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CHINA MERCHANTS DICHAIN (ASIA) LIMITED

招商迪辰(亞洲)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

CANCELLATION OF THE SUBSCRIPTION AGREEMENT PROGRESS OF LITIGATION AND SHARE SUBSCRIPTION AND OPTION AGREEMENT

The Subscription Agreement dated 1 December 2005 entered into between the Company as the issuer of the Convertible Note and the grantor of the Option and P.G. International Investment Co. Limited as the Subscriber on 1 December 2005 has been terminated.

The Company and DWS have been seeking reconciliation outside the court with the Plaintiff in the Litigation and feasible resolutions which are acceptable to all parties. The Company will make further announcement on the progress of the Litigation.

On 22 February 2006, the Share Subscription and Option Agreement was entered into between the Company and a party not connected with any substantial shareholder, chief executive and/or directors of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules in relation to subscription of Shares and grant of options.

Shareholders of the Company and investors are advised to exercise caution when dealing in the Shares.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:00 a.m. on 21 February 2006 and will remain suspended pending the announcement in relation to the Share Subscription and Option Agreement.

Cancellation of the Subscription Agreement

Reference is made to the Company's announcement dated 5 December 2005 and the circular of the Company dated 13 December 2005 ("Circular") in relation to the issue of a redeemable convertible note in the principal amount of HK\$10,000,000 and the grant of option to subscribe the Option Shares for an amount of HK\$15,000,000. Terms used in this announcement have the same meanings ascribed to them in the Circular unless otherwise specified.

Pursuant to the Subscription Agreement, completion of the subscription of the Convertible Notes was conditional upon, among other things, the Subscriber being satisfied with the results of its due diligence review; and the completion of the subscription of the Option Shares is conditional upon, among other things, the Convertible Note Closing having occurred.

On 20 February 2006, the Subscriber gave notice to the Company to terminate their obligations under the Subscription Agreement as it was not satisfied with the results of its due diligence review. Accordingly, the Subscription Agreement has been terminated and the transaction contemplated therein will not proceed. According to the Subscription Agreement, if the Agreement is terminated because of conditions precedent being not fulfilled, neither parties to the Subscription Agreement shall have any claims against the other for costs, damages, compensations or otherwise (save for liabilities for any antecedent breaches of the Subscription Agreement). As set out in the Circular, the net proceeds from the issue of the Convertible Note and the conversion of the Option was intended to be used as general working capital for the development of the logistics business of the Group. Since the Group has no specific plan on the development, the Directors do not expect the termination of the Subscription Agreement to have any material adverse impact on the business operations or financial position of the Company.

Progress of the Litigation

Reference is also made to the Company's announcement dated 1 February 2006 in relation to the progress of a litigation ("Litigation") lodged against the Company and 迪辰倉儲服務(深圳)有限公司(DiChain Logistic Services (Shenzhen) Co., Ltd) ("DWS") by 廣東發展銀行股份有限公司深圳香蜜湖支行(Guangdong Development Bank, Shenzhen Xiangmihu Branch) ("Plaintiff") in relation to the default on payment of a loan of RMB29,996,806.1 (approximately HK\$28,843,082.79). The Company and DWS have been seeking reconciliation outside the court with the Plaintiff and feasible resolutions which are acceptable to all parties. A hearing is scheduled to be held in the Shenzhen Intermediate People's Court for the purpose of the Litigation on 7 March 2006. The impact of the Litigation on the financial position of the Company will depend upon whether or not settlement can be reached and whether or not the outstanding loan amount shall be repaid by the Company. In the event that the outstanding loan amount is to be repaid by the Company, the liabilities and the assets of the Group will be reduced by approximately RMB29,996,806.1 (approximately HK\$28,843,082.79) at the year ended 31 March 2006. The Company will make further announcement on the progress of the Litigation.

Share Subscription and Option Agreement

On 22 February 2006, a share subscription and option agreement ("Share Subscription and Option Agreement") was entered into between the Company and a party ("Third Party") not connected with any substantial shareholder, chief executive and/or directors of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules in relation to a subscription of Shares and grant of options ("Subscription") which may give rise to an obligation on the part of the Third Party and parties acting in concert with it to make an offer for all the issued Shares under Rule 26 of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code") unless the whitewash waiver for waiving such general offer obligation pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code is granted by the executive director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates. Details of the Subscription will be disclosed in further announcement by the Company.

General

Save as disclosed above, there is no other negotiations or agreements in relation to any potential acquisition or disposal which is discloseable under Rule 13.23 of the Listing Rules, neither is the board of directors of the Company aware of any matter discloseable under the general obligations required by Rule 13.09 of the Listing Rules which is or may be of a price sensitive nature.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:00 a.m. on 21 February 2006 and will remain suspended pending the announcement in relation to the Share Subscription and Option Agreement.

Shareholders of the Company and investors are advised to exercise caution when dealing in the Shares of the Company.

As at the date of the announcement, the executive Directors are Mr. Fan Di, Mr. Zhou Li Yang, Mr. Zheng Yingsheng, Mr. Chen Gang, Gordon (alternate to Mr. Fan Di) and the non-executive Directors are Mr. Robert Fung Hing Piu, and Mr. Wang Shizhen. The independent non-executive Directors are Mr. Barry J. Buttifant, Mr. Iain F. Bruce and Mr. Victor Yang.

The Directors collectively and individually, and jointly and severally, accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

By Order of the Board
China Merchants DiChain (Asia) Limited
Yu Wai Kit
Company Secretary

Hong Kong, 24 February 2006

* *for identification purpose only*

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