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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: 0632)

Conversion of Convertible Notes

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Refreshment of General Mandate

Refreshment of Scheme Mandate Limit of the Share Option Scheme

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Clarification of Press Articles

The Directors are pleased to announce that the Subscriber, holding the Convertible Notes in an aggregate principal amount of HK\$30,000,000, gave a notice on 13 June 2006 to the Company to convert all the Convertible Notes at the conversion price of HK\$0.5 per Consolidated Share.

The Company proposes to change its English name to “Pearl Oriental Innovation Limited” and to adopt “東方明珠創業有限公司” as its Chinese name for identification purpose.

The Company also proposes to seek the approval of the Shareholders to refresh (i) the general mandate to issue Consolidated Shares and (ii) the 10% scheme mandate limit of the Share Option Scheme.

The Company announces that Mr. Lin Xi Zhong was appointed as an executive director of the Company with effect from 13 June 2006 and Deloitte Touche Tohmatsu resigned as auditors of the Company with effect from 12 June 2006. CCIF CPA Limited will be appointed as the new auditors to fill the casual vacancy.

At the request of the Company, trading in the Company’s shares has been suspended from 9:30 a.m. on 14 June 2006 pending on the release of this announcement and an application has been made in relation to the resumption of trading of the Company’s shares with effect from 9:30 a.m. on 15 June 2006.

Reference is made to the announcement of the Company and Orient Day Developments Limited dated 23 March 2006 (the “**Announcement**”) and circular dated 4 May 2006 (the “**Circular**”). Unless the context herein otherwise requires, terms used in this announcement shall have the same meanings as defined in the Circular.

Conversion of Convertible Notes

The Directors are pleased to announce that the Subscriber, holding the Convertible Notes in an aggregate principal amount of HK\$30,000,000, gave a notice to the Company on 13 June 2006 to convert all the Convertible Notes at the conversion price of HK\$0.5 per Consolidated Share (being the adjusted Conversion Price after the Share Consolidation) (the “**Conversion**”). As a result of the Conversion, a total of 60,000,000 Consolidated Shares (being the adjusted number of Conversion Shares after the Share Consolidation) of HK\$0.5 each (the “**Conversion Shares**”), representing approximately 31.78% of the issued share capital of the Company as at 13 June 2006 and approximately 24.12% of the issued share capital of the Company as enlarged by the issue of the consolidated Conversion Shares, will be allotted and issued. The Conversion Shares will be issued under the special mandate approved by the Independent Shareholders at the SGM held on 22 May 2006.

Terms of the Convertible Notes have been disclosed in the Circular and the SFC has granted Whitewash Waiver to the Company. After the Conversion, the Subscriber will be interested in approximately 57.00% of the total issued share capital of the Company. Below is a table showing the shareholding structure of the Company before and after the Conversion.

	Shareholding structure before the conversion of Convertible Notes		Shareholding structure after the conversion of Convertible Notes	
	<i>No. of Consolidated Shares</i>	<i>%</i>	<i>No. of Consolidated Shares</i>	<i>%</i>
The Subscriber	81,805,800	43.34	141,805,800	57.00
Farsight Holdings Limited (<i>Note</i>)	1,277,083	0.68	1,277,083	0.51
DiChain Holdings Limited (<i>Note</i>)	19,647,377	10.41	19,647,377	7.90
Other Shareholders	86,031,700	45.57	86,031,700	34.59
	<u>188,761,960</u>	<u>100.00</u>	<u>248,761,960</u>	<u>100.00</u>

Note: To the best knowledge and belief of the Board, Farsight Holdings Limited and DiChain Holdings Limited are the only substantial shareholders of the Company besides the Subscriber. DiChain Holdings Limited is owned as to 71.38% by Farsight Holdings Limited. The information on the shareholding interests of Farsight Holdings Limited and DiChain Holdings Limited stated herein are extracted from the Circular dated 4 May 2006, the Company has not received any notification from Farsight Holdings Limited and DiChain Holdings Limited in relation to their change of shareholding interest since the date of the Circular. The Company will update this table in the circular to be dispatched to the Shareholders if the Company is aware of any changes thereto.

Proposed Change of the Company Name

The Board proposes to change the English name of the Company to “Pearl Oriental Innovation Limited” and to adopt “東方明珠創業有限公司” as its Chinese name for identification purpose, in order to reflect the recent change of substantial shareholder of the Company as disclosed in the Circular and the new focus of future development of its business.

The proposed change of name is subject to (i) the passing of a special resolution by the Shareholders at a special general meeting to be convened by the Company (“Forthcoming SGM”); and (ii) the approval of the Registrars of Companies in Bermuda and Hong Kong. The new English name shall take effect on the date on which the new name is registered by the Registrar of Companies in Bermuda. Thereafter, the Company will carry out the necessary filing procedures with the Registrar of Companies in Hong Kong.

The proposed change of name will not affect any of the rights of the Shareholders. All existing share certificates in issue bearing the present name of the Company will, after the date when the change of Company name becomes effective, continue to be evidence of title to the Shares or Consolidated Shares (as the case may be) and will be valid for trading, settlement and delivery. Shareholders may exchange certificates bearing the new name of the Company free of charge within one month from the effective date of the change of Company name by submitting their existing share certificates to the branch share registrar of the Company.

Further announcement in relation to the change of name and arrangement of exchange of share certificates will be made when the proposed change of name of the Company becomes effective.

Refreshment of General Mandate

The Board proposes to seek the approval from the Shareholders to refresh the general mandate to issue Consolidated Shares in the Forthcoming SGM pursuant to Rule 13.36(4).

The Directors were authorized to allot and issue up to 37,752,392 Consolidated Shares pursuant to the existing general mandate to issue Shares which was granted by the Shareholders at the SGM held on 22 May 2006 (“Existing General Mandate”). The issued share capital of the Company will be enlarged by the Conversion Shares, in order to give the Company greater flexibility in the issuance of Consolidated Shares in future as and when the Company considers desirable for the benefit of the development of the Company, the Company will seek to refresh the general mandate by the Shareholders at the Forthcoming SGM to give the Directors the general mandate to allot, issue and deal with new Consolidated Shares for an aggregate nominal amount of up to 20% of the aggregate nominal amount of the issued share capital of the Company of the date of the Forthcoming SGM.

Based on the 188,761,960 Consolidated Shares in issue as at the date of this announcement and the issue of 60,000,000 Conversion Shares as a result of the Conversion, upon approval of the refreshment of the general mandate at the Forthcoming SGM, the Directors will be able to allot and issue up to 49,752,392 Consolidated Shares, representing 20% of the issued share capital of the Company after the Conversion.

The Board will send a circular to the Shareholders and a notice for the purpose of convening the Forthcoming SGM to obtain Shareholders’ approval to the grant of the general mandate in compliance with Rule 13.36(4). The circular will contain the details as required under Rule 13.36(4)(d) of the Listing Rules.

The Company will form an independent board committee and appoint an independent financial advisor to advise the independent Shareholders on the proposed refreshment and the circular will contain their respective recommendations. In accordance with the requirements of the Listing Rules, the proposed general mandate will be voted by poll, and the controlling shareholders of the Company and its associates will abstain from voting in favour thereon.

Refreshment of Scheme Mandate Limit of the Share Option Scheme

The Board proposes to seek the approval of the Shareholders to refresh the 10% scheme mandate limit of the share option scheme adopted by the Company on 21 June 2002 (the “**Share Option Scheme**”). Under the existing scheme mandate limit, which being the maximum number of new shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company (the “**Scheme Mandate Limit**”), the Directors were only authorized to grant options to subscribe for up to 9,073,130 Consolidated Shares, representing 10% of the issued share capital of the company as at the date of adoption of the Share Option Scheme. In order to provide the Company with greater flexibility in granting options to eligible persons under the Share Option Scheme as incentive or reward for their contribution to the Company, the Board decides to seek the approval from the Shareholders at the Forthcoming SGM to refresh the Scheme Mandate Limit. The Directors consider that the refreshment of the Scheme Mandate Limit is in the interest of the Company and the Shareholders as a whole.

Based on the 188,761,960 Consolidated Shares in issue as at the date of this announcement and the issue of 60,000,000 Conversion Shares as a result of the Conversion, upon approval of the refreshment of the Scheme Mandate Limited at the SGM, the Directors will be able to grant options to subscribe for up to 24,876,196 Consolidated Shares, representing 10% of the issued share capital of the Company after Conversion.

Appointment of New Director

The Board is pleased to announce that Mr. Lin Xi Zhong has been appointed as an executive director of the Company with effect from 13 June 2006.

Mr. Lin graduated from Beijing Foreign Studies University, he has over 30 years of work experience in state-owned natural resources, mining and banking industries. Before joining our Group, Mr. Lin was the Senior Vice President of China Minmetals Corporation, Chief Executive Officer of China Minmetals H.K. (Holdings) Ltd, Vice President of Hong Kong First Pacific Bank Ltd. and also the Chairman and Executive Director of two Hong Kong listed companies, namely Minmetals Resources Ltd (stock code : 1208) and Onfem Holdings Ltd (stock code : 230). Mr. Lin is currently a director of AXA Asia Pacific Holdings Limited, a company listed in Australia. Mr. Lin has extensive valuable experience in business operation and management, he will work as a full-time director of the Company. The Board strongly believes Mr. Lin’s joining will be highly helpful for the future development of the Company in the markets of natural resources and energy in China.

Mr. Lin does not hold any position with the Company or any of its subsidiaries immediately before the date of his appointment. He is not connected with any director, senior management or substantial or controlling shareholder of the Company and does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Lin’s appointment is for a period of two years commencing from 13 June 2006. Mr. Lin will be entitled to a director’s fee of HK\$300,000 per annum which is determined by reference to his duties and responsibilities and is in line with the director’s fees payable to other executive directors of the Company. He will also be entitled to a discretionary year-end-bonus and share options to subscribe for 1,000,000 Consolidated Shares. The grant of options to Mr. Lin has been approved by the independent non-executive directors of the Company on 13 June 2006.

Save as disclosed in this announcement, the Board is not aware of any matter in relation to Mr. Lin that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matter that need to be brought to the attention of the Shareholders in relation to Mr. Lin’s appointment.

Further Information of the Directors

With effect from Completion, Mr. Wong Yuk Kwan (alias : Wong Kwan) has been appointed Chairman of the Board, executive Director and chief executive of the Company whilst Mr. Chan Yiu Keung and Mr. Cheung Kwok Yu have been appointed executive Directors. Dr. Anwar Ibrahim and Dr. Lee G. Lam have been appointed as independent non-executive directors. Further to the announcement of the Company dated 29 May 2006 in relation above appointment, the Board wishes to announce the terms of employment of the aforesaid Directors.

Each of the aforesaid Directors has been appointed to the Board for a period of 2 years from 24 May 2006 with a director's fee of HK\$300,000 per annum, which is determined by reference to each of his duties, responsibilities and experience. Each of them is also entitled to a discretionary year-end-bonus.

In addition to the above remuneration, Mr. Wong Kwan is entitled to share options to subscribe for 2,400,000 Consolidated Shares, Mr. Chan Yiu Keung is entitled to share options to subscribe for 1,000,000 Consolidated Shares, Mr. Cheung Kwok Yu is entitled to share options to subscribe for 1,000,000 Consolidated Shares, Dr. Anwar Ibrahim is entitled to share options to subscribe for 2,000,000 Consolidated Shares and Dr. Lam Lee G. is entitled to share options to subscribe for 2,000,000 Consolidated Shares. The above grant of share options to Mr. Chan Yiu Keung and Mr. Cheung Kwok Yu have been approved by the independent non-executive directors of the Company.

The grant of options to Mr. Wong Kwan, Dr. Anwar Ibrahim and Dr. Lam Lee G. shall be approved by shareholders in the Forthcoming SGM as the grant of share options to each of them represents over 0.1% of the number of total issued Consolidated Shares and of value in excess of HK\$5 million based on the closing price of the Consolidated Shares as at 13 June 2006, which is the date of grant. The Company will comply with the Rule 17.04 of the Listing Rule to issue a circular to the Shareholders and convene the Forthcoming SGM.

Change of Auditors

The Company received a resignation letter from Deloitte Touche Tohmatsu ("DTT") dated 12 June 2006 resigning as auditors of the Company with immediate effect because, inter alia, the Company could not reach a consensus with DTT on the audit fee for the year ended 31 March 2006.

The Board is pleased to announce that CCIF CPA Limited has been appointed as the auditors of the Company to fill the casual vacancy of DTT and to hold office until the conclusion of the Company's next annual general meeting.

In the resignation letter, DTT confirmed that there are no circumstances connected with its resignation which DTT considered necessary to be brought to the attention of the shareholders or creditors of the Company. The Board is not aware of any other fact or circumstances that ought to be brought to the notice of the shareholders of the Company.

The Board believes the change of auditors will not affect the audit of financial statements and the release of annual results of the Company for the financial year ended 31 March 2006.

Clarification of Press Articles

With reference to the recent press articles on the newspaper in relation to the legal actions against the Company by two former directors of the Company, the Board wishes to clarify that the Company received two Writs of Summons dated 10 June 2006 from Mr. Tse Tack Huen Alexander and Ms. Cheung Kam Wa claiming HK\$1.3 million and HK\$3.3 million respectively which are due from Dransfield Holdings Limited (“Dransfield”), a former subsidiary of the Company. The Company will defend the two legal actions after consultation with the Company’s legal advisers.

Furthermore, the press articles allege that the Dransfield was disposed of to the Company’s secretary Mr. Yu Wai Kit, Eddie, contrary to the Company’s announcement dated 29 July 2005 which stated that Dransfield was disposed of to independent third parties. The Board wishes to clarify that the allegation was untrue and Dransfield had been disposed of to independent third parties not connected with the Company. The Board will consider taking appropriate legal actions against the untrue allegations.

General

An International Advisory Council of the Company has been set up, which is chaired by Dr. Anwar Ibrahim, and will appoint famous international economists, entrepreneurs and chief executive officers as members of the Council to advise the Board on the Company’s future development and investment strategies.

The Company may invite conglomerates with strong financial background as strategic shareholders of the Company through the extensive political and economic networks of Dr. Anwar Ibrahim in Europe, USA and the Middle East, and to share the return from the businesses of natural resources, energy and finance of the Company in future.

At the request of the Company, trading in the Company’s shares has been suspended from 9:30 a.m. on 14 June 2006 pending on the release of this announcement and an application has been made in relation to the resumption of trading of the Company’s shares with effect from 9:30 a.m. on 15 June 2006.

By Order of the Board
China Merchants DiChain (Asia) Limited
Zhou Li Yang
Managing Director

Hong Kong, 14 June 2006

As at the date of this announcement, the Directors are

Executive Directors:

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 Yinsheng

Non-Executive Director:

Mr. Robert Fung Hing Piu

Independent Non-Executive Directors:

Dr. Anwar Ibrahim

Dr. Lee G. Lam

Mr. Victor Yang

* *for identification purpose only*

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