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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in China Merchants DiChain (Asia) Limited you should at once hand this circular and the accompanying form to the purchaser(s) or transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

CHANGE OF COMPANY NAME REFRESHMENT OF GENERAL MANDATE REFRESHMENT OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME GRANT OF OPTIONS TO DIRECTORS



KINGSTON CORPORATE FINANCE LIMITED

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

A letter from the Independent Board Committee and a letter from an independent non-executive director are set out on pages 11 and 12 of this circular and a letter from Kingston Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 18 of this circular.

A notice convening a special general meeting of China Merchants DiChain (Asia) Limited to be held at Unit 3611, 36/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, on 1 August 2006 at 2:30 p.m. is set out on pages 19 to 22 of this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the special general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

* For identification purpose only

10 July 2006

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RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

In this circular the following terms have the following meanings unless the context requires otherwise.

“associates”	has the meaning ascribed to in the Listing Rules;
“Board”	the board of Directors;
“Company”	China Merchants DiChain (Asia) Limited, a company incorporated in Bermuda whose securities are listed on the Stock Exchange;
“connected persons”	has the meaning ascribed to in the Listing Rules;
“Consolidated Share(s)”	share(s) of HK\$0.50 each in the share capital of the Company;
“Conversion Shares”	the Consolidated Shares issued by the Company upon the conversion of the Convertible Notes which rank pari passu with the other existing Consolidated Shares in issue;
“Convertible Notes”	the convertible notes in the principal amount of HK\$30,000,000 issued by the Company and subscribed for by Orient Day;
“Director(s)”	the directors of the Company;
“Existing General Mandate”	the general mandate approved at the SGM to grant the Directors the power to allot and issue 37,752,392 Consolidated Shares;
“Existing Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other schemes, not exceeding 10% of the total number of Shares in issue as at the date of Shareholders’ approval of the Share Option Scheme;
“Forthcoming SGM”	a special general meeting of the Company to be convened on 1 August 2006 at 2:30 p.m. for approving, inter alia, the change of company name, New General Mandate, refreshment of the Existing Scheme Mandate Limit and grant of options to Directors;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising Dr. Anwar Ibrahim, Dr. Lee G. Lam and Mr. Victor Yang, all of whom are independent non-executive Directors appointed by the Board to advise the Independent Shareholders (GM) in respect of the New General Mandate;
“Independent Financial Adviser” or “Kingston”	Kingston Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO;
“Independent Shareholders”	Shareholders other than the connected persons of the Company, which include but not limited to Orient Day and its associates;
“Independent Shareholders (GM)”	Shareholders other than Orient Day and its associates;
“Latest Practicable Date”	7 July 2006, being the latest practicable date prior to the printing of this document for the purposes of ascertaining certain information for inclusion in this document;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“New General Mandate”	the general mandate proposed to be granted to the Directors to allot and issue up to 20% of the issued share capital of the Company as at the date of the Forthcoming SGM;
“Options”	share options proposed to be granted to Mr. Wong Kwan, Dr. Anwar Ibrahim and Dr. Lee G. Lam pursuant to the Share Option Scheme;
“Orient Day” or “Subscriber”	means Orient Day Developments Limited, a company incorporated in the British Virgin Islands with limited liability;

DEFINITIONS

“PRC”	the People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company held on 22 May 2006;
“Share Consolidation”	the consolidation of every 50 Shares in the issued and unissued share capital of the Company into 1 Consolidated Share in the issued and unissued share capital of the Company, which became effective on 23 May 2006;
“Share Option Scheme”	the share option scheme of the Company which was adopted on 21 June 2002;
“Shareholder(s)”	holder(s) of the Shares or Consolidated Shares (as the case may be);
“Share(s)”	share(s) of HK\$0.01 each of the Company prior to the Share Consolidation;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“%”	per cent



CHINA MERCHANTS DICHAIN (ASIA) LIMITED

招商迪辰(亞洲)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0632)

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 Yingsheng

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place
of business in Hong Kong:*

Unit 3611, 36th Floor

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

Non-executive Director:

Dr. Robert Fung Hing Piu

Independent non-executive Directors:

Dr. Anwar Ibrahim

Dr. Lee G. Lam

Mr. Victor Yang

10 July 2006

*To the Shareholders and, for information only,
the holders of share options*

Dear Sirs or Madams,

**CHANGE OF COMPANY NAME
REFRESHMENT OF GENERAL MANDATE
REFRESHMENT OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME
GRANT OF OPTIONS TO DIRECTORS**

INTRODUCTION

On 14 June 2006, the Company announced its intention to change the company name, refresh the Existing General Mandate, refresh the Existing Scheme Mandate Limit and grant of share options to Directors.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information relating to (i) details of the change of name, New General Mandate, new scheme mandate limit and Options to be granted; (ii) the recommendation from the Independent Board Committee; (iii) the recommendation from an independent non-executive director; (iv) the recommendation from Kingston to the Independent Board Committee and the Independent Shareholders (GM); and (v) a notice convening the Forthcoming SGM.

CHANGE OF COMPANY NAME

The Directors propose 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 Company’s circular dated 4 May 2006 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 the 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 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. Upon the change of name becoming effective, any issue of share certificates thereafter will be in the new name. The colour of the existing share certificates for the Shares and Consolidated Shares are green and pink respectively. The proposed new share certificates of the Company shall be green in colour. 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 name by submitting their existing share certificates to the branch share registrar of the Company at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong. Thereafter, certificates for the Shares or Consolidated Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be stipulated in the Listing Rules from time to time) for each new certificate to be issued or each old certificate submitted, whichever number of certificates is higher.

A special resolution will be proposed in the Forthcoming SGM to approve the change of name. 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.

LETTER FROM THE BOARD

REFRESHMENT OF GENERAL MANDATE

The Board proposes to seek approval from the Independent Shareholders (GM) to refresh the Existing 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 which was granted by the Shareholders at the SGM held on 22 May 2006. As at the Latest Practicable Date, the Existing General Mandate has not been utilized by the Company.

The issued share capital of the Company was enlarged by the Conversion Shares as a result of the conversion of the Convertible Notes by Orient Day on 13 June 2006. 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 Existing General Mandate by the Independent Shareholders (GM) 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 up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the Forthcoming SGM.

Based on the 248,761,960 Consolidated Shares in issue as at the Latest Practicable Date and assuming no Consolidated Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the Forthcoming SGM, upon approval of the refreshment of the Existing 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 as at the date of the Forthcoming SGM.

An Independent Board Committee is formed and Kingston is appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders (GM) on the proposed refreshment. In accordance with the requirements of the Listing Rules, the proposed refreshment will be voted by poll as an ordinary resolution. The controlling shareholder of the Company, Orient Day, 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 approval of the Shareholders to refresh the Existing Scheme Mandate Limit. 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 Directors were authorized to grant options to subscribe for up to 453,656,500 Shares (i.e. 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. As at the Latest Practicable Date, 7,298,400 options were granted under the Existing Scheme Mandate Limit entitling the grantees to subscribe for in aggregate 7,298,400 Consolidated Shares, which represents 2.9% of the existing issued share capital. None of these options were exercised, lapsed or cancelled as at the Latest Practicable Date.

LETTER FROM THE BOARD

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 approval from the Shareholders at the Forthcoming SGM to refresh the Existing Scheme Mandate Limit. The Directors consider that the refreshment of the Existing Scheme Mandate Limit is in the interest of the Company and the Shareholders as a whole.

Based on the 248,761,960 Consolidated Shares in issue as at the Latest Practicable Date and assuming no Consolidated Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the Forthcoming SGM, upon approval of the refreshment of the Existing Scheme Mandate Limit at the Forthcoming 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 as at the date of the Forthcoming SGM.

An ordinary resolution will be proposed at the Forthcoming SGM to approve the refreshment of the Existing Scheme Mandate Limit. None of the Shareholders are required to abstain from voting at the Forthcoming SGM pursuant to Rule 17.03 of the Listing Rules.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the new Consolidated Shares, representing 10% of the total issued share capital of the Company as at the date of the Forthcoming SGM, in relation to the refreshment of the Existing Scheme Mandate Limit.

GRANT OF OPTIONS TO DIRECTORS

On 13 June 2006, the Board (excluding the directors who are grantees of the Options) resolved to grant Options to Mr. Wong Kwan, Dr. Anwar Ibrahim and Dr. Lee G. Lam under the Share Option Scheme, subject to Independent Shareholders' approval. Mr. Wong Kwan is the sole beneficial owner of Orient Day, which is the controlling shareholder of the Company holding approximately 57% of the total issued share capital of the Company as at the Latest Practicable Date. Dr. Anwar Ibrahim and Dr. Lee G. Lam are independent non-executive directors of the Company. Save and except the option granted to Mr. Wong Kwan with a right to subscribe for 1,000,000,000 Shares (which represents 8.04% of the issued share capital of the Company as at both the date of grant and Latest Practicable Date) as disclosed in the Company's circular dated 4 May 2006, Mr. Wong Kwan, Dr. Anwar Ibrahim and Dr. Lee G. Lam have not been granted any options of the Company in the 12 months preceding the Latest Practicable Date.

The Consolidated Shares to be issued to each grantee upon exercise of the Options represent over 0.1% of the Consolidated Shares in issue and the aggregate value of the Consolidated Shares to be issued (calculated with reference to the closing price of the Consolidated Shares as at the date of grant) exceeds HK\$5 million. As such, according to Rule 17.04(1) of the Listing Rules, Shareholders approval is required for the grant of Options, with the connected persons of the Company abstaining from voting in favour.

LETTER FROM THE BOARD

The table below shows the details of the Options:

Name of Grantee	Entitlement of Consolidated Shares upon exercise in full of the Options (value of such Consolidated Shares based on the closing price of the Consolidated Shares at the date of grant on 13 June 2006)	% of the Consolidated Shares entitled upon exercise in full of the Options to the total issued share capital of the Company as at the Latest Practicable Date	% of the Consolidated Shares entitled upon exercise in full of the Options to the issued share capital of the Company as enlarged by the Consolidated Shares entitled upon exercise in full of the Options
Mr. Wong Kwan	2,400,000 Consolidated Shares (HK\$7,860,000)	0.96%	0.94% 56.52% (Note)
Dr. Anwar Ibrahim	2,000,000 Consolidated Shares (HK\$6,550,000)	0.80%	0.78%
Dr. Lee G. Lam	2,000,000 Consolidated Shares (HK\$6,550,000)	0.80%	0.78%

Note: Orient Day, the controlling shareholder of the Company, is wholly owned by Mr. Wong Kwan. As such, Mr. Wong Kwan is deemed to be interested in the Consolidated Shares held by Orient Day. This percentage represents the aggregate personal and deemed interests of Mr. Wong Kwan in the Company's issued share capital as enlarged by the Consolidated Shares upon exercise in full of the Options.

The Board proposed to grant the Options, subject to the terms of the Share Option Scheme, to Mr. Wong Kwan, Dr. Anwar Ibrahim and Dr. Lee G. Lam at the consideration of HK\$1 payable on acceptance of the Options. The proposed exercise price of the Options is HK\$3.375 per Consolidated Share, which represents the average closing price of the Consolidated Shares for the 5 business days immediately preceding 13 June 2006 (the date of grant of Options). The proposed exercise price is higher than the closing price of the Consolidated Shares of HK\$3.275 on the date of grant. The period within which the Options may be exercised shall commence from the 1st anniversary of the date of grant of the Options and shall expire on the last day of 10th year from the date of adoption of the Share Option Scheme, which is not more than 10 years from the date of grant of the Options. The grantees are not subject to any performance target.

LETTER FROM THE BOARD

An ordinary resolution will be proposed at the Forthcoming SGM to approve the grant of Options. According to Rule 17.04(1) of the Listing Rules, the connected persons of the Company will abstain from voting in favour of the grant of Options.

FORTHCOMING SGM

Shareholders' approval is required in relation to the change of company name, refreshment of Existing General Mandate, refreshment of Existing Scheme Mandate Limit and grant of Options. Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New General Mandate requires the approval of the Shareholders at the Forthcoming SGM by poll at which the controlling Shareholder and its associates shall abstain from voting in favour. Orient Day is the controlling shareholder of the Company, holding 141,805,800 Consolidated Shares as at the Latest Practicable Date. Mr. Wong Kwan is the sole beneficial owner of Orient Day and hence is an associate of Orient Day. Therefore, Orient Day, Mr. Wong Kwan and other associates of Orient Day will abstain from voting in favour of the resolution approving the grant of New General Mandate.

Besides, pursuant to Rule 17.04(1) of the Listing Rules, the grant of Options requires the approval of Shareholders at the Forthcoming SGM by poll at which the connected persons of the Company must abstain from voting in favour in respect thereof. As at the Latest Practicable Date, the Company has no substantial shareholders save and except Orient Day. Accordingly, Orient Day, Mr. Wong Kwan and all connected persons of the Company shall abstain from voting in favour of the resolution in relation to grant of Options.

The notice of the Forthcoming SGM and the form of proxy are enclosed in this circular. You are requested to complete the form of proxy and return it to the Company's branch registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person at the Forthcoming SGM should you so wish.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to bye-law 66 of the Company's Bye-Laws, a resolution put to the vote at the general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (iii) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders have the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATIONS

Your attention is drawn to the letter from an Independent Non-Executive Director set out on page 12 of this circular which contains recommendation to the Independent Shareholders concerning the grant of Options, the letter from the Independent Board Committee set out on page 11 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders (GM) concerning the New General Mandate and the letter from Kingston set out on pages 13 to 18 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders (GM) in this regard. The Independent Board Committee, having taken into account the advice of Kingston in relation to the New General Mandate, is of the opinion that the New General Mandate is in the best interests of the Company and is fair and reasonable so far as the Independent Shareholders (GM) are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders (GM) to vote in favour of the relevant resolution in relation to the New General Mandate to be proposed at the Forthcoming SGM.

Furthermore, the Directors are of the opinion that the proposal to change the company name and refresh the Existing Scheme Mandate Limit are in the best interests of the Company and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Forthcoming SGM.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Share Option Scheme are available for inspection at the principal place of business of the Company in Hong Kong at Unit 3611, 36/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any business day from 10 July 2006 up to and including 1 August 2006 and at the Forthcoming SGM.

By Order of the Board of
China Merchants DiChain (Asia) Limited
Wong Kwan
Chairman



CHINA MERCHANTS DICHAIN (ASIA) LIMITED

招商迪辰(亞洲)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0632)

10 July 2006

To the Independent Shareholders (GM)

Dear Sirs or Madams,

REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated 10 July 2006 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders (GM) as to whether the terms of the proposed grant of the New General Mandate are fair and reasonable so far as the Independent Shareholders (GM) are concerned. Kingston has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and the advice of Kingston, as set out in its letter of advice on pages 13 to 18 of the Circular, we are of the opinion that grant of the New General Mandate are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders (GM) are concerned. Accordingly, we recommend the Independent Shareholders (GM) to vote in favour of the ordinary resolutions to be proposed at the Forthcoming SGM to approve the grant of the New General Mandate.

Yours faithfully,

Anwar Ibrahim

*Independent non-executive
Director*

**Member of the Independent
Board Committee**

Yours faithfully,

Lee G. Lam

*Independent non-executive
Director*

**Member of the Independent
Board Committee**

Yours faithfully,

Victor Yang

*Independent non-executive
Director*

**Member of the Independent
Board Committee**

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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)

10 July 2006

To the Independent Shareholders

Dear Sirs or Madams,

GRANT OF OPTIONS TO DIRECTORS

I refer to the circular of the Company dated 10 July 2006 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined in the Circular.

I have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the proposed grant of Options are fair and reasonable so far as the Independent Shareholders are concerned.

I am of the view that the grant of Options is an incentive for the grantees’ continuing commitment and contribution to the Group in future. With the extensive experience and connection of Mr. Wong Kwan, Dr. Anwar Ibrahim and Dr. Lee G. Lam, the business scope of the Group will be diversified and the Group will enjoy more commercial opportunities.

In light of the above, I recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice convening the Forthcoming SGM to approve the proposed grant of Options.

Yours faithfully,

Victor Yang

Independent non-executive Director

* For identification purpose only

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

Set out below is the text of a letter received from Kingston, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders (GM) regarding the refreshment of the Existing General Mandate for the purpose of inclusion in this circular.



KINGSTON CORPORATE FINANCE LIMITED

Kingston Corporate Finance Limited
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

10 July 2006

*To: The independent board committee
of China Merchants DiChain (Asia) Limited
and the Independent Shareholders (GM)*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders (GM) in relation to the refreshment of the Existing General Mandate, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 10 July 2006 issued by the Company to the Shareholders and holders of share options of the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 14 June 2006, the Company announced that, inter alia, the Board proposed to seek the approval of the Independent Shareholders (GM) to refresh the Company’s general mandate to allot and issue Consolidated Shares. The Existing General Mandate was granted by the Shareholders to the Directors at the SGM held on 22 May 2006. Pursuant to Rule 13.36 of the Listing Rules, the refreshment of the Existing General Mandate requires approval of the Shareholders taken on a vote by way of poll at the Forthcoming SGM. In addition, the controlling shareholders of the Company, Orient Day and their respective associates shall abstain from voting in favour of the ordinary resolution for approving the proposed refreshment.

The Independent Board Committee, comprising Dr. Anwar Ibrahim, Dr. Lee G. Lam and Mr. Victor Yang, all being independent non-executive Directors, has been established to consider the terms of the Existing General Mandate (as refreshed) and to advise the Independent Shareholders (GM) on how they should vote.

Kingston has been appointed to advise the Independent Board Committee and the Independent Shareholders (GM) on the fairness and reasonableness of the terms of the New General Mandate so far as the Independent Shareholders (GM) are concerned and whether the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders (GM), we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associated companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the refreshment of the Existing General Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the refreshment

On the last annual general meeting of the Company which was held on 23 September 2005, a resolution was passed by the Shareholders to authorise the Directors to allot and issue a maximum of 1,087,619,600 new Shares (the “Previous General Mandate”). The said amount of new Shares to be allotted and issued represented 20% of the total number of issued shares of the Company of 5,438,098,000 Shares as at the date of passing the resolution. Subsequently, the Company proposed the Share Consolidation and the total number of issued shares of the Company became 108,761,960 Consolidated Shares following the Share Consolidation on 23 May 2006.

On 22 February 2006 and 20 March 2006 respectively, the Company signed two subscription agreements with the Subscriber (the “Subscription Agreements”) in relation to (i) the subscription of 4,000,000,000 Shares (equivalent to 80,000,000 Consolidated Shares) at a subscription price of HK\$0.01 per Share (or HK\$0.5 per Consolidated Share) by the Subscriber (the “Subscription”); (ii) the issue of the Convertible Notes which are convertible into 3,000,000,000 Shares (equivalent to 60,000,000 Consolidated Shares) at an initial adjustable conversion price of HK\$0.01 per Share (or HK\$0.5 per Consolidated Share) to the Subscriber; and (iii) the grant of an option in respect of a right to subscribe for not more than 1,000,000,000 Shares (equivalent to 20,000,000 Consolidated Shares) to the Subscriber. The Subscription Agreements were approved by the Shareholders at the SGM and were completed on 24 May 2006.

As a result of the Subscription, the total number of issued shares of the Company was enlarged from 108,761,960 Consolidated Shares to 188,761,960 Consolidated Shares. As mentioned in the foregoing, the Existing General Mandate, which replaced the Previous General Mandate, was granted to the Directors by the Shareholders at the SGM. Pursuant to the Existing General Mandate, the Directors were authorised to allot and issue up to 37,752,392 Consolidated Shares, representing 20% of the then enlarged total number of issued shares of the Company. As referred to in the Board Letter, the Existing General Mandate has not been utilised by the Company as at the Latest Practicable Date.

On 13 June 2006, the Subscriber gave notice to the Company regarding the conversion of the Convertible Notes into Conversion Shares at a conversion price of HK\$0.5 per Consolidated Share (the “Conversion”). Due to the Conversion, the total number of issued shares of the Company was further enlarged from 188,761,960 Consolidated Shares to 248,761,960 Consolidated Shares on 22 June 2006. In light of such enlargement and for the purpose of giving the Company greater flexibility in the issuance of the Consolidated Shares in the future as and when the Company considers desirable for the benefit of the Company, the Company decided to seek the approval of the Independent Shareholders (GM) to refresh the Existing General Mandate. Based on the 248,761,960 Consolidated Shares in issue as at the Latest Practicable Date, upon approval of the proposed refreshment by the Shareholders at the Forthcoming SGM, the Directors shall be able to allot and issue a maximum of 49,752,392 Consolidated Shares, representing 20% of the total number of issued shares of the Company as just mentioned.

(2) Financial flexibility

The Directors confirmed that the Group had cash in hand of approximately HK\$38.7 million as at 30 June 2006. In January 2006, a litigation has been lodged against the Company and its subsidiary by one of the Group’s principal bankers in the PRC in relation to a default on payment of a loan of approximately HK\$28.8 million. The Directors confirmed that the Company has used part of the net proceeds from the Subscription and the issue of the Convertible Notes to repay the defaulted loan while the remaining of the net proceeds, being approximately HK\$39.6 million, has been applied as general working capital of the Group.

During the six months ended 30 September 2005, the Group had been making a turn around from net loss position to net profit position due to mainly the growth in the Group's third-party logistics services. The Directors expect that such expansion will continue in the future. Accordingly, we consider the New General Mandate, which provides the Company with flexibility in allotting and issuing new Shares for equity financing as when required and necessary, would enlarge the Group's capital base and provide additional financial resources for the Group to meet its possible financial needs in the near future as well as to promote the continuous advancement of the Group's business in the third-party logistics services industry.

Furthermore, the Directors also confirmed that no definite investment plan which may require equity financing had been identified by the Company as at the Latest Practicable Date. However, the Directors do not rule out any opportunities to expand its business in the near future, and should such valuable opportunities arise, funding decisions may have to be made timely depending on market conditions and circumstances. Accordingly, we consider the New General Mandate would offer the Company with flexibility to raise funds in a relatively short period of time in order to meet the capital requirement of the Group's potential business investments in the future.

Having considered the fact the Company would enjoy higher financial flexibility following the refreshment of the Existing General Mandate, we are of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

(3) Other financing alternatives

As advised by the Directors, the Company has not conducted any fund raising activity during the past 12 months save and except for (i) the proposed issue of convertible notes and the grant of option as announced by the Company on 5 December 2005 but which had thereafter been terminated; and (ii) the Subscription and the issue of the Convertible Notes pursuant to the Subscription Agreements.

The Directors also advised that the Company would normally consider both debt financing and equity financing as possible fund raising methods of the Company. With regard to debt financing, based on (i) the present high gearing level of the Group; and (ii) the lack of valuable assets for the Group to pledge against its bank borrowings, the Directors expect that the Company would be unable to obtain further bank borrowings. Thus, debt financing would be impracticable for the Company to raise funds. Whereas for equity financing, common means of equity financing include open offers and placement of new shares. Therefore, the New General Mandate, which will allow the Directors to allot and issue up to 49,752,392 Consolidated Shares, will serve as one of the equity financing alternatives for the Company to obtain capital.

Having taken into consideration the short-term financial need of the Group as illustrated in the section headed "Financial flexibility" and equity financing being the likely only feasible fund raising method currently available to the Group, we are of the opinion that the New General Mandate is essential to the Company for fund raising purpose to support its business operations and hence is in the interests of the Company and the Shareholders as a whole.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

(4) Potential dilution to the shareholdings of the Shareholders

Tabulated below is the shareholding structure of the Company as at the Latest Practicable Date (after the completion of the Subscription and the Conversion) and the shareholding structure of the Company in the event that the New General Mandate is fully utilised:

	As at the Latest Practicable Date after completion of the Subscription and the Conversion		After full utilisation of the New General Mandate	
	<i>Number of Consolidated Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>
Orient Day	141,805,800	57.00	141,805,800	47.50
A Director	2,518,199	1.01	2,518,199	0.84
Existing public Shareholders	104,437,961	41.99	104,437,961	34.99
Shares which may be allotted and issued under the New General Mandate	—	—	49,752,392	16.67
Total	<u>248,761,960</u>	<u>100.00</u>	<u>298,514,352</u>	<u>100.00</u>

As depicted in the table above, the new Consolidated Shares to be allotted and issued represented 20% of the total number of issued shares of the Company as at the Latest Practicable Date and approximately 16.67% of the enlarged total number of issued shares of the Company upon full utilisation of the New General Mandate. Assuming no Consolidated Share will be issued and/or repurchased by the Company between the Latest Practicable Date and the Forthcoming SGM, the aggregate shareholding of the existing public Shareholders will decrease from approximately 41.99% to 34.99% upon full utilisation of the New General Mandate, representing a potential maximum dilution of approximately 7 percentage point.

Taking into account that (i) the New General Mandate will promote the financial flexibility of the Company in terms of the amount of equity capital raised and the time required for fund raising; (ii) the New General Mandate offers a viable equity financing alternative to the Group; and (iii) the shareholding of all the existing Shareholders will be diluted proportionately to their respective shareholdings upon utilisation of the New General Mandate, we consider the aforementioned maximum potential dilution to the shareholdings of the Shareholders, including the Independent Shareholders (GM), acceptable.

(5) Terms of the New General Mandate

Pursuant to Rule 13.36(4) of the Listing Rules, an ordinary resolution shall be proposed at the Forthcoming SGM to obtain approval from the Shareholders to refresh the Existing General Mandate before the next annual general meeting of the Company to authorise the Directors to allot and issue new Shares of not exceeding 20% of the total number of issued shares of the Company as at the date of the Forthcoming SGM. Such an approval should be taken on a vote by way of poll, and the controlling shareholders of the Company, Orient Day and their respective associates shall abstain from voting in favour of the ordinary resolution for approving the proposed refreshment.

Upon approval of the proposed refreshment at the Forthcoming SGM, the Existing General Mandate will be revoked and the New General Mandate will be and continue to be effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-Laws; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with Rule 13.36(3) of the Listing Rules.

Based on the foregoing stipulations of the Listing Rules, we consider there to be sufficient measures to guide the refreshment of the Existing General Mandate and the continuity of the New General Mandate and consequently we are of the view that the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders (GM) are concerned.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders (GM) are concerned and the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders (GM) to vote in favour of the ordinary resolution to be proposed at the Forthcoming SGM to approve the relevant refreshment and we recommend the Independent Shareholders (GM) to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Kingston Corporate Finance Limited
Graham Lam
Executive Director



CHINA MERCHANTS DICHAIN (ASIA) LIMITED

招商迪辰(亞洲)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0632)

NOTICE IS HEREBY GIVEN (the “Notice”) that a special general meeting (the “Meeting”) of China Merchants DiChain (Asia) Limited (the “Company”) will be held at Unit 3611, 36/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, on 1 August 2006 at 2:30 p.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions of the Company:

SPECIAL RESOLUTION

1. **“THAT** subject to the approval of the Registrar of Companies in Bermuda, the name of the Company be changed to “Pearl Oriental Innovation Limited” and the adoption of “東方明珠創業有限公司” as its Chinese name for identification purpose be and is hereby approved and any Director be and is hereby authorized to do such act and execute such document to effect the change of name of the Company.”

ORDINARY RESOLUTIONS

2. **THAT:**
 - (a) subject to paragraph 2(c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.50 each (the “Shares”) in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which might require the exercise of such power be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph 2(a) above shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

* For identification purpose only

NOTICE OF THE SPECIAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of Shares under any options granted under the share option scheme adopted by the Company; (iii) an issue of Shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company; (iv) an issue of Shares in lieu of the whole or part of a dividend pursuant to any scrip dividend scheme or similar arrangement in accordance with the Bye-laws of the Company; and (v) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to in (ii) and (iii) above, in the price at which Shares shall be subscribed, and/or in the number of Shares which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe or other securities, shall not exceed:
- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue as at the time of passing this resolution; and
 - (ii) the aggregate nominal amount of share capital of the Company repurchased by the Company after the date of passing this resolution pursuant to the general mandate to repurchase Shares given by the Company to the Directors from time to time (subject to a maximum number equivalent to 10% of the then existing issued share capital of the Company).
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum of Association and Bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Right Issue” means an offer of Shares open for a period fixed by the Directors to holders of the Shares on the register of members on a fixed record date in proportion to their then holdings of such Shares (subject to such

NOTICE OF THE SPECIAL GENERAL MEETING

exclusive or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange.”

3. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the Shares (representing a maximum of 10% of the Shares in issue as at the date of the passing of this resolution) to be issued pursuant to the exercise of options which may be granted under the Company’s share option scheme adopted on 21 June 2002 (the “Scheme”), the refreshment of the scheme mandate limit on grant of options under the Scheme and any other share option schemes of the Company up to 10% of the Shares in issue as at the date of the passing of this resolution (the “Refreshed Scheme Mandate Limit”) be and is hereby approved and any Director be and is hereby authorized to do such act and execute such document to effect the Refreshed Scheme Mandate Limit.”
4. “**THAT** the grant of options to Mr. Wong Kwan pursuant to the Scheme (details of which are included in the circular of the Company dated 10 July 2006 (the “Circular”)) be and is hereby approved and the Directors be and are hereby authorized to issue and allot Shares to him pursuant to the exercise of such options and to do such things and acts as may be necessary or expedient in the opinion of the Directors in order to give full effect to such grant of options.”
5. “**THAT** the grant of options to Dr. Anwar Ibrahim pursuant to the Scheme (details of which are included in the Circular) be and is hereby approved and the Directors be and are hereby authorized to issue and allot Shares to him pursuant to the exercise of such options and to do such things and acts as may be necessary or expedient in the opinion of the Directors in order to give full effect to such grant of options.”
6. “**THAT** the grant of options to Dr. Lee G. Lam pursuant to the Scheme (details of which are included in the Circular) be and is hereby approved and the Directors be and are hereby authorized to issue and allot Shares to him pursuant to the exercise of such options and to do such things and acts as may be necessary or expedient in the opinion of the Directors in order to give full effect to such grant of options.”

By Order of the Board of
China Merchants DiChain (Asia) Limited
Wong Kwan
Chairman

Hong Kong, 10 July 2006

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote on his behalf. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend in his stead.
2. The enclosed form of proxy and (if required by the Directors) the power of attorney or other authority (if any), under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Delivery of any instrument of proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument of proxy shall be deemed to be revoked.
3. In the case of joint holders of Shares, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
4. The enclosed form of proxy must be signed by the appointer or by his attorney authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.