東方明珠創業有限公司*
Pearl Oriental Innovation Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 0632)

INTERIM RESULTS ANNOUNCEMENT 2007

The Directors of Pearl Oriental Innovation Limited (the "Company") announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2007 with comparative figures for the previous corresponding period. The results have not been audited but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**39,415**	33,239
Cost of sales		**(28,555)**	(23,525)
Gross profit		**10,860**	9,714
Other operating income		**3,111**	2,384
Selling and distribution expenses		**(4,538)**	(2,003)
General and administrative expenses		**(18,680)**	(15,996)
Loss from operations	*4*	**(9,247)**	(5,901)
Finance costs		**(2,601)**	(3,646)
Share of profit of associates		**6,232**	–
Provision for doubtful debts		**–**	(7,187)
Impairment loss of investment securities		**(6,496)**	(9,357)
Realized holding loss on investment in securities		**(900)**	–
Impairment loss of goodwill		**(6,065)**	–
(Loss) before taxation		**(19,077)**	(26,091)
Taxation	*5*	**(402)**	(307)
(Loss) for the period		**(19,479)**	(26,398)
Attributable to:			
Equity holders of the Company		**(15,047)**	(26,451)
Minority interests		**(4,432)**	53
		(19,479)	(26,398)
(Loss) earnings per share	*7*		
Basic		**(4) cents**	(13) cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 September 2007 (Unaudited) HK$'000	At 31 March 2007 (Audited) (Restated) HK$'000
Non-current assets			
Property, plant and equipment		**98,979**	95,730
Interest in leasehold land held for own use under operating leases		**17,874**	18,155
Interest in associates		**404,796**	398,564
Deferred tax assets		**1,419**	1,419
		523,068	513,868
Current assets			
Trade and other receivables	*8*	**22,626**	21,561
Tax recoverable		**425**	89
Interests in leasehold land held for own use under operating leases		**531**	513
Available-for-sale securities		**4,060**	–
Amount due from minority shareholders of subsidiaries		**14**	22
Amounts due from an investee company		**7,414**	19
Cash and Cash equivalents		**7,957**	11,184
		43,027	33,388
Current liabilities			
Trade and other payables	*9*	**23,191**	17,506
Amounts due to related companies		**34,398**	28,125
Short-term bank loans		**57,844**	57,587
Other short-term loans		**–**	506
Current taxation		**15,932**	15,790
		131,365	119,514
Net current liabilities		**(88,338)**	(86,126)
Total assets less current liabilities		**434,730**	427,742
NET ASSETS		**434,730**	427,742
Capital and reserves			
Share capital		**193,641**	190,821
Reserves		**237,895**	235,103
Total equity attributable to equity shareholders of the Company		**431,536**	425,924
Minority interests		**3,194**	1,818
TOTAL EQUITY		**434,730**	427,742

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No. 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The Group's interim financial report for the six months ended 30 September 2007 (the "Interim Financial Report"), has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"), all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong, including compliance with HKAS 34 "Interim financial statements". The preparation of interim financial reports in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The principal accounting policies adopted in preparing the Interim Financial Report are consistent with those adopted in the financial statements for the year ended 31 March 2007. The Group has also adopted a number of new HKFRSs ("New HKFRSs") issued by HKICPA which became effective for accounting periods beginning on or after 1 January 2006. However, the adoption of these New HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

3. SEGMENT INFORMATION

	Turnover Six months ended 30 September		Loss from operations Six months ended 30 September	
	2007	2006	**2007**	2006
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activity:				
Continuing operations Logistics	**39,415**	33,239	**1,294**	3,704
Unallocated corporate expenses			**(10,541)**	(9,605)
Loss from operations			**(9,247)**	(5,901)
By geographical area:				
Hong Kong	**–**	–		
The People's Republic of China	**39,415**	33,239		
	39,415	33,239		

4. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The Group's loss from operations has been arrived at after charging:		
Depreciation and amortization	**2,366**	2,450
and after crediting:		
Net foreign exchange gain	**2,434**	1,824
Interest income from bank deposits	**87**	452
Government subsidy	**526**	–
Others	**64**	108

5. TAXATION

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**–**	–
Provision for PRC enterprise income tax	**402**	307
	402	307

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit in Hong Kong for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend (2006: Nil).

7. (LOSS) PER SHARE

The calculation of the basic (loss) per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
(Loss) for the purpose of calculating basic (loss) earnings per share:		
Net (loss) for the period	**(15,047)**	(26,451)
Weighted average number of shares for the purpose of calculating basic (loss) per share (in thousands)	**387,282**	203,425

No diluted (loss) per share is presented as the exercise of the Company's outstanding share options for the six months ended 30 September 2007 and 30 September 2006 would result in a decrease in loss per share respectively.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as at 30 September 2007 as follows:

	At 30 September 2007 (Unaudited) ***HK$'000***	At 31 March 2007 (Audited) *HK$'000*
Less than 3 months	**13,288**	14,663
3 to 6 months	**539**	1,638
6 to 12 months	**262**	295
Over 1 year	**292**	86
	14,381	16,682
Other receivables	**8,245**	4,879
	22,626	21,561

The Group maintains and closely monitors defined credit policies for its businesses and trade receivables in order to control the credit risk associated with trade receivables.

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable at the reporting date:

	At 30 September 2007 (Unaudited) ***HK$'000***	At 31 March 2007 (Audited) *HK$'000*
Less than 3 months	**9,418**	7,651
3 to 6 months	**403**	1,065
6 to 12 months	**185**	6
Over 1 year	**168**	251
	10,174	8,973
Other payables	**13,017**	8,533
	23,191	17,506

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Review of Operations

For the six months ended 30 September 2007 (the "Period"), the Group recorded a consolidated turnover of HK$39,415,000 (2006: HK$33,239,000), representing an increase of approximately 19% over the corresponding period last year. The loss attributable to the Shareholders of the Company for the Period decreased to HK$15,047,000 (2006: HK$26,451,000). Basic loss per share was 4 HK cents for the Period as compared to the loss per share of 13 HK cents for the six months ended 30 September 2006.

The increase in turnover was mainly due to the increase in business from existing key customers of the Group and also new business from few new customers.

During the Period, Guangzhou Pearl Oriental Logistics Limited has been focusing on the expansion of the innovative e-commerce logistics (e-fulfilment) services of great potential to meet the ever increasing demand derived from trading activities through television and Internet in China, while the warehouse operation of Pearl Oriental Logistics (Shenzhen) Ltd. grew by approximately 28% in turnover. The gross profit margin has remained at around 28% during the Period (2006: 29%).

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated resources and loan facilities granted by its principal bankers in the PRC and Hong Kong, placement of shares of the Company and from the support of Orient Day Developments Limited ("Orient Day").

As at 30 September 2007, the Group's gearing ratio had decreased to 10% (calculated on the basis of the Group's bank borrowings as a percentage of total assets) from 11% as at 31 March 2007. At 30 September 2007 the Group's total bank borrowings amounted to approximately 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 30 September 2007 stood at approximately HK$8 million. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 0.33 as at 30 September 2007 (31 March 2007: 0.28).

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 to manage any risk.

As of 30 September 2007, certain assets of the Group with an aggregate carrying value of approximately HK$100 million were pledged with its bankers as security for loan facilities granted.

Litigations

The Group has three pending litigations incoming one by the ex-directors of a disposed subsidiary who claim against the Group for a total sum of not less than HK$11.4 million. The actions are at the initial stage and the Group and its legal representative are unable to ascertain the possible effects of the claims.

In addition, the Company took a legal action (the "Legal Action") by issuing a writ of summons on 31 August 2006 against Dichain Holdings Limited ("DiChain Holdings"), 3 former Directors, namely Fan Di, Li Xinggue and Wu Shiyue, Hero Vantage Limited and 大連雙喜商貿發展有限公司 (Dalian Shuangxi Trade Development Limited) for damages equal to a sum of RMB64.5 million. A default judgment has been entered against Fan Di, Li Xinggue and Wu Shiyue, and the Legal Action is still in progress. The Company will keep the Shareholders well informed of its litigations when necessary and appropriate.

It is a term and condition in the Subscription Agreements 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 for 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 honoured the Obligations under the Subscription Agreements, the Company has issued a writ of summons (the "Writ") against DiChain Holdings on 31 October 2006, inter alia, in respect of the breach of warranties caused by DiChain Holdings under the Subscription Agreements. The Company and Orient Day have already obtained summary judgments against DiChain Holdings in respect of its non-performance of the Obligation and for its breach of warranties.

Employees and remuneration policies

As of 30 September 2007, the number of employees of the Group was about 470. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes.

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 has already acquired 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 approximately 70% 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 also 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, the management 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. 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, 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 are all in production and have coking coal reserves of around 67.5 million tonnes, 30 million tonnes and 14 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 brisk 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.

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 also spent HK$50 million to acquire 50% equity interests in and has become the single largest shareholder of Euro Resources China Limited. 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 Asian countries like Vietnam, Cambodia, Malaysia, Korea, Japan and 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 tonnes, 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, 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 tons 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, Euro Resources has already formed a joint-venture in Shunde of Guangdong, 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 each of the coal and recycled plastics projects for listing on recognized stock markets in 2008. The Board expects that China Coal Energy Holdings Limited and Euro Resources China Limited, 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$74.5 million from the placing of new shares in the Company in March 2007, 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 30 September 2007, the Group has outstanding short-term bank loans in aggregate of approximately HK$58 million (2006: HK$58 million). Heng Sang Bank, Shenzhen Branch has already granted new credit facilities to the Group sufficient to repay the existing loans.

Management

The Management has already built a 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Code of conduct regarding securities transaction by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the Period.

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

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The Group has adopted all the Code Provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules except for the following deviation:

Code Provision A.2.1

The Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Wong Kwan currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive directors, namely Mr. Lai Shi Hong, Edward (Chairman of the Audit Committee), Dr. Dong Zhi Xiong and Mr. Fung Hing Chiu, Cyril. The Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2007.

On behalf of the Board
Cheung Kwok Yu
Executive Director and Company Secretary

Hong Kong, 20 December 2007

As at the date of this announcement, the board of Directors comprises six executive directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Chan Yiu Keung, Mr. Cheung Kwok Yu, Mr. Zhou Li Yang, Mr. Zheng Yingsheng and Mr. Johnny Yuen; and three independent non-executive Directors, namely Dr. Dong Zhi Xiong, Mr. Fung Hing Chiu, Cyril and Mr. Lai Shi Hong, Edward.

* *for identification purpose only*