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東方明珠創業有限公司*

Pearl Oriental Innovation Limited

(the "Company")

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF NEW SHARES

AND

MAJOR AND CONNECTED TRANSACTIONS ACQUISITIONS OF FURTHER EQUITY INTEREST IN GUANGZHOU PEARL ORIENTAL LOGISTICS COMPANY LIMITED

AND

JIANGXI DICHAIN LOGISTICS CO., LTD.

AND

RESUMPTION OF TRADING

On 14 September 2006, the Company entered into the S&P Agreement with Ms. Yang in relation to the Tongsheng Acquisition of the Target Shares. The consideration of the Tongsheng Acquisition is HK\$22 million and will be satisfied by the issue of 5,640,000 Tongsheng Consideration Shares at HK\$3.90 per Share.

The Tongsheng Acquisition contemplated under the S&P Agreement constitutes a discloseable transaction involving issue of Shares under the Listing Rules. A circular contains details of the Tongsheng Acquisition will be sent to the Shareholders in due course. The completion of the S&P Agreement is conditional, amongst others, upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Tongsheng Consideration Shares.

On 14 September 2006, DiChain Technology, a wholly owned subsidiary of the Company entered into the Equity Transfer Agreements with the Vendors in relation to the acquisition of 40% equity interest in Guangzhou Pearl Oriental and Jiangxi DiChain at a total consideration of RMB7,094,000 (equivalent to approximately HK\$6,887,379).

The consideration of the POL Acquisitions shall be satisfied by the issue of the POL Consideration Shares. As two of the Vendors are substantial shareholders of each of Guangzhou Pearl Oriental and Jiangxi DiChain, hence they are connected persons of the Company. The POL Acquisitions constitute connected transactions of the Company.

Pursuant to Rule 14A.25 of the Listing Rules, the POL Acquisitions are required to be aggregated in calculating the relevant percentage ratios. As a result of the aggregation, the POL Acquisitions constitute major and connected transactions for the Company under the Listing Rules and will be subject to independent Shareholders approval at a special general meeting.

A circular will be despatched to the Shareholders containing further details of the POL Acquisitions, recommendations from the independent board committee and independent financial adviser. No Shareholders are required to abstain from voting at the special general meeting for the approval of the POL Acquisitions. Orient Day Developments Limited, the controlling Shareholder of the Company with a beneficial interest in 161,805,800 Shares representing approximately 60.19% of the issued share capital of the Company, has given a written shareholder's approval as required under Rule 14A.43 approving the POL Acquisitions. The Company will apply for a waiver from the Stock Exchange from strict compliance with the requirement to hold a Shareholders' meeting to approve the POL Acquisitions.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 15 September 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 27 September 2006.

A TONGSHENG ACQUISITION

The S&P Agreement

Date

14 September 2006

Parties

Purchaser: the Company

Vendor: Ms Yang Yu Qing

Subject Matter: 60% equity interest of Pearl Oriental Logistics Sino Limited (東明物流華中控股有限公司) ("POL Sino") which shall become a subsidiary of the Company after Completion

As one of the conditions for the Tongsheng Acquisition set out under the paragraph headed "Conditions of the S&P Agreement", Ms. Yang has undertaken to procure that the entire share capital of Tongsheng will be acquired by POL Sino prior to Completion.

Ms. Yang is the current sole ultimate beneficial owner of Tongsheng. POL Sino's existing issued share capital of HK\$1.00 comprising 1 Share of HK\$1.00 each, and is now wholly and beneficially owned by Ms Yang.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, Ms Yang or her associate has no other business dealings with the Company within 12 months prior to the date of the S&P Agreement and Ms. Yang is a third party independent of the Company and is independent of connected persons of the Company, and also is not a connected person of the Company as defined in the Listing Rules.

Assets to be acquired

The Target Shares represent 60% of the issued share capital of POL Sino.

It is a condition of the S&P Agreement that POL Sino will, prior to Completion, acquire the legal title of the entire share capital and become the sole shareholder of Wuhan Tongsheng Logistics Co., Ltd, a company incorporated in the PRC (to be re-named as Pearl Oriental Logistics Sino (Wuhan) Limited 東明物流華中(武漢)有限公司 after Completion) ("Tongsheng") at a consideration of RMB1 million which is payable to Ms. Yang within 3 months after Completion pursuant to the terms and conditions of the S&P Agreement.

Consideration

The consideration of the Tongsheng Acquisition is HK\$22 million and will be satisfied by the issue of 5,640,000 new shares of the Company at HK\$3.90 per Share to POL Sino on the day (or such other date as may be agreed between the Company and Ms. Yang) after satisfaction of all the conditions under the paragraph headed "Conditions of the S&P Agreement".

Structure of the Tongsheng Acquisition

The Company will issue the Tongsheng Consideration Shares to POL Sino to subscribe for 22,000,000 new shares of HK\$1.00 each in POL Sino which effectively represent the entire paid-up share capital of POL Sino of HK\$22 million upon Completion, in which 8,800,000 shares in total in POL Sino will be transferred to Ms. Yang. The Company will then procure 40% shareholdings in POL Sino to be transferred to Ms Yang from the Company and POL Sino will then also transfer 2.5 million of the Tongsheng Consideration Shares (with a value of HK\$9.75 million based on price of HK\$3.90 per Share) to Ms Yang as soon as practicable after Completion as consideration for her agreeing to the transfer of the entire capital of Tongsheng to POL Sino. After that, the Company will hold 60% of POL Sino.

POL Sino will place the remaining 3.14 million of the Tongsheng Consideration Shares (with a value of HK\$12.25 million based on price of HK\$3.90 per Share) within 3 months after Completion and proceeds from such placement (the "Proceeds") will be applied for (i) the acquisition of the entire capital of Tongsheng as to RMB1 million which is payable to Ms. Yang; (ii) the increase of the registered capital of Tongsheng up to RMB9 million; and (iii) the balance (if any) as working capital of POL Sino.

The Board hereby undertakes that it shall cause and procure the remaining of 3.14 million of the Tongsheng Consideration Shares will be placed by POL Sino through a licensed placing agent (who shall not be a connected person of the Company) to placees who are not connected persons and are independent of the Company and connected persons of the Company as defined in the Listing Rules.

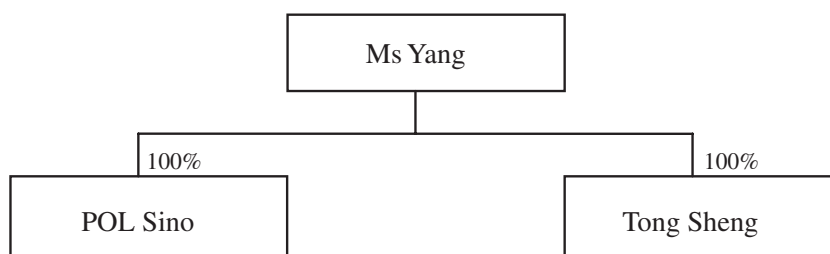
If the Proceeds shall be equal to or more than RMB10 million, the registered capital of Tongsheng will be increased from RMB1 million as at the date hereof to RMB10 million after Completion.

If the Proceeds shall be less than RMB10 million, the amount of the increase in the registered capital of Tongsheng will be reduced on a dollar-to-dollar basis accordingly.

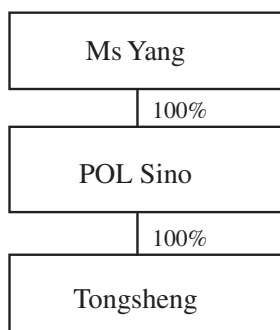
The Company has already sought legal advice on Bermuda and Hong Kong laws which confirmed the legality of the structure of the Tongsheng Acquisition, information of which will be set out in a circular containing further details of the Tongsheng Acquisition.

Shareholding structure of Tongsheng before and after Completion are as follows:-

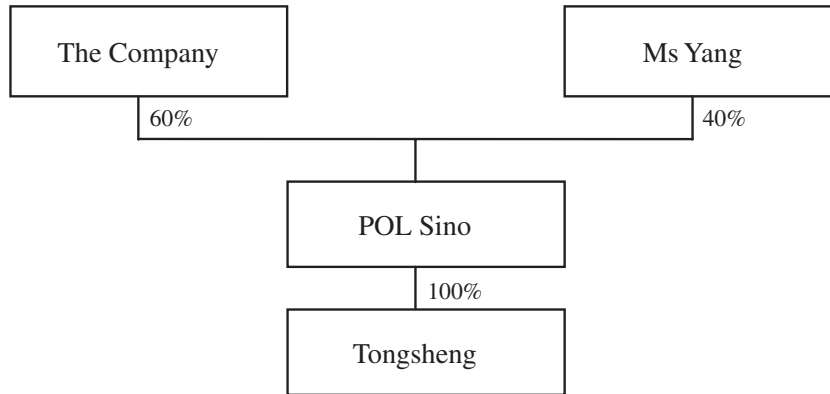
The Existing Shareholding Structure



Shareholding Structure immediately before the Completion



Shareholding Structure after Completion



Tongsheng Consideration Shares

The price per Tongsheng Consideration Share (i) represents a premium of 17.8% to the closing price of HK\$3.31 per Share as quoted on the Stock Exchange on 14 September 2006 being the last trading day prior to this announcement; and (ii) represents a premium of approximately 8.7% to the average closing price of HK\$3.587 per Share as quoted on the Stock Exchange from 18 August 2006 to 14 September 2006, both dates inclusive, being the last twenty trading days immediately before and up to the issue of this announcement. The price per Tongsheng Consideration Share of HK\$3.90 was agreed after arm's length negotiations between the Company and Ms. Yang after taking into account the trading prices of the Shares.

Assuming no Shares will be issued and/or repurchased by the Company between the date of this announcement and up to Completion, the Tongsheng Consideration Shares represent approximately 2.10% of the existing issued share capital of the Company, and approximately 2.04% of the issued share capital of the Company as enlarged by the issue and allotment of the Tongsheng Consideration Shares and the POL Consideration Shares. The Tongsheng Consideration Shares, when issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

The consideration was arrived at after arm's length negotiations between the Company and Ms. Yang and on normal commercial terms, and was determined by taking into consideration, including without limitation, of: (i) an indicative price earnings ratio ("P/E ratio") of approximately 2.89 times (being the consideration divided by the indicative average annual profit guaranteed by Ms. Yang for three financial years ending 31 December 2009 as set out in the paragraph "Guaranteed Profit" below); and (ii) the future business development potential of Tongsheng.

The Board (including the independent non-executive Directors) considers that the terms of the S&P Agreement (including the price per Consideration Share) are fair and reasonable and are in the interests of the Company and its shareholders as a whole, in particular, given the relatively low indicative P/E ratio of approximately 2.89 times (while the industry average P/E ratio for listed PRC logistics business is over 10) and the Group does not have to pay any cash for the Tongsheng Acquisition. The S&P Agreement is on normal commercial terms.

Other Terms

Ms Yang has agreed to carve out certain properties and trade receivable in Tongsheng amounting to RMB16,334,000 (since they are not logistics related assets) (the "Carving-out") before Completion, and has undertaken that the net assets value of Tongsheng will not be less than RMB13,390,000 and all the business and income of the operations of Tongsheng will still be remained in Tongsheng immediately after Completion which will be verified by the Company during its financial due diligence on Tongsheng before Completion.

Ms. Yang has further agreed to pledge all her remaining 40% shareholding in POL Sino under a share charge in favour of the Company until the liabilities and responsibilities of the profit guarantee are fully discharged.

Conditions of the S&P Agreement

Completion of the S&P Agreement shall be conditional on:

- (a) all applicable requirements and steps required under the Listing Rules in connection with the Tongsheng Acquisition, including without limitation, the approval from the Stock Exchange in respect of the issue and listing of the Tongsheng Consideration Shares having been fulfilled or complied with; and

- (b) the approval of shareholders of the Company in respect of the Tongsheng Acquisition in a general meeting of the Company (if required);
- (c) that all statutory and other requirements that are required in respect of the Tongsheng Acquisition of the entire share capital of Tongsheng by the POL Sino or its nominee having been fulfilled or obtained;
- (d) the completion of the operational, legal and financial due diligence exercise on Tongsheng and the results of the due diligence exercise being satisfactory to the Company.

Ms. Yang has undertaken to procure the fulfillment of the above conditions by Completion. If any of the above conditions shall not be fulfilled on or before Completion or such other date as the parties shall mutually agree in writing, the S&P Agreement shall ipso facto cease and determine and neither party shall have any claim against the other for costs, damages, compensation or otherwise. It is expected that the Tongsheng Acquisition will be completed on or before 31 December 2006.

Completion

The S&P Agreement is to be completed on the day (or such other date as may be agreed between the Company and Ms. Yang) after satisfaction of the conditions under the paragraph headed “Conditions of the S&P Agreement” above.

Guaranteed Profit

Ms. Yang has guaranteed to the Company that the Audited Net Profit for the three financial years ending 31 December 2009 shall be not less than the figures as follows:-

Year ending	<i>RMB</i>
31 December 2007	8 million
31 December 2008	12 million
31 December 2009	18 million
	Sub-total <u>38 million</u>

Should any of the Audited Net Profit for the financial years ending 31 December 2009 falls below the figures set out in above, Ms. Yang has to pay the shortfall on a dollar-to-dollar basis to the Company after the issuance of the audit report for each of the financial year ending 31 December 2009. The guaranteed profit was determined by Ms. Yang with reference to the future business development potential of Tongsheng, which shall be the principal assets of POL Sino.

Therefore the indicative price earnings ratio is approximately 2.89 times (being the relevant consideration divided by the indicative average profit guaranteed by the Vendor for the three financial years ending 31 December 2009).

Information of POL Sino

POL Sino was incorporated on 16 December 2005 in Hong Kong and its principal activities of POL Sino are investment holdings.

The Company expects POL Sino will acquire the entire share capital of Tongsheng pursuant to the terms of the S&P Agreement.

Tongsheng has the proper licences to provide logistics services and currently manages a logistics centre of 20,000 square meters in Wuhan and a fleet of 200 trucks (of which 43 vehicles are owned by Tongsheng). The operation network of Tongsheng covers over 40 cities in China. Its commercial logistics services include warehousing for raw materials and finished goods, warehouse management, packing and re-packing, re-processing, regional delivery and storage for retailers, payment collection, international forwarding and custom clearance. Its comprehensive logistics services include domestic and international warehousing, transportation, logistics and supply chain management consultancy. Tongsheng’s major customers and strategic partners include Pepsi-Cola, Wal-Mart, Wuhan Cigarettes, HP computers, China Rocket Holdings, Cosco, China shipping, China Eastern Air Cargo and China Southern Air Cargo.

POL Sino has no operation or subsidiary and has no profit/loss, asset or liability up to the date hereof. Set out below is the financial information of Tongsheng as extracted from its latest management accounts prepared in accordance with the PRC accounting standards:

	Unaudited 5-month ended 31 May 2006 (after the Carving-out) approximately HK\$'000	Unaudited year ended 31 December 2005 (after the Carving-out) approximately HK\$'000	Unaudited year ended 31 December 2004 (after the Carving-out) approximately HK\$'000
Turnover	7,749	12,270	9,320
Net Profit/(loss) before taxation and Extraordinary item	3,043	(20)	(17)
Net profit/(loss) after taxation and extraordinary item	2,039	(20)	(17)
Net assets value	15,776	1,018	1,038

Reasons for the Tongsheng Acquisition

The Group is principally engaged in operating bonded warehouse, provision of logistics and related services and logistics-related property investment in the PRC and investing in energy and natural resources sectors.

The reasons for the Tongsheng Acquisition are as follows:–

- (i) Tongsheng has a well established logistics network, and therefore, the Board is confident in the business development potential of Tongsheng;
- (ii) The Board believes the Tongsheng Acquisition will have synergy effect on the logistics business of the Group since Tongsheng has a well established logistics network in Huazhong area, which is very important for the Group to provide nationwide logistics services to sizeable and multinational clients;
- (iii) The profit margin of Tongsheng in 2006 is impressive and the Company expects a strong growth in the operating profits of POL Sino;
- (iv) The Board believes that the Tongsheng Acquisition will increase the market share of the Group in the logistics market of China; and
- (v) The Board believes that it will bring good returns to the Group given the indicative price earning ratio of the Tongsheng Acquisition is relatively low in comparison with that of the PRC logistics industry average.

B. POL ACQUISITIONS

Equity Transfer Agreements

Date

14 September 2006

Parties

- (a) DiChain Technology, a wholly owned subsidiary of the Company; and
- (b) the Vendors, who in aggregate are interested in 40% of equity interest in each of Guangzhou Pearl Oriental and Jiangxi DiChain, namely:
 - (i) Mr. Wan holding 14% of the equity interest in each of Guangzhou Pearl Oriental and Jiangxi DiChain;
 - (ii) Ms. Liu holding 10% of the equity interest in each of Guangzhou Pearl Oriental and Jiangxi DiChain;
 - (iii) Mr. Tu holding 5.6% of the equity interest in each of Guangzhou Pearl Oriental and Jiangxi DiChain;

(iv) Mr. Chen holding 5.2% of the equity interest in each of Guangzhou Pearl Oriental and Jiangxi DiChain;

(v) Ms. Zhu holding 5.2% of the equity interest in each of Guangzhou Pearl Oriental and Jiangxi DiChain;

DiChain Technology agreed to purchase and each of the Vendors agreed to sell all their respective equity interests in Guangzhou Pearl Oriental and Jiangxi DiChain to DiChain Technology.

Conditions precedent

Completion of the POL Acquisitions shall be conditional on the fulfillment of, inter alia, the following conditions:

1. Mr. Wan resigning as the director and vice-chairman of each of Guangzhou Pearl Oriental and Jiangxi DiChain;
2. approval from the Stock Exchange and other regulatory authorities in relation to the POL Acquisitions having been obtained;
3. approval from the Shareholders of the Company in relation to the POL Acquisitions in general meeting having been obtained (if necessary);
4. completion of audit by independent auditors on the accounts of Guangzhou Pearl Oriental Group for the preceding 3 years to the satisfaction of the DiChain Technology; and
5. all approvals and consents from the relevant government or authority in the PRC in respect of the POL Acquisitions having been obtained.

The parties shall use their best endeavours to procure the registration of the transfer of equity interests in each of Guangzhou Pearl Oriental and Jiangxi DiChain to be completed within 20 business days from the date of fulfillment of all the conditions precedent.

Consideration of the Guangzhou Acquisition

The amount of consideration of the Guangzhou Acquisition is RMB6,880,000 (equivalent to approximately HK\$6,679,612) and the amount of consideration payable by DiChain Technology to each Vendor is as follows:

Mr. Wan:	RMB2,408,000 (equivalent to approximately HK\$2,337,864)
Ms. Liu:	RMB1,720,000 (equivalent to approximately HK\$1,669,903)
Mr. Tu:	RMB963,200 (equivalent to approximately HK\$935,146)
Mr. Chen:	RMB894,400 (equivalent to approximately HK\$868,350)
Ms. Zhu:	RMB894,400 (equivalent to approximately HK\$868,350)

Consideration of the Jiangxi Acquisition

The aggregate amount of consideration of the Jiangxi Acquisition is RMB214,000 (equivalent to approximately HK\$207,767) and the amount of consideration payable by DiChain Technology to each Vendor is as follows:

Mr. Wan:	RMB74,900 (equivalent to approximately HK\$72,718)
Ms. Liu:	RMB53,500 (equivalent to approximately HK\$51,942)
Mr. Tu:	RMB29,960 (equivalent to approximately HK\$29,087)
Mr. Chen:	RMB27,820 (equivalent to approximately HK\$27,010)
Ms. Zhu:	RMB27,820 (equivalent to approximately HK\$27,010)

Financial Information

As at the date of this announcement, the registered capital of Guangzhou Pearl Oriental and Jiangxi DiChain are RMB9,500,000 (equivalent to approximately HK\$9,223,301), and RMB500,000 (equivalent to approximately HK\$485,437) respectively.

Set out below is the consolidated financial information of Guangzhou Pearl Oriental Group as extracted from its latest audited accounts prepared in accordance with Hong Kong accounting standards:

	Audited Year ended 31 March 2006 approximately HK\$'000	Unaudited Period from 1 January 2005 to 31 March 2005 approximately HK\$'000	Audited Year ended 31 December 2004 approximately HK\$'000
Turnover	51,857	10,963	23,876
Net Profit before taxation and extraordinary items	2,807	442	(1,801)
Net Profit after taxation and extraordinary items	1,768	432	(2,533)
Net assets value	10,143	10,531	5,574

The consideration for the POL Acquisition were arrived at after arm's length negotiations between all parties with reference to the amount of registered capital, net asset value as at 31 March 2006 and the future development potential of Guangzhou Pearl Oriental Group. The Board is of the view that the terms of the Equity Transfer Agreements are fair and reasonable and the POL Acquisitions are of the best interest of the Company.

Completion

The POL Acquisitions shall be completed upon the Company issuing POL Consideration Shares to the Vendors.

Information on Guangzhou Pearl Oriental and Jiangxi DiChain

Guangzhou Pearl Oriental and Jiangxi DiChain, domestic companies established in the PRC, are engaged in the logistics business and operations in the PRC, and provides a total logistics solution and value added services, such as warehousing, total logistics services and inventory management. Upon completion, Guangzhou Pearl Oriental and Jiangxi DiChain will become indirect wholly owned subsidiaries of the Company.

Mr. Wan is the director and vice-chairman of each of Guangzhou Pearl Oriental and Jiangxi DiChain and he will resign from all such positions on or before completion of the POL Acquisitions.

Upon completion of the POL Acquisitions, each of the board of directors of Guangzhou Pearl Oriental and Jiangxi DiChain will be appointed by the Company and comprise Mr. Zhou Li Yang, Mr. Zheng Yingsheng, Mr. Cheung Kwok Yu, all Directors, Ms. Yip Sui Kuen Kitty, an employee of the Group, and Mr. Wu Zeyou, the current General Manager of Guangzhou Pearl Oriental.

Issue of POL consideration shares and change of the shareholding structure

On 14 September 2006, DiChain Technology entered into the Payment Agreement with the Vendors to detail the payment arrangement of the consideration and issue of POL Consideration Shares in relation to the POL Acquisitions.

Pursuant to the Payment Agreement, the consideration payable by DiChain Technology to the Vendors under the Equity Transfer Agreements shall be aggregated and POL Consideration Shares shall be issued to the Vendors in proportion to the respective amount of consideration payable. The board lot size of the Company is 1,000 Shares. To avoid issuing odd lot Shares to the Vendors, the POL Consideration Shares to be issued to each Vendor shall be rounded up or down (as the case may be) to the nearest thousand figure. The table below shows, inter alia, the amount of consideration payable and number of POL Consideration Shares to be issued to each Vendor.

Name of Vendors	Consideration payable to the Vendors in RMB (equivalent to approximately HK\$)	Number of POL Consideration Shares to be issued to the Vendors	% of the POL Consideration Shares to the issued share capital of the Company as at the date of this announcement	% of the POL Consideration Shares to the issued share capital of the Company as enlarged by the issue of POL Consideration Shares and the Tongsheng Consideration Shares
Mr. Wan	RMB2,482,900 (HK\$2,410,583)	618,000 Shares	0.2298%	0.2237%
Ms. Liu	RMB1,773,500 (HK\$1,721,845)	441,000 Shares	0.1640%	0.1596%
Mr. Tu	RMB993,160 (HK\$964,233)	247,000 Shares	0.0919%	0.0894%
Mr. Chen	RMB922,220 (HK\$895,359)	230,000 Shares	0.0856%	0.0833%
Ms. Zhu	RMB922,220 (HK\$895,359)	230,000 Shares	0.0856%	0.0833%
Total	RMB7,094,000 (HK\$6,887,379)	1,766,000 Shares	0.6569%	0.6371%

Each POL Consideration Share will be issued at a price of HK\$3.90, which represents (1) a premium of 17.8% to the closing price of HK\$3.31 per Share as quoted on the Stock Exchange on 14 September 2006 being the last trading day prior to this announcement; and (2) a premium of approximately 8.7% to the average closing price of HK\$3.587 per Share as quoted on the Stock Exchange from 18 August 2006 to 14 September 2006, both dates inclusive, being the last 20 trading days prior to the execution of the Guangzhou Pearl Oriental Equity Transfer Agreement and Jiangxi DiChain Equity Transfer Agreement (including the date of execution of the Equity Transfer Agreements).

The POL Consideration Shares represent approximately 0.6569% of the issued share capital of the Company as at the date of this announcement and approximately 0.6527% of the issued share capital of the Company as enlarged by the issue of the POL Consideration Shares.

The POL Consideration Shares shall be issued by the Company within 7 business days from the date when all the conditions precedent have been fulfilled and all the registration procedures in relation to the POL Acquisitions have been completed.

The table below shows the shareholding structure of the Company as a result of the Acquisitions. As at the date of this announcement, none of the Vendors has any legal or beneficial interest in any Shares of the Company and none of the Vendors will become substantial shareholder of the Company as a result of the issue of the Tongsheng Considerations and the POL Consideration Shares.

Name of Shareholders	Shareholding structure as at the date of this announcement		Shareholding structure after completion of the POL Acquisitions	
	No. of Shares	%	No. of Shares	%
Orient Day Developments Limited (<i>Note 1</i>)	161,805,800	60.19	161,805,800	58.57
Dr. Robert Fung Hing Piu, a director	2,518,199	0.94	2,518,199	0.91
Mr. Wan	–	–	618,000	0.22
Ms. Liu	–	–	441,000	0.16
Mr. Tu	–	–	247,000	0.09
Mr. Chen	–	–	230,000	0.08
Ms. Zhu	–	–	230,000	0.08
Ms. Yang	–	–	2,500,000	0.90
POL Sine (<i>Note 2</i>)	–	–	3,140,000	1.14
Public Shareholders	104,517,961	37.87	104,517,961	37.85
Total	<u>268,841,960</u>	<u>100.00</u>	<u>276,247,960</u>	<u>100.00</u>

Note 1: Orient Day Developments Limited is a company incorporated with limited liability in the British Virgin Islands and is wholly and beneficially owned by Mr. Wong Kwan.

Note 2: These 3.14 million Share will be held for and eventually sold to placees as set out in the paragraph “Structure of the Tongsheng Acquisition” above.

Reasons for and benefits of the POL Acquisitions

The Group is principally engaged in operating bonded warehouse, provision of logistics and related services and logistics-related property investment in the PRC and investing in energy and natural resources sectors through its associated company. Execution and completion of the Pearl Oriental Equity Transfer Agreement and Jiangxi DiChain Equity Transfer Agreement are inter-dependent on each other. As disclosed in the Company’s announcement and circular dated 17 November 2004 and 28 February 2005 respectively, the Group has acquired 60% interests of Guangzhou Pearl Oriental and Jiangxi DiChain for an aggregate consideration of RMB3 million (equivalent to approximately HK\$2.91 million) from the Vendors who were not connected persons of the Company at that time. Since November 2004, when the Group acquired 60% of interest in Guangzhou Pearl Oriental and Jiangxi DiChain, the two companies have already recorded considerable growth in their turnover, profitability and operations network in comparison with before that are satisfactory to the Board and the Board believes that they will perform much better if more working capital can be provided to them.

The Company’s strategy is to develop Guangzhou Pearl Oriental Group as its major stronghold for domestic logistics business segment. The Company considers it is worthwhile, essential and efficient to be able to control Guangzhou Pearl Oriental Group totally in terms of strategy, operations and financing capability by further acquiring the remaining 40% interest and making them wholly-owned subsidiaries.

The existing minor shareholders of the 40% interest are all individuals who do not intend to provide more financial support and contribution to the future development of Guangzhou Pearl Oriental Group. It is expected that the POL Acquisitions will contribute positively to the future development of the Company. Accordingly, the Board (including independent non-executive directors) considers that the terms of the Equity Transfer Agreements and Payment Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Non-Competition

The Vendors undertake to DiChain Technology that within 3 years from the date of completion of the registration of the transfer of equity interest in Guangzhou Pearl Oriental and Jiangxi DiChain as a result of the POL Acquisitions, each Vendor shall not severally or jointly (including their respective relatives, attorneys or persons which have commercial dealings with them) participate or procure others to participate in the operation of business that would be in competition with the projects of Guangzhou Pearl Oriental and Jiangxi DiChain nor hold any position (including the position of shareholder, partner, director, supervisor, manager, officer, agent or consultant) in any corporation, enterprise or organizations which provide services similar to that of Guangzhou Pearl Oriental and Jiangxi DiChain. The Vendors in breach of this undertaking shall jointly forfeit the profits and benefits obtained therefrom and be held liable for all economic and legal liabilities as a result thereof.

General

The Tongsheng Acquisition contemplated under the S&P Agreement constitutes a discloseable transaction involving issue of Shares of the Company under Rule 14.06 of the Listing Rule. A circular contains details of the Tongsheng Acquisition will be sent to the Shareholders in due course. The completion of the S&P Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Tongsheng Consideration Shares.

Mr. Wan and Ms. Liu are holding 14% and 10% of the equity interests in each of Guangzhou Pearl Oriental and Jiangxi DiChain respectively, both of them are substantial shareholders of Guangzhou Pearl Oriental and Jiangxi DiChain and hence connected persons of the Company. The POL Acquisitions constitute connected transactions of the Company. Save as disclosed herein, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors other than Mr. Wan and Ms. Liu are not connected persons of the Company. To the best knowledge of the Board, no Shareholder has material interest in the POL Acquisitions and no Shareholder is required to abstain from voting at a general meeting for the approval of the POL Acquisitions.

The POL Consideration Shares will be issued under a special mandate proposed to be sought from the independent Shareholders by a written shareholders' approval, and no Shareholders' meeting will be held, subject to the requirements in Rule 14.86 of the Listing Rules.

Pursuant to Rule 14A.25 of the Listing Rules, the POL Acquisitions are required to be aggregated in calculating the relevant percentage ratios because the POL Acquisitions are transactions with the same Vendors in respect of the same group of companies. The turnover percentage ratio of the POL Acquisitions are more than 25% but less than 100%, therefore the POL Acquisitions constitute major and connected transactions for the Company under the Listing Rules and will be subject to independent Shareholders' approval.

A circular will be despatched to the Shareholders containing further details of the POL Acquisitions, recommendations from the independent board committee and independent financial adviser.

Orient Day Developments Limited, the controlling Shareholder of the Company with a beneficial interest in 161,805,800 Shares representing approximately 60.19% of the issued share capital of the Company, has given a written shareholder's approval as required under Rule 14A.43 approving the POL Acquisitions. No qualified audit opinion has been issued in respect of the financial statements of Guangzhou Pearl Oriental and Jiangxi DiChain in any of the past financial years or periods. Subject to the requirements in Rule 14.86 of the Listing Rules, the Company will apply for a waiver from the Stock Exchange from strict compliance with the requirement to hold a Shareholders' meeting to approve the POL Acquisitions and the special mandate to issue of the POL Consideration Shares.

General Mandate

The Tongsheng Consideration Shares will be issued pursuant to the General Mandate, which allows the Board to issue 49,768,392 new Shares. The General Mandate has not been utilized prior to the entering into of the S&P Agreement and the Equity Transfer Agreements and is sufficient to cover the number of the Tongsheng Consideration Shares. Should the General Mandate have been utilized before the Completion of the Acquisitions, a special general meeting will be held to approve the issue of the Tongsheng Consideration Shares. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Tongsheng Consideration Shares and the POL Consideration Shares.

The Tongsheng Consideration Shares and the POL Consideration Shares will on issue rank equally in all respects with the then existing Shares save for any dividend or other distribution declared, made or paid by the Company by reference to a record date falling before the date of issue of the Tongsheng Consideration Shares and the POL Consideration Shares.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 15 September 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 27 September 2006.

As at the date hereof, the Board comprises six executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Lin Xi Zhong, Mr. Chan Yiu Keung, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang, Mr. Zheng Yingsheng; one non-executive Director, namely Dr. Robert Fung Hing Piu; and three independent non-executive Directors, namely Dr. Anwar Ibrahim, Dr. Lee G. Lam and Mr. Victor Yang.

Definitions

“Acquisitions”	Means the POL Acquisitions and the Tongsheng Acquisition
“Audited Net Profit”	The audited consolidated net profit after tax of Tongsheng, which shall be determined in accordance with the International Accounting Standards
“Board”	the board of directors of the Company
“Company”	Pearl Oriental Innovation Limited, a company incorporated in Bermuda with limited liability and the shares of which are traded on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“DiChain Technology”	China Merchants DiChain (Asia) Technology Limited(招商迪辰(亞洲) 科技有限公司), a wholly owned subsidiary of the Company
“Equity Transfer Agreements”	Means the Guangzhou Pearl Oriental Equity Transfer Agreement and the Jiangxi DiChain Equity transfer Agreement
“General Mandate”	the general mandate granted by the shareholders of the Company to the Board to issue 49,768,392 new Shares at the annual general meeting of the Company held on 30 August 2006
“Group”	means the Company and its subsidiaries
“Guangzhou Pearl Oriental”	廣州東明物流有限公司 (Guangzhou Pearl Oriental Logistics Limited) (formerly known as 廣州迪辰物流有限公司 (Guangzhou DiChain Logistics Company Limited) and 廣州美日物流有限公司(Guangzhou Meiri Logistics Co., Ltd)), a domestic company established in the PRC on 29 April 2001
“Guangzhou Pearl Oriental Group”	Means the sub-group comprising Guangzhou Pearl Oriental, Jiangxi DiChain and their wholly owned subsidiary, Inner Mongolia DiChain Logistics Limited
“Guangzhou Acquisition”	means the acquisition of 40% equity interest in Guangzhou Pearl Oriental by DiChain Technology from the Vendors
“Guangzhou Pearl Oriental Equity Transfer Agreement”	means the agreement dated 14 September 2006 entered into between DiChain Technology and the Vendors in relation to the Guangzhou Acquisition
“HK\$”	The lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jiangxi DiChain”	江西迪辰物流有限公司 (Jiangxi DiChain Logistics Co., Ltd), a domestic company established in the PRC on 9 September 2004
“Jiangxi Acquisition”	means the acquisition of 40% equity interest in Jiangxi DiChain by DiChain Technology from the Vendors

“Jiangxi DiChain Equity Transfer Agreement”	means the agreement dated 14 September 2006 entered into between DiChain Technology and the Vendors in relation to the Jiangxi Acquisition
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	陳科海 (Chen Ke Hai) who is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or an associate of any of them
“Mr. Tu”	涂照路 (Tu Zhao Lu) who is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or an associate of any of them
“Mr. Wan”	萬桂平 (Wan Gui Ping) who is a connected person of the Company
“Ms. Liu”	劉曉紅 (Liu Xiao Hong) who is a connected person of the Company
“Ms. Zhu”	朱美琪 (Zhu Mei Qi) who is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or an associate of any of them
“PRC”	means the People’s Republic of China
“Payment Agreement”	means the agreement dated 14 September 2006 entered into between DiChain Technology and the Vendors in relation to, inter alia, the issue of POL Consideration Shares for the Guangzhou Acquisition and Jiangxi Acquisition
“POL Acquisitions”	means the Guangzhou Acquisition and Jiangxi Acquisition
“POL Consideration Shares”	means the new Shares to be issued by the Company to the Vendors as consideration for the POL Acquisitions
“RMB”	Renminbi yuan, the lawful currency of the PRC
“S&P Agreement”	a conditional sale and purchase agreement between the Ms. Yang and the Company dated 14 September 2006 in relation to the Tongsheng Acquisition of Target Shares
“Share(s)”	means the share(s) of HK\$0.50 each in the capital of the Company
“Shareholder(s)”	means the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Shares”	60% interests in the capital of POL Sino to be acquired by the Company pursuant to the S&P Agreement
“Tongsheng Acquisition”	the acquisition of Target Shares by the Company pursuant to the S&P Agreement
“Tongsheng Consideration Shares”	5,640,000 new Shares of the Company to be issued and allotted as the consideration for the Tongsheng Acquisition pursuant to the S&P Agreement
“Vendors”	means Mr. Wan, Ms. Liu, Mr. Tu, Mr. Chen and Ms. Zhu

Unless otherwise specified in this announcement, amounts denominated in RMB have been translated, for illustration purpose only, into Hong Kong dollars at the rate of HK\$1 = RMB1.03.

By Order of the Board
Pearl Oriental Innovation Limited
Wong Kwan
Chairman and Chief Executive

Hong Kong, 26 September 2006

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.