CHINA DEVELOPMENT CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2003

RESULTS

The Board of Directors (the "Board") of China Development Corporation Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2003, together with the unaudited comparative figures for the six months ended 31 March 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 March	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*1*	**50,550**	104,472
Costs of sales		**(46,353)**	(102,988)
Gross profit		**4,197**	1,484
Other operating income		**190**	1,610
Administrative expenses		**(6,527)**	(16,769)
Other operating expenses		**(587)**	(9,041)
Loss from operations	*2*	**(2,727)**	(22,716)
Finance costs		**(3,253)**	(1,951)
Gain on disposal of a subsidiary	*3*	**4,629**	–
Share of results of an associate		**–**	(633)
Loss before taxation		**(1,351)**	(25,300)
Taxation	*4*	**(5)**	(495)
Loss before minority interests		**(1,356)**	(25,795)
Minority interests		**(44)**	–
Net loss for the period		**(1,400)**	(25,795)
Loss per share – Basic	*5*	**(0.9) cents**	(17.3) cents

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the condensed financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK$95 million. The directors have been taking steps to improve the Group's liquidity position. On 20 May 2003, the Group entered into conditional agreements ("Agreements"), subject to, *inter alias* the approval by the shareholders of the Company, to issue shares to new investors for an aggregate consideration of approximately HK$90 million. Also, a conditional deed of settlement is to be entered into with loan providers to release and discharge the Group from net financial obligations of approximately HK$32.4 million at 31 March 2003 after the settlement of HK$20 million to such loan providers upon successful completion of the Agreements. On the basis that the Agreements for issuing shares to new investors can be successfully completed, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed financial statements have been prepared on a going concern basis.

PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of the statement of changes in equity, but has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Foreign Currencies

The revisions to SSAP 11 Foreign Currency Translation have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Employee Benefits

In the current period, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined contribution retirement benefit plan. The adoption of this SSAP has not had any material effect on the results for the current period or prior accounting periods.

1. **SEGMENT INFORMATION**

The Group's turnover and contribution to loss from operations for the six months ended 31 March 2003 analysed by business segments and geographical segments are as follows:

Business segments

Six months ended 31 March 2003

	Investment in securities *HK$'000*	**Construction, equipment rental and services in Hong Kong** *HK$'000* *(Note a)*	**Retail** *HK$'000* *(Note a)*	**Consolidated** *HK$'000*
Turnover	–	16,431	34,119	50,550
RESULT				
Segment result	–	(778)	(265)	(1,043)
Unallocated corporate expenses				(1,684)
Loss from operations				(2,727)
Finance costs				(3,253)
Gain on disposal of a subsidiary				4,629
Loss before taxation				(1,351)

Six months ended 31 March 2002

	Continuing operation	**Discontinuing operation**		
	Investment in securities *HK$'000*	**Construction, equipment rental and services in Sinagpore** *HK$'000* *(Note b)*	**Trading in Singapore** *HK$'000* *(Note b)*	**Consolidated** *HK$'000*
Turnover	3,312	93,979	7,181	104,472
RESULT				
Segment result	(4,295)	(11,104)	(95)	(15,494)
Unallocated corporate expenses				(7,222)
Loss from operations				(22,716)
Finance costs				(1,951)
Share of results of an associate				(633)
Loss before taxation				(25,300)

Geographical segments

An analysis of the Group's revenue by geographical location of its customers in presented below:

	Turnover Six months ended 31 March	
	2003 *HK'000*	2002 *HK'000*
Singapore *(Note b)*	**–**	100,133
Hong Kong *(Note a)*	**50,550**	3,211
Others	**–**	1,128
	50,550	104,472

Notes:

(a) In June 2002, the Group acquired 100% interest in Fine Lord Constructions Company Limited ("Fine Lord"), 70% interest in Marcello Foods Limited ("Marcello Food") and 60% interest in Marcello (Tax Free) International Department Store Corporation Limited ("Marcello (Tax Free)"). Fine Lord is mainly engaged in the provision of construction, equipment rental and services in Hong Kong, representing the business segment of construction, equipment rental and services for the period ended 31 March 2003.

Marcello Food and Marcello (Tax Free) are engaged in the retailing of consumer goods, representing the business segment of retail for the period ended 31 March 2003.

(b) In August 2002, the Group disposed its entire interest in Sum Cheong Corporation Pte. Ltd. ("Sum Cheong"). Sum Cheong is engaged in the construction, equipment rental and services and trading businesses in Singapore. Upon the completion of the disposal, the Group had no interest in Sum Cheong and the business segment of construction, equipment rental and services and trading in Singapore were regarded as discontinuing operation in 2002.

2. LOSS FROM OPERATIONS

	Six months ended 31 March	
	2003	2002
	HK'000	*HK'000*
Loss from operations has been arrived at after charging:		
Depreciation and amortisation		
– Owned assets	**769**	11,159
– Assets held under finance lease	**34**	30
Amortisation of goodwill included in other operating expense	**379**	–
Unrealised loss on investments in securities	**–**	4,295

3. GAIN ON DISPOSAL OF A SUBSIDIARY

During the period, the Company disposed its entire interest in Denton Capital Investments Limited, with a net liabilities of approximately HK$4,629,000 at the date of disposal, for a consideration of HK$1.

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit in either periods.

The taxation charge for the period ended 31 March 2003 represents the underprovision of Hong Kong Profits Tax in previous years.

The taxation charge for the period ended 31 March 2002 represented underprovision for tax in other jurisdiction in previous years.

5. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK$1,400,000 (HK$25,795,000 for the six months ended 31 March 2002) and on the 149,064,233 ordinary shares (149,064,233 ordinary shares for the six months ended 31 March 2002) in issue during the period adjusted for the effect of consolidation of shares.

No diluted loss per share is presented for either period as there are no dilutive ordinary shares in issue.

SUMMARY OF INDEPENDENT REVIEW REPORT

Fundamental uncertainty relating to the going concern basis

In forming our review conclusion, we have considered the adequacy of the disclosures made in note 1 to the condensed financial statements which explain the uncertainty relating to the going concern status of the Group. On 20 May, 2003, the Group entered into conditional agreements to issue shares to new investors for an aggregate consideration of approximately HK$90 million. Also, a conditional deed of settlement is to be entered into with loan providers to release and discharge the Group from a net financial obligations of approximately HK$32.4 million at 31 March, 2003 after the settlement of HK$20 million to such loan providers upon successful completion of the issuing shares to new investors. On the basis that the conditional agreements for issuing shares to new investors can be successfully completed, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The condensed financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The condensed financial statements do not include any adjustments that would result from a failure to obtain such funding. We consider that the fundamental uncertainty has been adequately disclosed in the condensed financial statements and our review conclusion is not modified in this respect.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 March 2003.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the period. (2002: Nil).

FINANCIAL REVIEW

During the period under review, the Group's turnover was approximately HK$50.6 million, representing a 51.6% decrease when compared to the same period last year of approximately HK$104.5 million. The decrease in turnover was mainly due to the disposal of a major subsidiary group engaged as construction companies in Singapore, which contributed 96.8% of turnover to the Group for the six months ended 31 March 2002.

The Group incurred a loss from operations of approximately HK$2.7 million as compared to the loss from operations of approximately HK$22.7 million in the last corresponding period. The disposed subsidiaries contributed 49.3% of the group's loss from operations for the six months ended 31 March 2002. In addition, the management continued to implement cost-containment programmes and procedures to better utilize the Group's resources.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2003, the Group had total financial borrowings of approximately HK$95.3 million as compared to approximately HK$118.3 million at last financial year end date, of which approximately HK$0.08 million represented obligations under finance leases (30 September 2002: approximately HK$0.15 million).

The Group's total financial borrowings were denominated in Hong Kong dollars and bear interest at floating rates. Of the total financial borrowings, approximately HK$83.2 million (30 September 2002: approximately HK$0.1 million) is repayable within one year or on demand, while approximately HK$ 12.2 million (30 September 2002: approximately HK$118.2 million) is repayable after one year.

The bank loan of approximately HK$1.0 million were secured by property, plant and equipment with a carrying value of approximately HK$2.3 million as at 31 March 2003 (30 September 2002: Nil).

Shareholders' funds of the Group as at 31 March 2003 recorded a deficit of approximately HK$96.6 million compared with a deficit of approximately HK$95.2 million as at 30 September 2002. Accordingly, the gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' fund was not applicable.

During the period under review, the Group did not incur or commit any material capital expenditure.

Cash and bank balances amounted to approximately HK$3.6 million at 31 March 2003 and is mainly denominated in Hong Kong Dollars. The Company was not exposed to any material exchange rate fluctuation during the period under review.

REVIEW ON OPERATIONS

Construction Business

Construction projects generated turnover of about approximately HK$16.4 million which contributed 32.5% of the Group's total turnover. The construction market remains sluggish in Hong Kong during the period under review and intense competitions also exerted downward pressure on the tender prices. For the six months ended 31 March 2003, construction business incurred an operating loss of approximately HK$0.8 million.

Retail Business

Being still at its start-up stage of its business life cycle, the retail business of the Group has built up a significant volume of turnover amounting to approximately HK$34.1 million during the period. Such success was mainly brought about by the removal of quotas on incoming PRC tourists. However, as competition in the domestic market was keen, retail business of the Group recorded an operating loss of approximately HK$0.3 million.

PROSPECTS

In the second half of 2003, construction business in Hong Kong and domestic retail trading will still be the major operations and revenue generators of the Group. However, the Group will continue to explore new business and investment opportunities with good potential in diversifying its scope of operations and bringing in new sources of income.

Given the overwhelming budget deficit suffered by the government of Hong Kong Special Administrative Region, it is not likely for the city to commence as many large scale infrastructure constructions as it does in the past decade. However, the Group is still confident that the construction of the country's first Disney Park and various railways inside the city will keep on creating a steady demand for construction equipment rental and other related services.

Following the package of measures to boost tourism and the economy conducted immediately after Hong Kong is removed from the World Health Organisation (WHO) list of SARS-infected areas, it is expected that inbound tourists to Hong Kong will soar significantly and will return to the 2002 level soon. It is conservative optimistic that the retail business operating by the Group will enjoy a notable rebounce in trading volume and profitability when the number of tourists from the PRC visiting Hong Kong returns to normal.

Under the prevailing stagnant and recessed economy, the Group will continue to take a conservative and cautious posture in seeking more viable business ventures that could help maintaining the long-term value of both the Group and its shareholders.

EMPLOYEE AND STAFF BENEFIT

At present, the Group had approximately 120 employees. The employees remuneration, promotion and salary increment are assessed based on their work performance, work and professional experiences and the prevailing market practice.

CONTINGENT LIABILITIES

On 4 May 2001, Guido Giacometti, a trustee of the estate of Mr. Sukamto Sia fka Sukarman Sukamto ("Mr. Sukamto"), a former director and substantial shareholder of the Company, commenced proceedings against the Company in the U.S. Bankruptcy Court in the District of Hawaii claiming against the Company, among other things, the sum of US$594,027 (of which US$500,000 being partial refund of the deposit and US$94,027 being interest accrued upon), together with attorneys' fees and costs. . The claim is related to an amount of US$594,027 refunded to the Company by Mr. Sukamto in relation to an investment previously made by the Company through Mr. Sukamto after the Company had decided not to make the investment. However, Mr. Sukamto was subsequently declared bankrupt and therefore the bankruptcy trustee commenced proceedings against the Company in relation to such refund made before Mr. Sukamto's bankruptcy. The Company received the summon and the related documents on 21 September 2001.

As at the date of this announcement, the Company is awaiting for hearing of the case. At this stage, the outcome cannot be predicted with certainty. As the Company has made provision of HK$5,000,000 in connection with the claim for the year ended 30 September, 2002, the directors are of the opinion that there is unlikely to be any material adverse impact on the Group in the event that the final judgement is not in favour of the Company.

POST BALANCE SHEET EVENTS

The Group had the following significant events subsequent to 31 March, 2003:

(a) On 20 May 2003, the Company entered into a conditional subscription agreement with Silver Rich Macau Development Limited, Spring Wise Investments Limited and Leader Assets Limited ("Subscribers"), pursuant to which the Subscribers agreed to subscribe for 1,043,200,000 new shares of HK$0.01 each in the Company at a subscription price of HK$0.0671 per share, amounting to a total consideration of approximately HK$70 million.

(b) On 20 May 2003, the Company entered into a conditional placing agreement with an independent placing agent, in relation to the placing of 298,000,000 new shares of HK$0.01 each in the Company, on a best effort basis, at a placing price of HK$0.0671 per share, amounting to a total consideration of approximately HK$20 million.

(c) The Capital Reorganisation of the Company was effective on 2 June 2003.

Except for (c), the above transactions have not been completed up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 March 2003.

CODE OF BEST PRACTICE

None of Directors is aware of any information that would reasonably indicate that the Company is not complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except that the Non-Executive Director and the Independent Non-Executive Directors are not appointed for a specific term as subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

AUDIT COMMITTEE

The audit committee and Deloitte Touche Tohmatsu, the Company's auditor, have reviewed with management the accounting principles and practices adopted by the Group and discussing auditing, internal control and financial reporting matters including the review of the unaudited interim financial report for the six months ended 31 March 2003.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All information that required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
CHINA DEVELOPMENT CORPORATION LIMITED
Kwok Ka Lap, Alva
Executive Director

Hong Kong, 25th June 2003