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CHINA MERCHANTS DICHAIN (ASIA) LIMITED **招商迪辰(亞洲)有限公司***

(the "Company")

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF NEW SHARES AND RESUMPTION OF TRADING

On 29 July 2006, the Purchaser entered into the S&P Agreement with the Vendors in relation to the Acquisition. The aggregate consideration of the Acquisition is equivalent to approximately HK\$50 million and will be satisfied by the payment of a sum of Euro Two million (equivalent to approximately HK\$20 million) in cash and the balance of HK\$30 million by the issue of 7,500,000 Consideration Shares at HK\$ 4.00 per Share.

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

The Company has noted the recent increase in the trading volume of the Shares of the Company and wishes to state that the Company is not aware of any reasons for such increase.

Save for the Acquisition, the Board also confirms that there are no other negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 31 July 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 3 August 2006.

THE S&P AGREEMENT DATED 29 JULY 2006

Parties

Purchaser: Grand Ascend Investments Limited, is incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, its principal business is investment holdings

Vendors: Mr. Laurent Kim (“Mr. Kim”) and Mr. Ung Phong (“Mr. Ung”)

Subject Matter: 50% equity interest of Euro Resources China Limited, which shall become an associated company of the Company after Completion and shall be equity accounted for by the Group.

The current ultimate sole beneficial owner of Euro Resources is Mr. Kim. Mr. Ung is not a shareholder of Euro Resources as at the date hereof.

Mr. Ung is the legal owner of approximately 68.65% equity interests in ERI and holds such equity interests for the benefits of Mr. Kim. The legal owners of the remaining approximately 5.07% of the equity interests in ERI are family members of Mr. Kim. Mr. Kim is the legal owner and the ultimate beneficial owner of approximately 6.28% and 80% equity interests in ERI respectively.

To the best knowledge of the Board, Mr. Ung is a father-side-cousin of Mr. Kim and both of them are not related to and are independent of Mr. Zhang, the vendor for the VSA. To the best knowledge of the Board, both Mr. Kim and Mr. Ung have not acquired any equity interest in the Company or its subsidiaries.

As one of the conditions for the Acquisition set out under the paragraph headed “Conditions of the S&P Agreement”, the Vendors have undertaken to procure that the entire share capital, including the remaining 20% share capital currently owned by the Other Independent Parties, of ERI will be acquired by Euro Resources prior to Completion.

Mr. Kim borrowed a loan (the “Loan”) of Euro 800,000 from the Purchaser on 21 July 2006 at an interest rate of 5% per annum and with a maturity date of 31 October 2006 and out of which Euro 500,000 would be used for the purpose of acquiring additional production machinery of ERI. The Loan is secured by personal guarantees and pledge of approximately 80% of equity interests in ERI and being still outstanding at the date of this announcement. The Loan is on normal commercial terms and not inter-conditional upon the S&P Agreement. Upon Completion, the Loan will be set-off against part of the Cash Consideration (as defined below).

Mr. Kim has undertaken that a sum of not less than Euro 500,000 of the Loan would be advanced (and had already paid) to ERI for the purpose of acquiring additional production machinery of ERI in form of a shareholder’s loan, which will be waived by Mr. Kim upon Completion.

To the best of the Board’s knowledge, information and belief having made all reasonable enquiry, each of the Vendors has no other business dealings with the Company and both of them are third parties independent of the Company and are independent of connected persons of the Company, and also are not connected persons of the Company as defined in the Listing Rules.

Assets to be acquired

The Sale Shares represent 50% of the issued share capital of Euro Resources.

The Company expects that Euro Resources will acquire the entire share capital of ERI pursuant to the terms and conditions of the S&P Agreement before Completion.

Consideration

The aggregate consideration of the Acquisition is equivalent to approximately HK\$50 million and will be satisfied by the payment of a sum of Euro Two million (equivalent to approximately HK\$20 million) to Mr. Kim in cash (the "Cash Consideration") and the balance of HK\$30 million by the issue of 7,500,000 Consideration Shares at HK\$ 4.00 per Share to Mr. Kim on the day (or such other date as may be agreed between the Company and the Vendors) after satisfaction of all the conditions under the paragraph headed "Conditions of the S&P Agreement". No part of the Consideration will be payable to Mr. Ung.

Upon Completion, the Loan will be set-off against part of the Cash Consideration and the balance of Euro 1.2 million will be paid in cash to Mr. Kim.

The Board intends to source the funds required for the Acquisition from internal resources of the Company.

Consideration Shares

The price per Consideration Share (i) represents a discount of 2.4% to the closing price of HK\$4.1 per Share as quoted on the Stock Exchange on 28 July 2006 being the last trading day prior to this announcement; and (ii) represents a discount of approximately 1.8% to the average closing price of HK\$4.075 per Share as quoted on the Stock Exchange from 11 July 2006 to 28 July 2006, both dates inclusive, being the last ten trading days immediately before and up to the issue of this announcement. The price per Consideration Share of HK\$4.00 was agreed after arm's length negotiations between the Company and the Vendors after taking into account the trading prices of the Shares.

Assuming no Shares will be issued and/or repurchased by the Company between the date of this announcement and up to Completion, the Consideration Shares represent approximately 3.01% of the existing issued share capital of the Company, and approximately 2.93% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. The Consideration Shares, when issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors and on normal commercial terms, and was determined by taking into consideration, including without limitation, of: (i) an indicative price earnings ratio of approximately 2.5 times (being the Consideration divided by the indicative annual profit guaranteed by the Vendors for each of three financial years ending 31 December 2009); (ii) the future business development potential of Euro Resources; and (iii) the potential capital appreciation which are of the mutual benefits of the parties if Euro Resources can get a listing status in an overseas stock exchange.

The Board (including the independent non-executive Directors) considers that the terms of the S&P Agreement (including the price per Consideration Share) are fair and reasonable and are in the interests of the Company and its shareholders as a whole. The S&P Agreement is on normal commercial terms.

Lock-up Period

Mr. Kim has undertaken to the Purchaser not to transfer, assign or dispose any part of the Consideration Shares for a period one (1) year commencing on the date of Completion.

Other Terms

The Vendors have agreed to waive all outstanding shareholders loans as at the date of Completion owing from Euro Resources and ERI upon Completion.

To the best knowledge of the Company, Mr. Kim has also agreed to sell 10% shareholding in Euro Resources to another investor, Poly Keen Limited (the "Investor") that, and its sole beneficial owner, are independent of the Company and connected persons of the Company, and also are not connected persons of the Company as defined in the Listing Rules.

After Completion, the share capital of Euro Resources will be owned by the Purchaser, Mr. Kim and the Investor as to 50%, 40% and 10% respectively.

Mr. Kim has further agreed to pledge all his remaining 40% shareholding in Euro Resources under a share charge in favour of the Company until the liabilities and responsibilities of the profit guarantee are fully discharged.

Conditions of the S&P Agreement

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

- (a) all applicable requirements and steps required under the Listing Rules in connection with the Acquisition, including without limitation, the approval from the Stock Exchange in respect of the issue and listing of the Consideration Shares having been fulfilled or complied with;
- (b) Euro Resources or its nominee has acquired the entire issued share capital of ERI;
- (c) the Purchaser, having received from a legal opinion, relating, inter alia, to
 - (i) ERI is a company duly incorporated and validly existing under the laws of France;
 - (ii) that all statutory and other requirements that are required in respect of the acquisition of the entire share capital of ERI by the Euro Resources or its nominee having been obtained; and
 - (iii) that all statutory and other requirements applicable to the carrying on of the business of ERI as now carried on, and all conditions applicable to any licences and consents involved in the carrying on of such business, have been complied with; and
- (d) the completion of the operational, legal and financial due diligence exercise on Euro Resources and ERI and the results of the due diligence exercise being satisfactory to the Purchaser.

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

Completion

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

Guaranteed Profit

The Vendors have guaranteed to the Company that the Audited Net Profit for each of the three financial years ending 31 December 2009 shall not be less than Euro 4 million (equivalent to approximately HK\$40 million). Should any of the Audited Net Profit for the financial years ending 31 December 2009 falls below Euro 4 million, the Vendors have to pay the shortfall on a dollar-to-dollar basis to the Company after the issuance of the audit report for each of the financial year ending 31 December 2009. The guaranteed profit was determined with reference to the future business development potential of ERI, which shall be the principal assets of Euro Resources. No profit guarantee has been given for the year ending 31 December 2006 as ERI has only commenced its production in April 2006.

Therefore the indicative price earnings ratio is approximately 2.5 times (being the Consideration divided by the indicative profit guaranteed by the Vendors for each of three financial years ending 31 December 2009).

EFFECT ON SHAREHOLDING STRUCTURE

As there is no long stop date for the VSA, and assuming that 75,800,000 Shares (the "VSA Shares") will be issued for the VSA and no other Shares will be issued and/or repurchased by the Company between the date of this announcement and up to Completion and a total of 7,500,000 Consideration Shares will be issued upon Completion, the shareholding structure of the Company immediately before and after Completion will be as follows:

	Existing Shareholding before the issue of the VSA Shares and Consideration Shares		Shareholding immediately after the issue of the Consideration Share		Shareholding immediately after the issue of the VSA Shares and Consideration Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Orient Day Developments Limited (<i>Note</i>)	141,805,800	57.00	141,805,800	55.34	141,805,800	42.70
Dr. Robert Fung Hing Piu, a Director	2,518,199	1.01	2,518,199	0.98	2,518,199	0.76
Mr. Zhang and his nominees	–	–	–	–	75,800,000	22.83
Mr. Kim	–	–	7,500,000	2.93	7,500,000	2.26
Public Shareholders	104,437,961	41.99	104,437,961	40.75	104,437,961	31.45
Total	<u>248,761,960</u>	<u>100.00</u>	<u>256,261,960</u>	<u>100.00</u>	<u>332,061,960</u>	<u>100.00</u>

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

INFORMATION OF EURO RESOURCES

Euro Resources is a newly incorporated dormant company and its principal activity is investment holdings. It will carry on, through a subsidiary to be acquired pursuant to the S&P Agreement, i.e. ERI, recycling and trading businesses.

The Company expects Euro Resources will acquire the entire share capital of ERI pursuant to the terms of the S&P Agreement prior to Completion.

ERI is mainly engaged in trading of waste materials and recycling waste plastic materials in France and selling them as raw materials (the “Product”) in the PRC market. ERI is successful in recycling waste plastic materials by applying automatic and environmental friendly procedures in processing these waste plastic materials.

ERI has commenced its production and sold the Product to the PRC market since April 2006 and the existing annual production capacity of ERI for the Product is approximately 5,000 tons. The turnover of ERI for the two years ended 31 December 2005 mainly represented the income of ERI from trading of waste materials. After the acquisition of additional production machinery as mentioned in above, the Company expects that the annual production capacity of ERI for the Product will be increased to 30,000 tons in 2007.

Euro Resources has no subsidiary at the date hereof. Set out below is the financial information of ERI (exchange rate used: Euro 1.00 = HK\$10.0) as extracted from its latest audited accounts prepared in accordance with French accounting standards:

	Audited year ended 31 December 2005 Approximately HK\$'000	Audited year ended 31 December 2004 Approximately HK\$'000
Turnover	3,515	2,233
Net loss before and after taxation	(2,265)	(3,710)
Extraordinary item	10,963	(187)
Net profit/(loss) after extraordinary item and taxation	8,698	(3,897)
Net assets value	58,316	45,281

REASONS FOR THE ACQUISITION

The Group is principally engaged in operating bonded warehouse, provision of logistics and related services and logistics-related property investment in the PRC and investing in energy and natural resources sectors through its associated company, including the investment in a joint venture in coal business under the VSA.

The reasons for the Acquisition are as follows:–

- (i) The adventure into the business of Euro Resources and ERI is in line with that of the Company’s focus in resources and energy sectors;
- (ii) The Company has conducted extensive market research and noted a very strong demand of the Product in the PRC. The Company expects a great development potential for the Product;
- (iii) The profit margin of the Product is very attractive and the Company expects a very strong growth in the operating profits of Euro Resources;
- (iv) The Company is very confident that Euro Resources may get a listing status in an overseas stock exchange, particularly in Europe, and therefore in such event the Company can realise its capital appreciation in the stock market in the near future, though Euro Resources does not have any concrete listing plan as of the date hereof; and
- (v) The Company is also very confident that Euro Resources will become a leading provider of recycled plastic materials in Europe for the PRC and other markets in the near future.

The Company also expects that there will be synergy effect as the professional logistics team of the Group can provide quality logistics services to Euro Resources and ERI and as a result the Group's logistics business may have additional income and the related transportation costs of Euro Resources and ERI may be reduced accordingly.

The Board has also taken into consideration of the small dilution effect of the Acquisition (i.e. the interest of public shareholders will be diluted from 41.99% to 40.75% upon Completion) but, given the great development potential of Euro Resources, still considers that the Acquisition is on normal commercial terms and is fair and reasonable and in the interest to the Company and its Shareholders as a whole.

The Company intends to maintain its existing logistics business after the Acquisition.

GENERAL MANDATE

The Consideration Shares will be issued pursuant to the General Mandate, which allows the Board to issue 37,752,392 new Shares. The General Mandate has not been utilized prior to the entering into of the S&P Agreement and is sufficient to cover the number of the Consideration Shares. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

GENERAL

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

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

The Company has noted the recent increase in the trading volume of the shares of the Company and wishes to state that the Company is not aware of any reasons for such increase.

Save for the Acquisition, the Board also confirms that there are no other negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 31 July 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 3 August 2006.

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

DEFINITIONS

“Acquisition”	the acquisition of Sale Shares from the Vendors by the Purchaser pursuant to the S&P Agreement
“Audited Net Profit”	The audited consolidated net profit after tax of Euro Resources and its subsidiaries, which shall be determined in accordance with the International Accounting Standards
“Board”	the board of directors of the Company
“Euro Resources”	Euro Resources China Limited, a company incorporated in Hong Kong with limited liability
“Sale Shares”	5,000 shares of HK\$1.00 each in the capital of Euro Resources to be acquired by the Purchaser pursuant to the S&P Agreement
“Company”	China Merchants DiChain (Asia) Limited, a company incorporated in Bermuda with limited liability and the shares of which are traded on the Stock Exchange
“Consideration Shares”	7,500,000 new Shares of the Company to be issued and allotted as the consideration for the Acquisition pursuant to the S&P Agreement
“ERI”	Exploitation Ressources Internationales S.A., a company incorporated in France with limited liability
“Euro” or “€.”	the lawful currency of the European Community
“General Mandate”	the general mandate granted by the shareholders of the Company to the Board to issue 37,752,392 new Shares at the special general meeting of the Company held on 22 May 2006.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Mr. Zhang”	Zhang Genyu, the vendor under an agreement entered into with the Company on 15 July 2006 for the VSA
“Other Independent Parties”	Chao Yan, Chao Kim Han, Chao Helene, Chao Armel, Chao Isabelle and Chao Alexandre, to the best of the Board’s knowledge, information and belief having made all reasonable enquiry, all of them are independent of the Company and independent of connected persons of the Company, and are not connected persons of the Company
“Share(s)”	ordinary share(s) of HK\$ 0.50 each in the capital of the Company
“S&P Agreement”	a conditional sale and purchase agreement between the Vendors and the Purchaser dated 29 July 2006 in relation to the acquisition of Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“VSA”

a very substantial transaction of the Company as announced by the Company on 20 July 2006

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

Hong Kong, 2 August 2006

* *For identification purposes only*

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