# THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the "Exchange")

23 March 2009

**The Listing Committee of The Stock Exchange of Hong Kong Limited (the "Listing Committee") criticises Pearl Oriental Innovation Limited (formerly known as China Merchants DiChain (Asia) Limited and Dransfield Holdings Limited) (the "Company") (Stock code: 632) for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange Listing Rules").**

On 7 January 2009, the Listing Committee conducted a hearing into the conduct of, among other things, the Company in relation to its obligations under the Exchange Listing Rules.

## Facts

The disciplinary hearing was in connection with the Company's failure to comply with the disclosure obligation in relation to a relevant advance to an entity under Rules 13.13 and 13.20 and the announcement and circular requirements of a discloseable transaction under Rules 14.34 and 14.38 of the Exchange Listing Rules in respect of $60 million advanced by or on behalf of the Company to Hero Vantage Limited ("Hero").

The Company entered into two agreements both dated 27 September 2005 with Hero, an independent third party, pursuant to which the Company was required to advance an aggregate sum of $60 million to Hero (the "Advance"): one described as the advance of a loan of $18 million to Hero (the "Loan") and one described as payment of deposit of $42 million to Hero (the "Deposit"). Both the Loan and Deposit related to the Company's alleged proposed acquisition of interest in an investment in Yixing, the PRC (the "Yixing Investment").

An aggregate sum of RMB64.5 million had already been paid between 3 and 10 August 2005 by the Company's subsidiary, Shenzhen DiChain Logistics Services (Shenzhen) Co., Ltd, to Dalian Shuangxi Trading Company Limited, which according to the Company, constituted the Company's payment in full of the Advance to Hero required under the agreements.

Information about the Loan and the Deposit was set out in the Company's announcement of 23 March 2006 and the circular despatched on 4 May 2006.

Rules 13.13 and 13.20

Pursuant to Rule 13.13, a general disclosure obligation arises where any of the percentage ratios of the relevant advance to an entity exceeded 8 per cent. The assets and consideration ratios of the Advance on or around 27 September 2005 were 24.7 per cent and 17.1 per cent respectively. The Listing Division submitted that the aggregate sum of $60 million due from Hero to the Company in respect of the Advance constituted a relevant advance to an entity, hence, subject to disclosure by announcement under Rule 13.13. However, the Company failed to publish an announcement until 23 March 2006.

Further, pursuant to Rule 13.20, where the circumstances giving rise to the disclosure obligation continued to exist at the Company's interim period end (i.e. 30 September 2005), the Company was required to include details of the Advance including details of the balances, the nature of events or transactions giving rise to the amounts, the identity of the debtor, interest rate, repayment terms and collateral in its interim report. The Company however failed to make such disclosure in its interim report published on 30 December 2005.

Rules 14.34 and 14.38

Pursuant to Rules 14.34 and 14.38, a listed issuer is required to publish an announcement after the terms of a discloseable transaction has been finalised and issue a circular to its shareholders within 21 days after the publication of the announcement. The Listing Division submitted that the Advance also constituted a discloseable transaction by way of financial assistance to Hero by providing funding required by Hero for its proposed acquisition of the Yixing Investment. Although the financial assistance of $18 million and $42 million were provided by or on behalf of the Company to Hero purportedly under two separate agreements, they ought to be aggregated under Rules 14.22 and 14.23 for the purpose of the size test under Chapter 14 of the Exchange Listing Rules.

The Company did not make the disclosure required by Rules 14.34 and 14.38 until March and May 2006. The delay in making the announcement of the discloseable transaction was about six months while the delay in the despatch of the circular was about seven months.

The Listing Division alleged that the Company breached:

(i) Rules 13.13 and 13.20 for failing to comply with the disclosure obligation in relation to a relevant advance to an entity; and

(ii) Rules 14.34 and 14.38 for failing to comply with the announcement and circular requirements in relation to a discloseable transaction.

**Decision**

The Listing Committee concluded that the Company breached Rules 13.13, 13.20, 14.34 and 14.38 of the Exchange Listing Rules.

The Listing Committee decided to impose a public statement which involves criticism on the Company for the said breaches.

Dr Fan Di ("Dr Fan") was also a member of the Company's Board of Directors at the material time. Despite considerable efforts made by the Exchange, Dr Fan could not be located for service of the documents relating to the disciplinary proceedings. The findings of the Listing Committee therefore do not extend to Dr Fan. The Exchange reserves its right to consider the position of Dr Fan as and when he can be located and served with the relevant documents concerning the disciplinary proceedings.

For the avoidance of doubt, the Exchange confirms that this public statement which involves criticism applies only to the Company and not to any other past or present members of the Board of Directors of the Company.