Independent Shareholders, the Merger Agreement will not proceed and the formation of the Joint Venture Company will be aborted accordingly. As a result, the Group may not enlarge the scale of the Group's business in the plastic recycling sector through the formation of the Joint Venture Company.

Dilution to the existing shareholdings of the Independent Shareholders

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of setting up the Joint Venture Company but before the conversion of Convertible Notes; and (iii) immediately after the completion of setting up the Joint Venture Company and full conversion of the Convertible Notes assuming no adjustment to the conversion price of HK$0.40 and no further issue of Shares:

Shareholders	**As at the Latest Practicable Date**		**Immediately after the completion of setting up the Joint Venture Company but before the conversion of Convertible Notes**		**Immediately after the completion of setting up the Joint Venture Company and full conversion of the Convertible Notes assuming no adjustment to the Conversion Price and no further issue of Shares** *(Note)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Orient Day, Mr. Wong Kwan and their concert parties	411,758,800	54.20	411,758,800	42.90	661,758,800	54.70
Other Director	640,000	0.08	640,000	0.07	640,000	0.05
JV Partner	—	—	100,000,000	10.42	100,000,000	8.27
Public Shareholders						
Mr. Tan	8,356,000	1.10	108,356,000	11.29	108,356,000	8.96
Mr. Wong Chok Wah	97,522,000	12.84	97,522,000	12.84	97,522,000	8.96
Other public shareholders	241,460,160	31.78	241,460,160	25.16	241,460,160	19.96
Subtotal of public shareholders	241,460,160	31.78	241,460,160	25.16	447,338,160	36.98
Total	759,736,960	100	959,736,960	100	1,209,736,960	100

Note: Mr. Wong Chok Wah and Mr. Tan will be regarded as public shareholders in the event that the Convertible Notes are fully converted and assuming no adjustment to the Conversion Price and no further issue of the Shares.

Upon completion of the Agreements and immediately after the allotment and issue of ER Consideration Shares and JV Consideration Shares and upon full conversion of the Convertible Notes (assuming conversion of the Convertible Notes will be restricted related to the 25% minimum public float requirement), an aggregate of 200,000,000 new Shares shall be issued according to the Agreements, representing (i) approximately 26.32% of the existing issued share capital of the Company as at the Latest Practicable Date, (ii) approximately 20.84% of the existing issued share capital of the Company as enlarged by issue of ER Consideration Shares and JV Consideration Shares, and (iii) approximately 16.53% of the issued share capital of the Company as enlarged by issue of ER Consideration Shares and JV Consideration Shares and upon full conversion of the Convertible Notes (subject to the conversion restrictions related to the 25% minimum public float requirement).

From the table above, we note that the shareholdings of the other public Shareholders (exclude the shareholdings of Mr. Tan and Mr. Wong Chok Wah) would be diluted from approximately 25.16% to approximately 19.96% of the enlarged issued share capital of the Company following the issue of ER Consideration Shares and JV Consideration Shares and assuming full conversion of the Convertible Notes. It is inevitable that there will be a dilution effect on the shareholdings of the other public Shareholders if the ER Consideration Shares and JV Consideration Shares are issued. Given that (i) the lock-up period of the ER Consideration Shares and JV Consideration Shares is in the interest of the Company as such disposal restriction will not add volatility to the Shares in the short run; (ii) the issue price of HK$0.50, which represents a premium of approximately a 4.2% over the closing price on the Last Trading Day; and (iii) the Acquisition is beneficial for the Group to further penetrate into the waste plastic recycling industry, we are of the view that the dilution to the other existing public Shareholders as a result of the proposed issue of ER Consideration Shares and JV Consideration Shares is acceptable.

(D) Financial impact of the Acquisition

Upon completion of the Acquisition, the equity interest of the Group in Euro Resources will increase from 80% to 100%.

Earnings

Upon completion of the Acquisition, Euro Resources will become an indirect wholly owned subsidiary of the Group. Accordingly, the entire results and assets and liabilities of Euro Resources will be consolidated into the financial statements of the Company. Euro Resources recorded the unaudited turnover of approximately HK$1.35 million and unaudited net profit of approximately HK$2.51 million for the six months ended 30 June 2009. In view of the potential development of the waste plastic recycling business and the future contribution of Euro Resources to the financial results of the Group, we concur with the Directors that the Acquisition may bring an advantageous effect to the Group in the long run as it may increase the opportunity to further strengthen its foothold into the plastic recycling industry.

Gearing

According to the Annual Report, the Group had total borrowings of approximately HK$60.38 million and the gearing ratio of the Group (calculated on the basis of the Group's bank borrowings to total equity) was approximately was 0.12 times as at 31 December 2008. Taking into consideration that the issue of the ER Consideration Shares will increase the value of the equity attributable to the equity holders of the Group and, therefore, the Acquisition will reduce in the gearing ratio of the Group.

Working Capital

The Group had cash and cash equivalent balance of approximately HK$15.79 million as at 31 December 2008. As the Acquisition is settled by issuance of ER Consideration Shares, the Acquisition will not pressurize the working capital of the Company and can bring an advantageous effect to the Group in the long run, thus we are of the view that the Acquisition is in the interests of the Company and the Shareholders.

Net Assets Value

The net assets value of the Group was approximately HK$521.94 million as at 31 December 2008. We note that the issue of the ER Consideration Shares and the JV Consideration Shares to satisfy the consideration of the acquisition of Poly Keen will increase the reserves of the Group. As a result, the net assets of the Group will be increased upon completion of the S&P Agreement.

It should be noted that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon completion of the Acquisition.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the S&P Agreement are on normal commercial terms and the transaction(s) contemplated thereunder is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the upcoming SGM to approve the S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

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	Period from 1 April 2007 to 31 December 2007	Year ended 31 March 2007
	HK$'000	*HK$'000*	*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	Plastic recycling segment	Total
	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
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		Period from 1 April 2007 to 31 December 2007	
	HK$'000	*%*	*HK$'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 Direct	Indirect	Principal activities
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	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)	**Number of options**	**Weighted average exercise prices (per share)**	**Number of options**
	HK$	*'000*	*HK$*	*'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	**Exercise price***	**Exercise period**
	'000	*HK$ per share*	
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 *HK$'000*	**Previous carrying amount** *HK$'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	- 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	- 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	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	—	—	—	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	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	—	—	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. SUBSEQUENT ACQUISITION

Subsequent to 31 December 2008, the Group has acquired the entire issued share capital of Get Wealthy which owns 15% of equity interest in China Coal Energy Holdings Limited (as disclosed in the Company's circular dated 25 June 2009) at a consideration of HK$57,312,000 that has been satisfied by issue of 143,280,000 new Shares to Mr. Wong Chok Wah. There is and will be no variation of the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Get Wealthy in consequence of the acquisition of Get Wealthy.

45. RECONCILIATION STATEMENT

Disclosure of the reconciliation of the property interests of our Group and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below.

	HK$'000
Prepaid land lease payments:	
Net book value as at 31 December 2008 (refer to page 73)	19,341
Amortisation for six months ended 30 June 2009	(237)
Net book value as at 30 June 2009	19,104
Freehold land:	
Net book value as at 31 December 2008 (refer to page 71)	4,555
Depreciation for six months ended 30 June 2009	(90)
Net book value as at 30 June 2009	4,465
Building:	
Net book value as at 31 December 2008 (refer to page 71)	118,340
Amortisation for six months ended 30 June 2009	(1,799)
Net book value as at 30 June 2009	116,541
Sub-total	140,110
Valuation surplus	25,690
Valuation as at 30 June 2009	165,800

As at 30 June 2009, the valuation of such property interest attributable to the Group was HK$157,640,000.

25 September, 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 on the financial information (the "Financial Information") regarding the trading of plastic business (hereinafter referred to as the "Business") operated by IB Group Trading Limited (the "IB Group") to be transferred to a joint venture company which will be jointly owned by Pearl Oriental Innovation Limited (the "Company") and the shareholder of the IB Group for each of the three years ended 31st December, 2006, 2007 and 2008 and for the three months ended 31st March, 2009 (the "Relevant Periods") for the inclusion in the circular (the "Circular") issued by the Company dated 25 September, 2009. The comparative unaudited financial information of the Business for the three months ended 31st March, 2008 (the "Comparative Unaudited Financial Information") was prepared on the same basis for the purpose of this report.

The IB Group was incorporated in Hong Kong on 4th May, 1995 with limited liability under the Hong Kong Companies Ordinance. The statutory accounts of the IB Group for the Relevant Periods were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and all of which were audited by us.

On 30th July, 2009, the shareholder of the IB Group and the Company entered into a Merger Agreement to transfer all the Business of the IB Group to a joint venture company. Details of the Merger Agreement are described in the section headed Summary of the Agreements in the "Letter from the Board" of the Circular.

The Financial Information set out in this report, including the income statements, the statements of changes in equity and the cash flow statements of the Business for each of the Relevant Periods, and the balance sheets of the Business as at 31st December, 2006, 2007 and 2008 and 31st March, 2009 together with the notes thereto, has been prepared based on the audited financial information, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards (the "HKASs") and Interpretations) issued by the HKICPA, after making adjustments as we consider appropriate, and are presented on the basis set out in notes 1 and 2 of Section II below.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The management of the Business is responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements and the Financial Information in accordance with HKFRSs, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to the Business. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion based on our audit of the Financial Information and to report our opinion thereon.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of the Business, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PROCEDURES PERFORMED IN RESPECT OF THE 31ST MARCH, 2008 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review of the 31st March, 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the 31st March, 2008 Financial Information.

The Financial Information and the 31st March, 2008 Financial Information are the responsibilities of the management of the Business who approved its issuance. The management of the Business is responsible for the Financial Information and the 31st March, 2008 Financial Information which give, for the purpose of this report, a true and fair view and the contents of the Circular in which this report is included. In preparing the Financial Information and the 31st March, 2008 Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates made are prudent and reasonable. It is our responsibility to form, based on our examination, an independent opinion on the Financial Information and to report our opinion solely to you.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in notes 1 and 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Business as at 31st December, 2006, 2007, 2008 and 31st March, 2009 and of the results and cash flows of the Business for each of the Relevant Periods in accordance with HKFRSs.

REVIEW CONCLUSION IN RESPECT OF THE 31ST MARCH, 2008 FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31st March, 2008 Financial Information does not give a true and fair view of the results and cash flows of the Business for the three-month period ended 31st March, 2008.

I FINANCIAL INFORMATION

1. Income statements

	Note	Years ended 31st December, 2006 HK$'000	2007 HK$'000	2008 HK$'000	Three months ended 31st March, 2008 HK$'000 (unaudited)	2009 HK$'000
Turnover	6	363,852	465,844	555,401	113,549	157,381
Cost of sales		(341,622)	(439,601)	(524,431)	(109,047)	(149,559)
Gross profit		22,230	26,243	30,970	4,502	7,822
Other revenue	7	1,469	1,679	809	377	103
Distribution expenses		(4,395)	(4,606)	(4,492)	(716)	(1,317)
Other operating expenses		(7,513)	(6,988)	(7,532)	(2,273)	(1,028)
Profit from operations		11,791	16,328	19,755	1,890	5,580
Finance costs	8(a)	(4,129)	(5,504)	(7,477)	(1,637)	(1,513)
Profit before taxation	8	7,662	10,824	12,278	253	4,067
Income tax	9	(1,330)	(1,843)	(1,991)	—	(678)
Profit for the year/period		6,332	8,981	10,287	253	3,389
Dividends	12	2,000	3,000	—	—	—

The accompany notes form part of the Financial Information

2. Balance sheets

		31st December,			31st March,
	Note	**2006**	**2007**	**2008**	**2009**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	11	372	410	559	535
CURRENT ASSETS					
Inventories	13	6,408	3,105	—	—
Deposits paid		3,820	10,622	18,365	20,439
Trade receivables	14	13,228	24,903	32,514	33,866
Pledged time deposits	15	22,594	26,390	18,564	18,634
Cash and cash equivalents	15	1,175	2,531	822	2,612
		47,225	67,551	70,265	75,551
CURRENT LIABILITIES					
Bank overdrafts and loans, secured	16&20	47,679	83,548	122,947	124,889
Bank overdrafts and loans, unsecured	16	24,080	37,859	35,777	33,368
Deposits received		3,832	2,251	2,847	3,264
Trade and other payables	17	11,132	4,104	7,622	6,496
Current tax payable	9	381	473	2,464	3,036
		87,104	128,235	171,657	171,053
NET CURRENT LIABILITIES		(39,879)	(60,684)	(101,392)	(95,502)
TOTAL ASSETS LESS CURRENT LIABILITIES		(39,507)	(60,274)	(100,833)	(94,967)
NON-CURRENT LIABILITIES					
Bank overdrafts and loans, unsecured	16	2	—	—	1,968
NET LIABILITIES		(39,509)	(60,274)	(100,833)	(96,935)
EQUITY ATTRIBUTABLE TO THE IB GROUP		(39,509)	(60,274)	(100,833)	(96,935)

The accompanying notes form part of the Financial Information.

3. Statements of changes in equity

	HK$'000
At 1st January, 2006	6,772
Profit for the year	6,332
Interim dividend	(2,000)
Result on non plastic business and asset/liabilities transfer in/out, net	(50,613)
At 31st December, 2006 and 1st January, 2007	(39,509)
Profit for the year	8,981
Interim dividend	(3,000)
Result on non plastic business and asset/liabilities transfer in/out, net	(26,746)
At 31st December, 2007 and 1st January, 2008	(60,274)
Profit for the year	10,287
Result on non plastic business and asset/liabilities transfer in/out, net	(50,846)
At 31st December, 2008 and 1st January, 2009	(100,833)
Profit for the period	3,389
Result on non plastic business and asset/liabilities transfer in/out, net	509
At 31st March, 2009	(96,935)

Note:

Result on non plastic business and assets/liabilities transfer in/out, net mainly represented the relevant equity contributions from and distributions to the IB Group.

The accompanying notes form part of the Financial Information.

4. Cash flows statements

		Years ended 31st December,			Three months ended 31st March,	
		2006	2007	2008	2008	2009
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Cash flow from operating activities						
Profit before taxation		7,662	10,824	12,278	253	4,067
Adjustments for:						
Depreciation		93	75	82	—	28
Finance costs		4,129	5,504	7,477	1,637	1,513
Bank interest income		(671)	(935)	(377)	(97)	(70)
Operating profit before changes in working capital		11,213	15,468	19,460	1,793	5,538
(Increase)/decrease in inventories		(1,928)	3,303	3,105	2,488	—
Increase in deposits paid		(1,267)	(6,802)	(7,743)	(868)	(2,074)
(Increase)/decrease in trade receivables		(9,438)	(11,675)	(7,611)	7,479	(1,352)
Increase/(decrease) in trade and other payables		3,974	(7,028)	3,518	4,807	(1,126)
Increase/(decrease) in deposits received		744	(1,581)	596	4,095	417
Cash generated from/(used in) operations		3,298	(8,315)	11,325	19,794	1,403
Interest paid		(4,129)	(5,504)	(7,477)	(1,637)	(1,513)
Hong Kong profits tax paid		(1,234)	(1,755)	—	—	(106)
Net cash (used in)/generated from operating activities		(2,065)	(15,574)	3,848	18,157	(216)
Cash flows from investing activities						
(Increase)/decrease in pledged bank deposits		(7,655)	(3,796)	7,826	4,943	(70)
Interest received		671	935	377	97	70
Net cash (used in)/generated from investing activities		(6,984)	(2,861)	8,203	5,040	—

		Years ended 31st December,			Three months ended 31st March,	
		2006	2007	2008	2008	2009
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Cash flows from financing activities						
New bank loans raised		319,664	411,458	641,535	91,431	149,416
Repayments of bank loans		(301,779)	(361,812)	(595,249)	(87,761)	(140,840)
Net cash outflow to the IB Group		(8,848)	(26,601)	(69,015)	(26,221)	(4,676)
Dividend paid		(2,000)	(3,000)	—	—	—
Net cash generated from/(used in) financing activities		7,037	20,045	(22,729)	(22,551)	3,900
Net (decrease)/increase in cash and cash equivalents		(2,012)	1,610	(10,678)	646	3,684
Cash and cash equivalents at the beginning of the year/period		2,933	921	2,531	2,531	(8,147)
Cash and cash equivalents at the end of the year/period		921	2,531	(8,147)	3,177	(4,463)
Analysis of balances of cash and cash equivalents						
Cash and bank balances	15	1,175	2,531	822	6,033	2,612
Bank overdrafts	16	(254)	—	(8,969)	(2,856)	(7,075)
		921	2,531	(8,147)	3,177	(4,463)

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATIONS

The IB Group was incorporated in Hong Kong with limited liability. The registered office of the IB Group is located at Unit 11-13, 14/F., Block B, Wah Sang Industrial Buildings, 14-18 Wong Chuk Yeung Street, Shatin, N.T., Hong Kong.

The Business is principally engaged in the trading of plastic.

The Business has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and relevant to the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information is presented in thousands of Hong Kong dollars (HK$'000), which is the same as the functional currency of the Business.

The income statements, statements of changes in equity attributable to the IB Group and cash flow statements of the Business have been prepared, as if the Business has been a single reporting entity throughout the Relevant Periods. The balance sheets of the Business as at 31st December, 2006, 2007 and 2008 and 31st March, 2009 have been prepared to present the assets and liabilities of the Business as if it had been a single reporting entity in existence as at those dates.

The Financial Information has been prepared on a going concern basis because the shareholders have agreed to provide adequate funds to the Business to meet its liabilities as they fall due.

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

The HKICPA has issued a number of new and revised HKFRSs which are effective during the Relevant Periods. For the purpose of preparing and presenting the Financial Information, the Business has applied all these new and revised HKFRSs throughout the Relevant Periods. HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" has been applied in preparing Financial Information.

The accounting policies set out below have been applied consistently to the Relevant Periods in the Financial Information.

The Business has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The management of the Business anticipates that the application of these standards, amendments and interpretations will have no material impact on the Financial Information of the Business.

HKFRSs (Amendments)	Improvements to HKFRS 5[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]

1 Effective for annual periods beginning on or after 1st July, 2009

2 Effective for annual periods beginning on or after 1st January, 2010, unless otherwise specified

The management of the Business is currently assessing the impact of new and amended HKFRSs upon initial application. So far, the management of the Business has preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Business's results and financial positions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of the Financial Information are summarised below.

The Financial Information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 5 to the Financial Information.

(b) Property, plant and equipment

Property, plant and equipment 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 statements in the periods 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.

Depreciation is calculated on the reducing balance 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:

Office equipment	20%

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 statements in the periods the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(c) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating units 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, 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 periods 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 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), had no impairment loss been recognised for the asset.

A reversal of such an impairment loss is credited to the income statements in the periods 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.

(d) Financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, directly attributable transaction costs.

The Business determines the classification of its financial assets after initial recognition and, where allowed and appropriate, reevaluates 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 Business 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 periods generally established by regulation or convention in the marketplace.

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.

(e) Impairment of financial assets

The Business assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

Financial 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 Business 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.

(f) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (i.e. the guarantor) to make specified payments to reimburse beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Business and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Business measure the financial guarantee contract at the higher of the amount determined in accordance with HKAS 37 - Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognsied in accordance with HKAS 18 - Revenue. Any changes in the liabilities relating to financial guarantees are taken to the income statement.

(g) Derecognition of financial assets

A financial asset is derecognised where:

(i) The rights to receive cash flows from the asset have expired;

(ii) The Business 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 Business 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 or transferred control of the asset, the asset is recognised to the extent of the Business'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 Business could be required to repay.

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

Financial liabilities including trade payables, other payables and accruals, deposits received and interest-bearing loans and 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.

(i) 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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the first in first out formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the periods in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the periods the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the periods in which the reversal occurs.

(k) Cash and cash equivalents

For the purpose of the cash flows statements, 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 Business's cash management.

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

(l) Retirement benefits scheme

The Business operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. 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 Scheme. The assets of the Scheme are held separately from those of the Business in an independently administered fund. The Business's employer contributions vest fully with the employees when contributed into the Scheme, except for the Business's employer voluntary contributions, which are refunded to the Business when employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

(m) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Business has a legal or constructive obligation arising as 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flows to the Business and when the revenue can be measured reliably, on the following bases:

(i) On the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, which generally coincides with the time when the goods are delivered to customers and the title has passed;

(ii) Interest, on a time proportion basis; and

(iii) Commission, when the related services have been rendered;

(p) Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is the Business's functional and presentation currency. Each entity in the Business determines its own functional currency and items included in the financial information 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 sheets 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.

(q) Borrowing costs

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

(r) Segment reporting

A segment is a distinguishable component of the Business that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Business's operations are regarded as a single business segment, being an entity engaged mainly in the trading of plastic. Accordingly, no analysis by business segment has been presented.

(s) Dividend distribution

Interim dividends are simultaneously proposed and declared because the Bye-laws grant the management of the Business authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

(t) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Business if:

(i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Business or exercise significant influence over the Business in making financial and operating policy decisions, or has joint control over the Business;

(ii) The Business and the party are subject to common control;

(iii) The party is an associate of the Business or a joint venture in which the Business is a venturer;

(iv) The party is member of key management personnel of the Business or the Business's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Closed family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. FINANCIAL INSTRUMENTS

(I) Financial instruments by category

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

(a) ***Financial assets***

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits paid	6	6	6	6
Trade receivables (note 14)	13,228	24,903	32,514	33,866
Pledged time deposits (note 15)	22,594	26,390	18,564	18,634
Cash and cash equivalents (note 15)	1,175	2,531	822	2,612
	37,003	53,830	51,906	55,118

(b) ***Financial liabilities***

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts and loans (note 16)	71,761	121,407	158,724	160,225
Trade and other payables (note 17)	11,132	4,104	7,622	6,496
	82,893	125,511	166,346	166,721

The Business has no other financial instruments except the above disclosed.

(II) Financial risk management objectives and policies

The Business activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

(a) ***Foreign currency risk***

Certain trade receivables, cash and cash equivalents and borrowings of the Business denominated in foreign currencies. The Business uses forward contracts to manage its foreign currency risk arising from future commercial transactions, recognised assets and liabilities when they are denominated in a currency that is not the Business's functional currency. The management of the Business is responsible for managing the net position in each foreign currency by using external forward currency contracts.

The Business operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Hong Kong dollars. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The carrying amounts of the Business's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	As at 31st December, 2006	As at 31st December, 2007	As at 31st December, 2008	As at 31st March, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Japan Yen	1,185	8,873	6,985	6,897
United States Dollars	11,241	15,278	26,816	31,570
Australian Dollars	4,061	6,067	6,461	6,499
Liabilities				
United States Dollars	69,478	98,268	101,432	144,120
Japan Yen	12,810	24,121	9,264	4,419

The carrying amounts of the Business's monetary assets and monetary liabilities, which are denominated in United States dollars, at balance sheets date are HK$31,570,000 and HK$144,120,000 respectively (2008: HK$26,816,000 and HK$101,432,000; 2007: HK$15,278,000 and HK$98,268,000; 2006: HK$11,241,000 and HK$69,478,000). It is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

Sensitivity analysis

The Business is mainly exposed to the effects of fluctuation in Australian Dollars and Japan Yen.

The following table indicates the approximate change in the Business's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Business has significant exposure at the balance sheet date.

	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits — As at 31st December, 2006	As at 31st December, 2007	As at 31st December, 2008	As at 31st March, 2009
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Japan Yen	5%	(480)	(629)	(94)	103
	(5)%	480	629	94	(103)
Australian Dollars	5%	168	250	267	271
	(5)%	(168)	(250)	(267)	(271)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

(b) ***Fair value and cash flow interest rate risk***

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Business is exposed to cash flow interest rate risk. The Business's exposure to market risk for changes in interest rates relates primarily to the Business's long term debt obligations with floating interest rates. Bank loans, bank deposits and cash and cash equivalents are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are charged to the income statements as incurred.

The Business's exposure on fair value interest rate risk mainly arises from pledged time deposits.

At 31st March, 2009, it was estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Business's profit after tax and retained profits by approximately HK$1,156,000 (2008: HK$1,170,000; 2007: HK$780,000 and 2006: HK$399,000). This is mainly attributable to the Business exposure to interest rates on its variable rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at the date. The 1% increase or decrease represents management's assessment of the likely maximum change in interest rates over the period until the next annual balance sheet date.

(c) ***Credit risk***

The Business is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due key areas where the Business is exposed to credit risk are trade receivables. The management of the Business has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Substantially all the Business's cash and cash equivalents are deposited with financial institutions in Hong Kong that are high-credit quality and meet the estimated credit rating or other criteria.

Credit is offered to a customer following a financial assessment and an established payment record. Credit limits are set for all customers which are exceeded only with the approval of senior officers. Customers considered to be a credit risk trade on a cash basis. In addition, the management of the Business reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Business considers that the Business's credit risk is significantly reduced.

At each of the balance sheet date, the Business had a certain concentration of credit risk as 55.78% of 31st March, 2009 (2008: 53.35%; 2007: 62.01% and 2006: 54.41%) of the total trade receivables was due from the Business's five largest customers.

Further quantitative disclosures in respect of the Business's exposure to credit risk arising from trade receivables are set out in note 14 to the Financial Information.

(d) ***Liquidity risk***

The Business's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

The Business's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Business's non-derivative financial liabilities, which are based on contractual undiscounted cash flows including interest payments computed using contractual rates or, if floating, based on rates current at each balance sheet date and the earliest date the Business can be required to pay.

	As at 31st December, 2006					
	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts and loans	71,761	71,810	71,807	3	—	—
Trade and other payables	11,132	11,132	11,132	—	—	—
	82,893	82,942	82,939	3	—	—

	As at 31st December, 2007					
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts and loans	121,407	121,464	121,464	—	—	—
Trade and other payables	4,104	4,104	4,104	—	—	—
	125,511	125,568	125,568	—	—	—

	As at 31st December, 2008					
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts and loans	158,724	158,725	158,725	—	—	—
Trade and other payables	7,622	7,622	7,622	—	—	—
	166,346	166,347	166,347	—	—	—

	As at 31st March, 2009					
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts and loans	160,225	160,450	158,382	1,079	989	—
Trade and other payables	6,496	4,496	4,496	—	—	—
	166,721	164,946	162,878	1,079	989	—

(e) ***Fair value estimation***

The fair values of cash and cash deposits, trade receivables, deposits, trade and other payables and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Business are discussed below.

Judgements

In the process of applying the Business's accounting policies, management of the Business has made the following judgements, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the Financial Information.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Business is based on the evaluation of collectability and aging analysis of the Financial Information and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Business were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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 the Business's assets and liabilities within the next financial year are discussed below.

(a) ***Impairment test of assets***

The management of the Business determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Business to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of the cash flows.

(b) ***Income taxes***

The management of the Business reviews the carrying amount of deferred tax assets at each balance sheet date and reduces the amount 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 assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Business to make an estimate of the expected future earnings from the Business and also to choose a suitable discount rate in order to calculate the present value of the earnings.

6. 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.

The Business has mainly one operating segment, which is trading of plastic throughout the Relevant Periods. No business segment information is presented.

In determining the Business's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets.

Geographical segments

The Business's main operations are located in the PRC and Hong Kong. The following table provides an analysis of the Business's sales by geographical market.

	Years ended 31st December,			**Three months ended 31st March,**	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue by geographical markets:					
The PRC	189,392	259,207	273,785	66,566	51,104
Hong Kong	137,630	148,078	176,846	27,752	58,699
Taiwan	36,719	58,443	100,097	19,135	45,429
Japan	111	116	4,673	96	2,149
	363,852	465,844	555,401	113,549	157,381

	As at 31st December,			**As at 31st March,**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets:				
Hong Kong	47,597	67,961	70,824	76,086

7. OTHER REVENUE

	Years ended 31st December,			Three months ended 31st March,	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Bank interest	671	935	377	97	70
Commission received	798	744	432	280	33
	1,469	1,679	809	377	103

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Years ended 31st December,			Three months ended 31st March,	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
(a) Finance costs					
Interest on					
- Bank loans and overdrafts wholly repayable within five years	333	162	333	81	110
- Letter of credit	3,796	5,342	7,144	1,556	1,403
	4,129	5,504	7,477	1,637	1,513
(b) Staff costs					
Director's remuneration	1,503	1,529	680	462	72
Other staff's retirement benefits contributions for defined contribution plan	206	197	195	49	42
Salaries and other benefits	5,506	5,251	5,340	1,375	1,116
	7,215	6,977	6,215	1,886	1,230
(c) Other items					
Depreciation	93	75	82	—	28
Auditors' remuneration	53	60	62	—	60

9. INCOME TAX

	Years ended 31st December, 2006 HK$'000	2007 HK$'000	2008 HK$'000	Three months ended 31st March, 2008 HK$'000 (unaudited)	2009 HK$'000
Current tax - Provision for Hong Kong Profits Tax for the year/period	(1,330)	(1,843)	(1,991)	—	(678)

Hong Kong profits tax is provided at the rate of 17.5%, 17.5%, 16.5% and 16.5% for the years ended 31st December, 2006, 2007 and 2008 and the three months ended 31st March, 2009 respectively based on the estimated assessable profit for the year/period.

Deferred tax assets/(liabilities) have not been recognised in the Financial Information as there was no material temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the tax bases.

The income tax expenses for the year/period can be reconciled to the profit before tax per the income statement as follow:

	Years ended 31st December, 2006 HK$'000	2007 HK$'000	2008 HK$'000	Three months ended 31st March, 2008 HK$'000 (unaudited)	2009 HK$'000
Profit before taxation	7,662	10,824	12,278	253	4,067
Tax at Hong Kong Profits Tax rate	(1,341)	(1,894)	(2,026)	(41)	(671)
Tax effect of non-deductible expenses	—	(3)	(10)	—	(5)
Tax effect of non-taxable revenue	3	3	—	—	—
Tax effect of deductible/(taxable) temporary difference	—	9	27	41	(3)
Underprovision	8	42	18	—	1
Tax expenses for the year/period	(1,330)	(1,843)	(1,991)	—	(678)

10. DIRECTOR'S REMUNERATION

The individual amount of remuneration payable to the sole director of the Business during the Relevant Periods are as follows:

	Years ended 31st December,			Three months ended 31st March,	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Director					
Cheung Mo Kit	1,503	1,529	680	462	72

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment
	HK$'000
Cost:	
At 1st January, 2006	782
Additions	83
At 31st December, 2006	865
Accumulated depreciation:	
At 1st January, 2006	400
Charges for the year	93
At 31st December, 2006	493
Net book value:	
At 31st December, 2006	372
Cost:	
At 1st January, 2007	865
Additions	113
At 31st December, 2007	978

	Office equipment
	HK$'000
Accumulated depreciation:	
At 1st January, 2007	493
Charges for the year	75
At 31st December, 2007	568
Net book value:	
At 31st December, 2007	410
Cost:	
At 1st January, 2008	978
Additions	231
At 31st December, 2008	1,209
Accumulated depreciation:	
At 1st January, 2008	568
Charges for the year	82
At 31st December, 2008	650
Net book value:	
At 31st December, 2008	559
Cost:	
At 1st January, 2009	1,209
Additions	4
At 31st March, 2009	1,213
Accumulated depreciation:	
At 1st January, 2009	650
Charges for the period	28
At 31st March, 2009	678
Net book value:	
At 31st March, 2009	535

All property, plant and equipment held by the Business are located in Hong Kong.

12. DIVIDENDS

	Years ended 31st December,			Three months ended 31st March,	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
As 31st March, 2009 Interim paid of Nil per share (2008: Nil per share, 2007: HK$300 per share, 2006: HK$200 per share)	2,000	3,000	—	—	—

13. INVENTORIES

Inventories in the balance sheets comprise:

	As at 31st December,			As at 31st March,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	6,408	3,105	—	—

14. TRADE RECEIVABLES

	As at 31st December,			As at 31st March,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	13,228	24,903	32,514	33,866

The management of the Business estimates that the carrying amounts of trade receivables approximate their fair values.

The ageing analysis of trade receivables as at the end of each balance sheet date is as follows:

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	9,392	16,583	8,364	2,695
31-60 days	213	154	137	255
61 days or above	3,623	8,166	24,013	30,916
	13,228	24,903	32,514	33,866

Normally, no credit period is granted to customers. The Business seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management of the Business.

Trade receivables that were past due but not impaired related to a wide range of customers that have a good track record with the Business. Based on past experience, management of the Business believe that no impairment loss is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Business does not hold any collateral over these balances.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	'000	*'000*	*'000*	*'000*
United States Dollars	USD1,278	USD1,568	USD1,769	USD1,976
Japan Yen	JPY376	JPY2,650	JPY3,465	JPY3,235

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	As at 31st December,			As at 31st March,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	1,175	2,531	822	2,612
Pledged time deposits for general banking facilities	22,594	26,390	18,564	18,634
	23,769	28,921	19,386	21,246

The carrying amounts of cash and cash equivalents and pledged time deposits with maturity within six months approximate their fair values and are mainly denominated in Hong Kong dollars and Australian dollars.

The effective interest rate of pledged time deposits for the years ended 31st December, 2006, 2007 and 2008 and the three months ended 31st March, 2009 was ranging from 3.42% - 4.07%, 1.02% - 1.65%, 0.70% - 2.94% and 0.45% - 1.14% per annum respectively.

Included in cash and cash equivalents and pledged time deposits are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	As at 31st December,			As at 31st March,
	2006	2007	2008	2009
	'000	*'000*	*'000*	*'000*
Japan Yen	JPY13	JPY9	JPY2	JPY2
United States Dollars	USD732	USD486	USD20	USD1,224
Australian Dollars	AUD—	AUD6,067	AUD6,461	AUD6,499

16. BANK OVERDRAFTS AND LOANS

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts and loans, secured	47,679	83,548	122,947	124,889
Bank overdrafts and loans, unsecured	24,082	37,859	35,777	35,336
	71,761	121,407	158,724	160,225
Repayable within one year included under current liabilities	(71,759)	(121,407)	(158,724)	(158,257)
Repayable after one year included under non-current liabilities	2	—	—	1,968
Repayable between one to two years	(2)	—	—	(1,003)
Repayable between two to five years	—	—	—	(965)
Repayable over five years	—	—	—	—

The carrying amounts of the Business's borrowings are denominated in the following currencies:

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	31,764	4,042	21,427	17,940
Japan Yen	3,038	24,120	9,263	4,418
United States dollars	36,959	93,245	128,034	137,867
	71,761	121,407	158,724	160,225

The effective interest rates at the balance sheet date were as follows:

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	%	%	%	%
Bank overdrafts and loans				
Hong Kong dollars	5.64-10.75	3.87-9.11	2.07-7.23	2.07-7.30
Japan Yen	2.15-2.91	1.38-2.40	0.68-2.20	0.48-1.99
United States dollars	9.11-9.92	6.96-8.03	2.27-3.82	2.27-2.78

Bank loans are arranged at floating interest rates and expose the Business to cash flow interest rate risk.

Certain bank overdrafts and loans are secured by the related parties and the Business's assets, details of which are disclosed in notes 19 and 20 to the Financial Information in respectively.

17. TRADE AND OTHER PAYABLES

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	11,079	4,044	7,560	6,374
Accrued expenses	53	60	62	122
	11,132	4,104	7,622	6,496

The management of the Business estimates that the carrying amounts of trade and other payables approximate their fair values.

The ageing analysis of trade payables as at each balance sheet date is as follows:

	As at 31st December,			As at 31st March,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	8,631	3,261	2,112	5,728
31-60 days	742	4	4,481	8
61 days or above	1,706	779	967	638
	11,079	4,044	7,560	6,374

Included in trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	As at 31st December,			As at 31st March,
	2006	2007	2008	2009
	'000	*'000*	*'000*	*'000*
United States Dollars	USD1,345	USD466	USD910	USD742
Japan Yen	JPY8,613	JPY4	JPY4	JPY4

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Years ended 31st December,			3 months ended 31st March,	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and other short-term employee benefits	1,503	1,529	680	462	72

19. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

At 31st December, 2006, the Business had entered into foreign currency forward contracts as follows:

— Buy totally USD 5,500,000 from 4th January, 2007 to 6th November, 2007.

— Buy totally JPY 351,922,852 from 9th January, 2007 to 23rd October, 2007.

At 31st December, 2007, the Business had entered into foreign currency forward contracts as follows:

— Buy totally USD 5,000,000 from 15th January, 2008 to 29th January, 2008.

At 31st December, 2008, the Business had entered into four foreign currency forward contracts. Under these contracts the Business has obligations to buy the United States Dollars ("USD") foreign currency at specific prices for each settlement date until the contracts expire. Details of the contracts as follows:

— Buy USD1,500,000 or USD3,000,000 at USD/HKD 7.745 for each settlement date, the expire date of the contract is 22nd December, 2009.

— Buy USD1,000,000 or USD2,000,000 at USD/HKD 7.738 for each settlement date, the expire date of the contract is 24th July, 2009.

— Buy USD500,000 or USD1,000,000 at USD/HKD 7.737 for each settlement date, the expire date of the contract is 18th March, 2009.

— Buy USD200,000 or USD600,000 at USD/HKD 7.728 for each settlement date, the expire date of the contract is 11th November, 2009.

At 31st March, 2009, the Business had entered into six foreign currency forward contracts. Under these contracts the Business has obligations to buy the USD and Japan Yen ("JPY") foreign currency at specific prices for each settlement date until the contracts expire. Details of the contracts as follows:

— Buy USD1,500,000 or USD3,000,000 at USD/HKD 7.745 for each settlement date, the expire date of the contract is 22nd December, 2009.

— Buy USD1,000,000 or USD2,000,000 at USD/HKD 7.738 for each settlement date, the expire date of the contract is 24th July, 2009.

— Buy USD200,000 or USD600,000 at USD/HKD 7.728 for each settlement date, the expire date of the contract is 11th November, 2009.

— Buy USD1,000,000 at USD/RMB 6.84 for each settlement date, the expire date of the contract is 24th February, 2010.

— JPY/HKD at 0.07925, Buy JPY15,000,000, expire date at 8th June, 2009.

— JPY/HKD at 0.07883, Buy JPY9,605,039, expire date at 8th May, 2009.

(b) Contingent liabilities

At the respective balance sheet dates, the Business has the following guarantees:

— Guarantees received from related parties in respect of banking facilities granted to the Business of all the Relevant Periods:

    — The related parties pledged their properties to banks to secure general banking facilities granted to the Business.

    — The management of the Business gave his personal guarantee, pledged deposits and properties to secure general banking facilities granted to the Business with unlimited amount.

    — Except for year ended 31st December, 2008, the shareholder of the Business gave her personal guarantee to secure general banking facilities granted to the Business.

In the opinion of the management of the Business, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair values of these financial guarantee contracts at their initial recognition are immaterial.

20. PLEDGE OF ASSETS

At each of the reporting dates during the Relevant Periods, the Business pledged its assets to secure general banking facilities granted to the Business. The carrying amount of pledge assets are as follows:

	As at 31st December,			As at 31st March,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Pledged time deposits	22,594	26,390	18,564	18,634

21. EARNINGS PER SHARE

The earning per share are not presented as such information is not meaningful having regard for the purpose of this report.

22. SUBSEQUENT EVENTS

On 30th July, 2009, the shareholder of the IB Group has entered into agreement with a third party whereby he agreed to transfer all the Business to a joint venture company set up by the shareholder of the IB Group and a third party upon completion of the agreement.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Business in respect of any periods subsequent to 31st March, 2009 and up to the date of this report.

Yours faithfully,
TONY KWOK TUNG NG & CO.
Certified Public Accountants
Hong Kong

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

1. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (AFTER ACQUISITION OF GET WEALTHY)

The following unaudited pro forma financial information of the Group after the acquisition of Get Wealthy (the "Enlarged Group") has been prepared and included in the Company's circular dated 25 June 2009 (the "Circular") 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	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*
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 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
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 (5,853) (23,066)		(320)	(50,722)
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
Shortfall in profit of an associate guaranteed by an ex-joint venture partner	(9,800)	—	—	(9,800)							(9,800)

	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*
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	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*
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.

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司
13F Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong
香港灣仔告士打道128號祥豐大廈13F座

25 September 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"), all the existing waste plastic business (the "Business") of IB Group Trading Limited and Poly Keen Limited ("Poly Keen", together with the Group and the Business, hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how the completion of a merger agreement dated 30 July 2009 (the "Merger Agreement") between the Company and an independent third party (the "JV Partner") and a sale and purchase agreement dated 30 July 2009 (the "S&P Agreement") between Grand Ascend Investments Limited, a wholly-owned subsidiary of the Company, and Mr. Tan Kian Chung ("Mr. Tan", a director of Euro Resources China Limited, a non wholly-owned subsidiary of the Company) might have affected the financial information presented, for inclusion as Appendix IV to the circular of Company dated 25 September 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility of the Directors of the Company to prepare the unaudited pro forma financial information of the Enlarged Group 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 of the Enlarged Group 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 of the Enlarged Group beyond that owed to whom those reports were addressed by us at the dates of their issue.

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 of the Enlarged Group 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 of the Enlarged Group 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 of the Enlarged Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information of the Enlarged Group is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical 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 and 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 of the Enlarged Group 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 of the Enlarged Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Cachet Certified Public Accountants Limited
Certified Public Accountants
Chan Yuk Tong
Practising Certificate Number P03723
Hong Kong

A. 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 Merger Agreement and the S&P Agreement.

The unaudited pro forma consolidated statements of income and cash flows of the Enlarged Group are prepared based on (i) the audited consolidated 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 for the year ended 31 December 2008; (ii) the audited statements of income and cash flows of the Business for the year ended 31 December 2008 as extracted from the accountants' report of the Business in Appendix II; and (iii) the unaudited statements of income and cash flows of Poly Keen Limited ("Poly Keen") for the year ended 31 December 2008 and as if the Merger Agreement and the S&P Agreement have been completed on 1 January 2008. A narrative description of pro forma adjustments that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) expected to have a continuing impact on the Enlarged Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma statement of financial position of the Enlarged Group is prepared based on (i) the audited consolidated balance sheet of the Group as at 31 December 2008 as extracted from the annual report of the Company for the year ended 31 December 2008; (ii) the audited statements of financial position of the Business as at 31 December 2008 as extracted from the accountants' report of the Business in Appendix II; and (iii) the unaudited statement of financial position of Poly Keen as at 31 December 2008 and as if the Merger Agreement and the S&P Agreement have been completed on 31 December 2008. A narrative description of pro forma adjustments that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) expected to have a continuing impact on the Enlarged Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Merger Agreement and the S&P Agreement. It is prepared for illustrative purpose only in accordance with Paragraph 29 of Chapter 4 of the Listing Rules to provide the investors with further information to illustrate the effect on the Group after the completion of the Merger Agreement and the S&P Agreement and it does not purport to represent what the results, cash flows or financial position of the Group as on the completion of the Merger Agreement and the S&P Agreement.

(i) Unaudited pro forma consolidated statement of income of the Enlarged Group for the year ended 31 December 2008

	The Group's audited consolidated statement of income for the year ended 31 December 2008	Poly Keen's unaudited statement of income for the year ended 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of income for the year ended 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of income for the year ended 31 December 2008
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000 (Note d)	HK$'000	HK$'000	HK$'000 (Note e)	HK$'000	HK$'000 (Note f)	HK$'000 (Note g)	HK$'000
Revenue	78,783	—		1,250			80,033	555,401		555,401			635,434
Cost of services provided/cost of sales	(51,095)	—		(552)			(51,647)	(524,431)		(524,431)			(576,078)
Gross profit	27,688	—					28,386	30,970		30,970			59,356
Other income and gains	12,493	—		(9,176)			3,317	809		809			4,126
Selling and distribution costs	(17,609)	—					(17,609)	(4,492)		(4,492)			(22,101)
Administrative expenses	(43,171)	(12)		(19,026)			(62,209)	(7,532)		(7,532)		(300)	(70,041)
Finance costs, net	(6,494)	—		(535)			(7,029)	(7,477)		(7,477)			(14,506)
Share of loss of associates	(12,752)	(3,840)		12,957			(3,635)	—		—			(3,635)
(Loss)/profit before tax	(39,845)	(3,852)					(58,779)	12,278		12,278			(46,801)
Taxation	(1,420)	—					(1,420)	(1,991)		(1,991)			(3,411)
(Loss)/profit for the year	(41,265)	(3,852)					(60,199)	10,287		10,287			(50,212)
Attributable to:													
Equity holders	(38,310)	(3,852)		(15,280)			(57,442)	10,287		10,287		(300)	(47,455)
Minority interests	(2,955)	—		198			(2,757)	—		—			(2,757)
	(41,265)	(3,852)					(60,199)	10,287		10,287			(50,212)

(ii) Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2008

	The Group's audited consolidated statement of financial position as at 31 December 2008	Poly Keen's unaudited statement of financial position as at 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of financial position as at 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of financial position as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000* *(Note c)*	*HK$'000* *(Note d)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note e)*	*HK$'000*	*HK$'000* *(Note f)*	*HK$'000* *(Note g)*	*HK$'000*
Non-current assets													
Property, plant and equipment	165,331	—					165,331	559	(559)	—			165,331
Prepaid land lease payments	18,868	—					18,868	—		—			18,868
Goodwill	16,921	—	33,391				50,312	—		—	60,227		110,539
Interest in associates	420,903	21,611	(21,611)				420,903	—		—			420,903
Total non-current assets	622,023	21,611					655,414	559		—			715,641
Current assets													
Inventories	9,083	—					9,083	—		—			9,083
Trade receivables	10,250	—					10,250	32,514	(32,514)	—			10,250
Prepayments, deposits and other receivables	11,195	—					11,195	18,365	(18,365)	—			11,195
Due from ERC	—	11,496			(11,496)		—	—		—			—
Other receivable - Mr. Cheng Mo Kit	—	—					—	—		—			—
Pledged term deposit	—	—					—	18,564	(18,564)	—			—
Due from associates	5,593	—					5,593	—		—			5,593
Cash and cash equivalents	15,787	—				20,000	35,787	822	(822)	—			35,787
Total current assets	51,908	11,496					71,908	70,265		—			71,908

	The Group's audited consolidated statement of financial position as at 31 December 2008	Poly Keen's unaudited statement of financial position as at 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of financial position as at 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of financial position as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000* (Note a)	*HK$'000* (Note b)	*HK$'000* (Note c)	*HK$'000* (Note d)	*HK$'000*	*HK$'000*	*HK$'000* (Note e)	*HK$'000*	*HK$'000* (Note f)	*HK$'000* (Note g)	*HK$'000*
Current liabilities													
Trade payables	(8,767)	—					(8,767)	(7,560)	7,560	—			(8,767)
Other payables and accruals	(19,886)	—					(19,886)	(62)	62	—		(300)	(20,186)
Deposit received	—	—					—	(2,847)	2,847	—			—
Tax payable	(16,451)	—					(16,451)	(2,464)	2,464	—			(16,451)
Due to minority shareholders of subsidiary	(5,167)	—					(5,167)	—		—			(5,167)
Due to a shareholder	—	(41,289)	41,289				—	—		—			—
Interest bearing bank borrowing, unsecured	—	—					—	(35,777)	35,777	—			—
Interest bearing bank borrowing, secured	(8,382)	—					(8,382)	(122,947)	122,947	—			(8,382)
Total current liabilities	(58,653)	(41,289)					(58,653)	(171,657)		—			(58,953)
Net current (liabilities)/assets	(6,745)	(29,793)					13,255	(101,392)		—			12,955
Total assets less current liabilities	615,278	(8,182)					668,669	(100,833)		—			728,596

	The Group's audited consolidated statement of financial position as at 31 December 2008	Poly Keen's unaudited statement of financial position as at 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of financial position as at 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of financial position as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000* (*Note a*)	*HK$'000* (*Note b*)	*HK$'000* (*Note c*)	*HK$'000* (*Note d*)	*HK$'000*	*HK$'000*	*HK$'000* (*Note e*)	*HK$'000*	*HK$'000* (*Note f*)	*HK$'000* (*Note g*)	*HK$'000*
Non-current liabilities													
Due to minority shareholders of subsidiary	(16,337)	—			11,496		(4,841)	—		—			(4,841)
Interest bearing bank borrowing, secured	(51,998)	—					(51,998)	—		—			(51,998)
Loan from immediate parent and ultimate controlling party	(25,000)	—					(25,000)	—		—			(25,000)
Total non-current liabilities	(93,335)	—					(81,839)	—		—			(81,839)
Net assets/(liabilities)	521,943	(8,182)					586,830	(100,833)		—			646,757
Equity													
Equity attributable to equity holders of the Company													
Issued Capital	46,474	—	10,000				56,474	—		—	10,000		66,474
Reserves	466,822	(8,182)	48,182				506,822	(100,833)	100,833	—	40,000	(300)	546,522
	513,296	(8,182)					563,296	(100,833)		—			612,996
Minority interests	8,647	—	(5,113)			20,000	23,534	—		—	10,227		33,761
Total equity	521,943	(8,182)					586,830	(100,833)		—			646,757

(iii) Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2008

	The Group's audited consolidated statement of cash flows for the year ended 31 December 2008	Poly Keen's unaudited statement of cash flows for the year ended 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of cash flows for the year ended 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2008
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000 (Note d)	HK$'000	HK$'000	HK$'000 (Note e)	HK$'000	HK$'000 (Note f)	HK$'000 (Note g)	HK$'000
Cash flows from operating activities													
(Loss)/profit before tax	(39,845)	(3,852)		(15,082)			(58,779)	12,278	(12,278)	—			(58,779)
Adjustments for:													
Finance costs	6,494	—		535			7,029	7,477	(7,477)	—			7,029
Share of loss of associates	12,752	3,840		(12,957)			3,635	—		—			3,635
Interest income	(171)	—		(1)			(172)	(377)	377	—			(172)
Loss on disposal of property, plant and equipment	356	—					356	—		—			356
Depreciation of property, plant and equipment	5,664	—		3,197			8,861	82	(82)	—			8,861
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
Written-back of other payables	(545)	—					(545)	—		—			(545)
Written-off of property, plant and equipment	7,716	—					7,716	—		—			7,716
Shortfall in profit of an associate guaranteed by an ex-joint venture partner	(9,800)	—		9,800			—	—		—			—
	(13,862)	(12)					(28,382)	19,460		—			(28,382)

	The Group's audited consolidated statement of cash flows for the year ended 31 December 2008	Poly Keen's unaudited statement of cash flows for the year ended 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of cash flows for the year ended 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2008
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000 (Note d)	HK$'000	HK$'000	HK$'000 (Note e)	HK$'000	HK$'000 (Note f)	HK$'000 (Note g)	HK$'000
(Increase)/decrease in inventory	(1,881)	—		(2,495)			(4,376)	3,105	(3,105)	—			(4,376)
Decrease/(increase) in trade receivables	5,112	—		(407)			4,705	(7,611)	7,611	—			4,705
Increase in prepayments, deposits and other receivables	(458)	—		6,274			5,816	(7,743)	7,743	—			5,816
(Decrease)/increase in trade payables	(10,395)	—		6,959			(3,436)	3,516	(3,516)	—			(3,436)
(Decrease)/increase in other payables and accruals	(24,468)	—		29,940			5,472	2	(2)	—			5,472
Increase in deposit received	—	—					—	596	(596)	—			—
Increase in amount due to a shareholder	—	12					12	—		—			12
Cash (used in)/generated from operations	(45,952)	—					(20,189)	11,325		—			(20,189)
Interest paid	—	—					—	(7,477)	7,477	—			—
Income tax paid	(1,721)	—					(1,721)	—		—			(1,721)
Net cash (outflow)/inflow from operating activities	(47,673)	—					(21,910)	3,848		—			(21,910)

	The Group's audited consolidated statement of cash flows for the year ended 31 December 2008	Poly Keen's unaudited statement of cash flows for the year ended 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of cash flows for the year ended 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2008
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000 (Note d)	HK$'000	HK$'000	HK$'000 (Note e)	HK$'000	HK$'000 (Note f)	HK$'000 (Note g)	HK$'000
Cash flows from investing activities													
Decrease in pledged bank deposits	—	—					—	7,826	(7,826)	—			—
Interest received	171	—		1			172	377	(377)	—			172
Purchases of items of property, plant and equipment	(3,699)	—		(8,571)			(12,270)	—		—			(12,270)
Net cash and cash equivalent inflow from acquisition of subsidiaries	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
Advances from/(to) associates	4,337	—					4,337	—		—			4,337
Net Cash inflow/(outflow) from investing activities	37,561	—					26,962	8,203		—			26,962
Cash flows from financing activities													
New bank loan	—	—					—	641,535	(641,535)	—			—
Repayment of bank loan	(4,036)	—					(4,036)	(595,249)	595,249	—			(4,036)
Net cash outflow to the IBG Group	—	—					—	(69,015)	69,015	—			—
Advance from minority shareholders	4,008	—		(785)			3,223	—		—			3,223

	The Group's audited consolidated statement of cash flows for the year ended 31 December 2008	Poly Keen's unaudited statement of cash flows for the year ended 31 December 2008	Pro forma adjustments				Sub-total	The Business: The Business's audited statement of cash flows for the year ended 31 December 2008	The Business: Pro forma adjustment	The Business: Sub-total	Pro forma adjustments		The Enlarged Group's unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000* *(Note c)*	*HK$'000* *(Note d)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note e)*	*HK$'000*	*HK$'000* *(Note f)*	*HK$'000* *(Note g)*	*HK$'000*
Contribution from minority shareholders	—	—				20,000	20,000	—		—			20,000
Advance from immediate parent and ultimate controlling party	3,570	—					3,570	—		—			3,570
Interest paid	(6,444)	—		(535)			(6,979)	—		—			(6,979)
Net cash (outflow)/inflow from financing activities	(2,902)	—					15,778	(22,729)		—			15,778
Net (decrease)/increase in cash and cash equivalents	(13,014)	—					20,830	(10,678)		—			20,830
Cash and cash equivalents at beginning of year	31,617	—		(2,002)			29,615	2,531	(2,531)	—			29,615
Effect of foreign excharge rate changes, net	(2,816)	—		(11,842)			(14,658)	—		—			(14,658)
Cash and cash equivalents at end of year	15,787	—					35,787	(8,147)		—			35,787
Analysis of balances of cash and cash equivalents:													
Cash and bank balances	15,787	—				20,000	35,787	(8,147)	8,147	—			35,787

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) Pursuant to a sale and purchase agreement dated 30 July 2009 (the "S&P Agreement") between Grand Ascend Investments Limited ("Grand Ascend", a wholly-owned subsidiary of the Company) and Mr. Tan Kian Chung ("Mr. Tan"), the 100% equity interests in Poly Keen Limited ("Poly Keen"), which currently owns 20% equity interests of Euro Resources China Limited ("Euro Resources", a currently 80%-owned subsidiary of the Group), will be disposed of by Mr. Tan to Grand Ascend at a consideration of HK$50 million, to be satisfied by the issue of 100,000,000 new shares of the Company (the "ER Consideration Shares") at a price of HK$0.50 per share. In addition, the amount due to Mr. Tan of HK$41,289,000 would be waived upon the completion of the S&P Agreement.

The adjustment reflects the acquisition of 100% equity interest of Poly Keen assuming such acquisition had taken place on 31 December 2008, as follows:

	HK$'000
Poly Keen's 20% share in the net assets of Euro Resources	5,113
Elimination of amount due from Euro Resources	11,496
Assets and liabilities of Poly Keen, net (A)	16,609
Consideration of acquisition (B)	50,000
Goodwill ((A) − (B))	33,391
Consideration of acquisition satisfied by ER Consideration Shares:	
Issued capital	10,000
Share premiums	40,000
	50,000

The adjustment also reflects the waiver of the amount due to Mr. Tan.

(b) Prior to 27 November 2008, Euro Resources was owned by the Group as to 50%. On 27 November 2008, the Group acquired a further 30% equity interests in Euro Resources. The adjustment reflects (i) eliminated the Group's 50% share of losses of Euro Resources for the period from 1 January 2008 to 27 November 2008 and record all the statement of income of Euro Resources for the period from 1 January 2008 to 27 November 2008 and (ii) the extent of loss for the year ended 31 December 2008 of Euro Resources shared by its 20% minority shareholders now taken up by the Group assuming the S&P Agreement had been completed on 1 January 2008.

(c) The adjustment reflects the elimination of the current account between Poly Keen and Euro Resources assuming the acquisition of the 100% equity interest of Poly Keen had taken place on 31 December 2008.

(d) Pursuant to a merger agreement dated 30 July 2009 (the "Merger Agreement") between the Company and Mr. Cheung Mo Kit (the "JV Partner"), a new joint venture (the "JV", and together with the Group, hereinafter referred to as the "Enlarged Group") will be established and owned as to 60% by the Company and as to 40% by the JV Partner. The Company will contribute HK$30 million in cash and the JV Partner will contribute HK$20 million in cash as paid up capital of the JV. The adjustment reflects the establishment of the JV assuming such establishment had taken place on 31 December 2008.

(e) Pursuant to the Merger Agreement, the JV Partner shall procure all the existing waste plastic business (the "Business") of IB Group Trading Limited ("IBG", a company wholly-owned by the JV Partner), including its customer base, suppliers and management team in waste plastic industry to be transferred to the JV. Particularly, all the assets and liabilities of the Business will not be transferred to the JV.

The adjustment reflects the exclusion of all the assets and liabilities of the Business as at 31 December 2008 assuming the transfer of the Business had taken place on 31 December 2008.

(f) Pursuant to the Merger Agreement, the Company shall transfer the 100% equity interests in Euro Resources to the JV (the "Transfer") and issue 100,000,000 new shares of the Company (the "JV Consideration Shares") at a price of HK$0.50 per share to the JV Partner as consideration for the JV Partner's agreeing to enter into the Merger Agreement.

The adjustment reflects the Transfer and the issue and allotment of the JV Consideration Shares assuming such Transfer and such issue of shares had taken place on 31 December 2008, as follows:

	HK$'000
Assets and liabilities of the Business, net	—
Assets and liabilities of Euro Resources, net	25,567
Assets and liabilities of the JV, net	25,567
The JV Partner's 40% share in the assets and liabilities of the JV, net	10,227
Consideration for the Merger Agreement	50,000
Goodwill arising from the completion of the Merger Agreement	60,227
Consideration of acquisition satisfied by JV Consideration Shares:	
Issued capital	10,000
Share premiums	40,000
	50,000

(g) The adjustment reflects the estimated legal and professional fees and other expenses in relation to the Merger Agreement and the S&P Agreement assuming the completion of the Merger Agreement and the S&P Agreement had been taken place on 31 December 2008.

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 YEAR ENDED 31 DECEMBER 2006

Results

For the year ended 31 December 2006, IBG's turnover and net profit were approximately HK$364 million and HK$5.4 million respectively. The revenue was mainly derived from trading of plastic products.

Business Review

In the year under review, the Group's turnover rose 18% or HK$56 million as compared with last year, attributable mainly to the increased sales of plastics products. Profit after tax amounting to HK$5.5 million, an over 98% increase compared to that of last year.

During the year, a dividend HK$2 million has been paid.

Future Plans for Material Investments or Capital Assets

IBG had no plan for material investments or capital assets.

Capital Structure, Liquidity and Financial Resources

IBG'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. IBG generally finances its operations with internally generated resources and banking facilities.

As at 31 December 2006, IBG had no contingent liabilities and any commitments, its gearing ratio was 104%.

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

As at 31 December 2006, some guarantee and pledge has been given by IBG on its assets for certain banking facilities.

Material Investments, Acquisitions or Disposals

IBG did not have any material investment, acquisition or disposal of subsidiaries during the year ended 31 December 2006.

Segmental Analysis

During the period under review, IBG mainly focused on its principal activity of trading of plastic products.

Human Resources

As at 31 December 2006, IBG had 20 employees. The remuneration packages of employees are maintained at competitive levels and include monthly salaries and medical insurance. For the period ended 31 December 2006, the total staff costs amounted to approximately HK$7,215,000.

FOR THE YEAR ENDED 31 DECEMBER 2007

Results

For the year ended 31 December 2007, IBG recorded a turnover and net profit of approximately HK$466 million and HK$13.4 million respectively. The revenue was mainly derived from sales of plastic products.

Business Review

In the year under review, the Group's turnover rose 28% or HK$102 million as compared with last year, attributable mainly to the increased sales of plastics products. Net profit after tax amounting to HK$13.4 million, an over 150% increase compared to that of last year. This include a revaluation gain of property amount to HK$7.5 million in December 2007.

During the year, a dividend HK$3 million has been paid.

Future Plans for Material Investments or Capital Assets

IBG had no plan for material investments or capital assets.

Capital Structure, Liquidity and Financial Resources

IBG'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. IBG generally finances its operations with internally generated resources and banking facilities.

As at 31 December 2007, IBG had no contingent liabilities and any commitments, its gearing ratio was 194%.

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

As at 31 December 2007, some guarantee and pledge has been given by IBG on its assets for certain banking facilities.

Material Investments, Acquisitions or Disposals

IBG did not have any material investment, acquisition or disposal of subsidiaries during the period ended 31 December 2007 except the acquisition of investment property of HK$50,000,000.

Segmental Analysis

During the period under review, IBG mainly focused on its principal activity of trading of plastic products.

Human Resources

As at 31 December 2007, IBG had a total of approximately 20 employees. The remuneration packages of employees are maintained at competitive levels and include monthly salaries and medical insurance. For the period ended 31 December 2007, the total staff costs amounted to approximately HK$6,977,000.

FOR THE YEAR ENDED 31 DECEMBER 2008

Results

For the year ended 31 December 2008, IBG recorded a turnover and net profit of approximately HK$555 million and HK$2.3 million respectively.

Business Review

In the year under review, the Group's turnover rose by 19% or HK$89 million as compared with last year, attributable mainly to the increased sales of plastics products. Net profit after tax amounting to HK$2.3 million, a decrease of 82% compared to that of last year.

No dividend has been paid during the year.

Capital Structure, Liquidity and Financial Resources

IBG'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. IBG generally finances its operations with internally generated resources and banking facilities.

As at 31 December 2008, IBG had no contingent liabilities but had 4 foreign currency forward contracts, its gearing ratio was 3.2 times.

IBG conducted its business transactions principally in Hong Kong dollars, Japanese yen and US dollars. The management of IBG considered that IBG had no significant exposure to foreign exchange fluctuations and use some financial instruments for hedging purposes.

As at 31 December 2008, some guarantee and pledge has been given by IBG on its assets for certain banking facilities.

Material Investments, Acquisitions or Disposals

IBG did not have any material investment, acquisition or disposal of subsidiaries during the year ended 31 December 2008.

Segmental Analysis

During the year under review, IBG was mainly engaged in the business of sales of plastics products.

Human Resources

As at 31 December 2008, IBG had a total of approximately 22 employees. The remuneration packages of employees are maintained at competitive levels and include monthly salaries and medical insurance. For the period ended 31 December 2008, the total staff costs amounted to approximately HK$6,215,000.

FOR THE PERIOD ENDED 31 MARCH 2009

Results

For the period ended 31 March 2009, IBG recorded a turnover and net profit of approximately HK$157 million and HK$1.5 million respectively.

Business Review

In the year under review, the Group's turnover rose 38.6% to HK$157 million as compared with the same period in the last year, attributable mainly to the increased sales of plastics products. Net profit after tax amounting to HK$1.5 million, turnaround from loss to profit of last year.

Capital Structure, Liquidity and Financial Resources

IBG'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. IBG generally finances its operations with internally generated resources and banking facilities.

As at 31 March 2009, IBG had no contingent liabilities but has 6 foreign currency forward contract, its gearing ratio was 3.02 times.

IBG conducted its business transactions principally in Hong Kong dollars Japanese yen and US dollars. The management of IBG considered that IBG had no significant exposure to foreign exchange fluctuations and use some financial instruments for hedging purposes.

As at 31 March 2009, some guarantee and pledge has been given by IBG on its assets for certain banking facilities.

Material Investments, Acquisitions or Disposals

IBG did not have any material investment, acquisition or disposal of subsidiaries during the period ended 31 March 2009.

Segmental Analysis

During the year under review, IBG mainly focused on its principal activity of trading of plastic products.

Human Resources

As at 31 March 2009, IBG had a total of approximately 22 employees. The remuneration packages of employees are maintained at competitive levels and include monthly salaries and medical insurance. For the period ended 31 March 2009, the total staff costs amounted to approximately HK$1,230,000.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 June 2009 of the properties held by the Enlarged Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

25 September 2009

The Directors
Pearl Oriental Innovation Limited
Suite 1908, 19th Floor
No. 9 Queen's Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instructions for us to value the properties held/leased by Pearl Oriental Innovation Limited (the "Company") and/or its subsidiaries (hereinafter referred to as the "Group") and the property leased by IB Group Trading Limited ("IBG") located in Hong Kong, the People's Republic of China (the "PRC") and France. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 June 2009 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

PROPERTY CATEGORISATIONS

In the course of our valuations, the valued properties are categorised into the following groups:

Group I — Property held by the Group for owner-occupation in the PRC
Group II — Property held by the Group for owner-occupation in France
Group III — Property rented and occupied by the Group in Hong Kong
Group IV — Property rented and occupied by IBG in Hong Kong

VALUATION METHODOLOGIES

In valuing Property Nos. 1 and 2, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors etc; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement". This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value does not necessarily represent the amount that might be realized from the disposition of the subject asset in the open market and is subject to adequate profitability of the business compared to the value of the total assets employed.

We have attributed no commercial value to Property Nos. 3 and 4 which are leased by the Group and IBG, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Company's PRC legal advisor − Guang Dong Wisdom & Fortune Law Firm regarding the title of the property located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the properties externally and where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, completion dates of the buildings, identification of the properties and other relevant information.

Except otherwise stated, dimensions, measurements and site/floor areas included in the valuation certificates are based on information contained in the leases and other documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your advice that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

We hereby certify that we neither have any present nor any prospective interest in the Group or the appraised properties or the values reported.

Unless otherwise stated, all monetary amounts stated herein are in Hong Kong Dollars (HK$). The exchange rates adopted are the average rates as at the date of valuation being HK$1 = Euro (€) 0.0907 and HK$1 = Renminbi (RMB) 0.8813. There has been no significant fluctuation in the exchange rates between that date and the date of this report.

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ), MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Joannau W.F. Chan
BSc, MSc, MRICS, MHKIS, RPS(GP)
Senior Director

Notes:

Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong, the PRC and France.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and over 10 years' experience in valuations of properties in the PRC.

SUMMARY OF VALUES

Group I — Property held by the Group for owner-occupation in the PRC

No.	Property	Market Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2009 *HK$*
1.	A godown development located at No. 6 Binglang Road, Futian Free Trade Zone, Futian District, Shenzhen City, Guangdong Province, The PRC	125,000,000	100%	125,000,000
	Sub-total:	**125,000,000**		**125,000,000**

Group II — Property held by the Group for owner-occupation in France

No.	Property	Market Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2009 *HK$*
2.	An industrial complex, known as "Exploitations Ressources Internationales S.A." Zone du Sycala – Rte de St Cevet 46230 Fontanes France	40,800,000	80%	32,640,000
	Sub-total:	**40,800,000**		**32,640,000**

Group III — Property rented and occupied by the Group in Hong Kong

No.	Property	Market Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the Group	Value attributable to the Group as at 30 June 2009 *HK$*
3.	Nos. 1907-1908, 19th Floor, No. 9 Queen's Road Central, Hong Kong	No Commercial Value	100%	Nil
	Sub-total:	**Nil**		**Nil**
	Total (Groups I to III):	**165,800,000**		**157,640,000**

Group IV — Property rented and occupied by IBG in Hong Kong

No.	Property	Market Value in existing state as at 30 June 2009 *HK$*
4.	Units 11-13, 14th Floor, Wah Sang Industrial Building, Nos. 14-18 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong	No Commercial Value
	Sub-total:	**Nil**
	Total (Groups I to IV):	**165,800,000**

VALUATION CERTIFICATE

Group I — Property held by the Group for owner-occupation in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 June 2009** *HK$*
1.	A godown development located at No. 6 Binglang Road, Futian Free Trade Zone, Futian District, Shenzhen City, Guangdong Province, The PRC	The property comprises an 8-storey (including four mezzanine floors) purpose-built godown building, completed in 1997, erected on a parcel of land with a site area of approximately 10,070.48 sq.m. The total gross floor area ("GFA") of the godown building is approximately 24,165.65 sq.m. The land use rights of the property have been granted for a term of 50 years commencing on 31 July 1993 and expiring on 30 July 2043 for warehouse uses.	The property is occupied by the Group as a godown and associated logistic service centre.	125,000,000 (100% interest attributable to the Group: HK$125,000,000)

Notes:

1. Pursuant to a Land Use Rights Contract, Shen Fu Bao Di Zi No. 7 (深福保地字007號) dated 31 July 1993, entered into between Shenzhen City Futian Free Trade Zone Management Committee and Good Value Holdings Limited (有利實業有限公司), an indirect wholly-owned subsidiary of the Company, the former has agreed to grant the land use rights of the property with a site area of 10,066.186 sq.m. to the latter for a term of 50 years commencing on 31 July 1993 and expiring on 30 July 2043 for warehouse uses.

2. Pursuant to 7 Real Estate Title Certificates, Shen Fang Di Zi Nos. 3000506098 to 3000506104, all registered on 14 December 2007, the land use rights of the property with a site area of approximately 10,070.48 sq.m. have been granted to Pearl Oriental Logistics (Shenzhen) Limited ("Pearl Oriental Shenzhen") for a term of 50 years commencing on 31 July 1993 and expiring on 30 July 2043 for warehouse uses and the building ownership rights of the property with a total GFA of approximately 24,165.65 sq.m. are held by Pearl Oriental Shenzhen.

3. Pursuant to the Other Encumbrance Rights Summaries to the above Real Estate Title Certificates, the property is subject to a mortgage dated 20 December 2007 in favour of Hang Seng Bank − Shenzhen Branch.

4. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. Pearl Oriental Shenzhen has legally obtained both the land use rights and building ownership rights of the property;

   b. The property can be freely used, leased, mortgaged or transferred by Pearl Oriental Shenzhen in accordance with the valid term stipulated by the certificates;

   c. The property is not subject to any other material encumbrances except the mortgage stated in Note 3 ; and

   d. All land premium and other relevant fees have been settled in full.

5. Pearl Oriental Shenzhen is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II — Property held by the Group for owner-occupation in France

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009 *HK$*
2.	An industrial complex, known as "Exploitations Ressources Internationales S.A." Zone du Sycala – Rte de St Cevet 46230 Fontanes France	The property comprises 3 land parcels with a total site area of approximately 3.744 hectares and two 2-storey factories, a sedimentation plant, a temporary office structure and a water pool erected thereon. The buildings were completed in various stages between 2003 and 2006. The total gross floor area ("GFA") of the buildings of the property is approximately 2,988 sq.m. According to a building permit dated 20 August 2001, Exploitation Ressources Internationales, S.A. ("ERI") was authorized to build a factory for waste and plastics production and various offices with a total surface area of 2,482 sq.m. The property title is freehold.	The property is occupied by the Group for waste and plastics production uses.	40,800,000 (80% interest attributable to the Group: HK$32,640,000)

Notes:

1. The registered owner of the property is ERI.

2. ERI is an 80%-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III — Property rented and occupied by the Group in Hong Kong

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 June 2009** *HK$*
3.	Nos. 1907-1908, 19th Floor, No. 9 Queen's Road Central, Hong Kong	The property comprises 2 office units on the 19th floor of a 36-storey (plus a basement carpark) commercial building completed in 1991. The property has a total gross floor area of approximately 305.47 sq.m. (3,288.08 sq.ft.). The property is leased to Union Honour Investment Limited from an independent third party for a term of 2 years commencing on 1 December 2007 and expiring on 30 November 2009 at a monthly rent of HK$225,400 exclusive of rates, government rent, management fees and taxes.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. Union Honour Investment Limited is an indirect wholly-owned subsidiary of the Company.

2. The registered owner of the property is Uniregent Investments Limited, an independent third party.

VALUATION CERTIFICATE

Group IV — Property rented and occupied by IBG in Hong Kong

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 June 2009** *HK$*
4.	Units 11-13, 14th Floor, Wah Sang Industrial Building, Nos. 14-18 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong	The property comprises 3 industrial units on the 14th floor of an 18-storey industrial building completed in 1987. The property has a total gross floor area of approximately 459.87 sq.m. (4,950 sq.ft.). The property is leased to IBG from Polygreat Limited for a term of 2 years commencing on 1 April 2009 and expiring on 31 March 2011 at a monthly rent of HK$23,500 inclusive of rates, government rent, management fees and taxes.	The property is occupied by IBG for office purpose.	No Commercial Value

Note:

The registered owner of the property is Polygreat Limited.

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$0.1 each	20,000,000,000
Issued and fully paid:	*HK$*
759,736,960 Shares of HK$0.1 each	75,973,696

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				
Name of directors	**Beneficial Owner**	**Family interest**	**Held by controlled corporation**	**Total number of shares held**	**Percentage of the issued share capital of the Company**
Wong Kwan *(Note)*	—	—	411,758,800	411,758,800	54.20%
Johnny Yuen	640,000	—	—	640,000	0.08%

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

(b) ***Share options***

Name of Directors	Capacity	Number of options held	Exercise Period	Exercise Price *(HK$)*
Wong Kwan	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56
Cheung Kwok Yu	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56
Zhou Li Yang	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56
Zheng Yingsheng	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56
Johnny Yuen	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56
Yu Jian Meng	Beneficial owner	1,000,000	05/08/2009-14/07/2019	0.56
Dong Zhixiong	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56
Fung Hing Chiu, Cyril	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56
Lam Ka Wai, Graham	Beneficial owner	3,000,000	05/08/2009-14/07/2019	0.56

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	411,758,800	54.20%

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. These litigations of the Enlarged Group mentioned below have no material impact to the Acquisition and Joint Venture.

(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 has filed an appeal against the judgment.

(b) 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. In addition, China Coal has taken legal action against Zhang and other 4 persons for their breaches of duties as directors of Taiyuan Sanxing Coal Gasification Company Limited in the High Court of Shanxi.

6. INDEBTEDNESS STATEMENT

As at the close of business as at 31 July 2009, being the Latest Practicable Date prior to the printing of this circular for the purpose of this indebtedness statement, the Enlarged Group* had a secured bank loan of approximately HK$56,114,000, amounts due to minority shareholders of subsidiaries of approximately HK$17,507,000, loan from immediate parent and ultimate controlling party of approximately HK$64,000,000 and other borrowing of approximately HK$23,400,000.

The secured bank loan of the Enlarged Group* as at 31 July 2009 was secured by:

a) the Group's leasehold land and buildings situated in Shenzhen, with an aggregate carrying value of RMB92,599,000 (equivalent to approximately HK$105,563,000) at 31 July 2009;

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

c) a charge on the trade receivables of a wholly-owned subsidiary of the Company of approximately RMB36,000 (equivalent to approximately HK$40,000) at 31 July 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 loan from immediate parent and ultimate controlling party of approximately HK$64,000,000 are unsecured, bears interest at the Hong Kong Prime Rate as quoted by HSBC from time to time and not repayable within one year.

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

At 31 July 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 has filed an appeal against the judgment.

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 July 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.

* The indebtedness of the Enlarged Group includes those of the Group and Poly Keen Limited and does not include those of the Business which will not be transferred to China Environmental pursuant to the Merger Agreement.

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 Enlarged Group (excluding contracts expiring or determinable by such member of the Enlarged 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 Enlarged 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
Tony Ng	Certified public accountants
Bridge Partners	a licensed corporation to carry on Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

(b) As at the Latest Practicable Date, Cachet, Tony Ng and Bridge Partners does not have any shareholding in any member of the Enlarged 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 Enlarged Group. In addition, Cachet, Tony Ng and Bridge Partners does not have any interest either directly or indirectly, 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 Enlarged Group, or were proposed to be acquired or disposed of by or leased to the Enlarged Group.

(c) Each of Cachet, Tony Ng and Bridge Partners has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter/report and/or references to its name in the form and context in which they respectively 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) an agreement for the sale and purchase dated 27 May 2009 between the Company and Mr. Wong Chok Wah in respect of the acquisition of 100% equity interest of Get Wealthy Investments Limited;

(h) an agreement for the sale and purchase dated 27 May 2009 between the Company and Favour Good Investments Limited in respect of the acquisition of 0.18% equity interest of China Coal Energy Holdings Limited; and

(i) 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 registered office of Bridge Partners is located at Unit 605, 6/F, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

D. 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 16 October 2009:

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

(b) the S&P Agreements and the Merger 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 letter from the Independent Board Committee, the text of which is set out on page 16;

(e) the letter from Bridge Partners, the text of which is the consent letters from Bridge Partners, Cachet and Tony Ng;

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

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

(h) any material contracts referred to in this Appendix VIII.

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 p.m., Friday on 16 October 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** an agreement for sale and purchase dated 30 July 2009 (copy of which have been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) (the "S&P Agreement") entered into between the Company and Mr. Tan Kian Chung, regarding the Acquisition (as defined in the circular of the Company dated 25 September 2009 ("Circular")) be approved and **THAT** any directors of the Company (the "Directors") 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 S&P Agreement; and (b) to complete the S&P Agreement in accordance with the terms therein."

2. (a) a merger agreement dated 30 July 2009 (the "Merger Agreement") entered into between the Company and Mr. Cheung Mo Kit (the "JV Partner") for the possible set up of a joint venture Company between the Company and the JV Partner (information relating to the Merger Agreement is set out in the circular of the Company dated 25 September 2009, and a copy of the Merger 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 be and are hereby authorized to make such changes or amendments to the Merger Agreement and to execute any other documents in relation thereto as such Director, in their absolute discretion deems fit; and

* *For identification purposes only*

(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 Merger Agreement and any other documents or matters incidental thereto and/or as contemplated therein."

3. the allotment and issue of an aggregate of 200,000,000 shares (the "**ER Consideration Shares and JV Consideration Shares**" and each a "**ER Consideration Share and JV Consideration Share**") of HK$0.10 each in the share capital of the Company credited as fully paid at an issue price of approximately HK$0.50 per Consideration Share to Mr. Tan Kian Chung and Mr. Cheung Mo Kit in accordance with the Sale and Purchase Agreement and the Merger Agreement be and is hereby approved."

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

Hong Kong, 25 September 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.