



2006 is a memorable year for China Merchants DiChain (Asia) Limited (the "Company" or "DiChain Asia") and all of its shareholders. After the announcement of 24 March regarding the change in the controlling shareholder of the Company, and the increase in share capital by issuing new shares, the new board of directors (the "Board") and the new management team were formed on 24 May, all of which represent DiChain Asia has initiated its new era.

For the year ended 31 March 2006, the turnover of the Group's traditional core business, the logistics operation, increased over 120% to HK\$75 million, while the gross profits reached HK\$21 million. Nevertheless, with respect to the receivables and goodwill brought forward by the former Board, the new Board has adopted a prudent financial approach to make a substantial one-off provision of bad debts and written-off of goodwill totalled HK\$74 million, in addition to impairment of HK\$5.5 million raised from property revaluation, that in aggregate amount to HK\$79.5 million, resulting in a loss of HK\$78 million for the year. The aforesaid provision and impairment do not affect the Group's cash flow position.

The new Board will implement all reasonable measures to recover the abovementioned receivables from the institutes and individuals related to the provision of bad debts in order to protect the interest of all shareholders as a whole.

I am appreciated and pleased to present to all shareholders the summary of the following important issues occurred around the end-date of the year:

1. With the change in its controlling shareholder, the Company has received a capital injection of HK\$70 million, which increased the working capital of the Group and strengthened its overall financial capability.

2. The new Board has a number of newly-joined celebrities with valuable political and commercial experience, and extensive connections, including Dr. Anwar Ibrahim, the former Deputy Prime Minister and Minister of Finance of Malaysia. The joining of those executives and professionals shall consolidate the foundation of the fast development of the Group by quickly enhancing the standard of corporate governance of the Company.
3. The Company will change its name as “東方明珠創業有限公司 Pearl Oriental Innovation Limited”. It does not only reflect the confidence of the new management team and the controlling shareholder in our future, but also their determination and dedication to rebuild the golden age of the Group at their utmost effort.
4. In view of the limited supply but ever increasing demand of energy and resources in the world, the new Board will correspondingly formulate prompt and appropriate operation and investment strategies to capitalize any business opportunities arised, to sustain the development of the traditional logistic operation, as well as to timely expand into the new energy and resources business with high potential growth.
5. We have successfully cooperated with a renowned coal enterprise in Shanxi to set up a joint venture “China Coal Energy Holdings Limited” with only 45 days spent. We have agreed to invest around HK\$400 million to acquire 40% equity interest of the joint venture. This strategic investment will contribute to the Group with a profit after tax of not less than HK\$240 million in aggregate within the next 3 years from 2007, and with a guaranteed net dividend income of not less than HK\$40 million each for the first two years. As such, the investment will be a profitable transaction to the Group.

Currently, the Group is in negotiation over certain projects in relation to energy and resources which can generate long-term and sustainable revenue for the Company. The new management team is confident that Pearl Oriental Innovation Limited will bring a promising future to us.

I wish to express my sincere appreciation to all shareholders for their continuous support, and thank for the effort and contribution of all staff. All in all, I look forward to sharing the fruitful success of the Group with all shareholders and staff in the coming future.

Yours faithfully,

Wong Kwan

Chairman and Chief Executive

Hong Kong, 26 July 2006