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CHINA DEVELOPMENT CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

SILVER RICH MACAU DEVELOPMENT LIMITED

(incorporated in the British Virgin Islands with limited liability)

SPRING WISE INVESTMENTS LTD.

(incorporated in the British Virgin Islands with limited liability)

LEADER ASSETS LTD.

(incorporated in the British Virgin Islands with limited liability)

**PROPOSED SUBSCRIPTION OF NEW SHARES,
PROPOSED PLACING OF NEW SHARES
AND
APPLICATION FOR THE GRANTING OF
THE WHITEWASH WAIVER**

Financial adviser to the Subscribers



On 20th May, 2003, the Company entered into:

- (i) the conditional Subscription Agreement with the Subscribers in relation to the subscription of 1,043,200,000 new Shares at a subscription price of HK\$0.0671 per Share, equivalent to a total consideration of approximately HK\$70 million; and
- (ii) the conditional Placing Agreement with the Placing Agent in relation to the proposed placing of up to a maximum of 298,000,000 new Shares, on a best-efforts basis, at a placing price of HK\$0.0671 per Share to not less than six independent investors, equivalent to a total consideration of approximately HK\$20 million.

The Subscription Shares represent approximately 7 times of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and approximately 70.0% of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and as enlarged by the Subscription Shares and the Placing Shares (on the assumption that all the 298,000,000 new Shares are successfully placed pursuant to the Placing Agreement). On the assumption that all the 298,000,000 new Shares are successfully placed pursuant to the Placing Agreement, the Placing Shares represent approximately 2 times of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and approximately 20.0% of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and as enlarged by the Subscription Shares and the Placing Shares.

Pursuant to Rule 26 of the Takeovers Code, upon Subscription Completion, the Subscribers and parties acting in concert with them (if any) will be obliged to make an unconditional mandatory cash offer for all the issued Shares not already owned or agreed to be acquired by the Subscribers or parties acting in concert with them (if any). An application will be made by the Subscribers to the Executive for the Whitewash Waiver, which, if granted, would be subject to the approval of the Independent Shareholders at the EGM (taken by way of poll). The Executive may or may not grant the Whitewash Waiver.

On the assumption that all the 298,000,000 new Shares are successfully placed pursuant to the Placing Agreement, the total estimated net proceeds to be derived from the Subscription and the Placing will amount to approximately HK\$89 million. The Directors intend to apply such net proceeds as to approximately HK\$20 million to pay the Settlement Sum and as to approximately HK\$69 million as general working capital for meeting the financial needs of the operations of the Group and, when opportunities arise, for investing in new business with good potential.

An independent board committee of the Company will be appointed to advise the Independent Shareholders in relation to the Whitewash Waiver. Ernst & Young Corporate Finance Limited (a licensed corporation under the Securities and Futures Ordinance), the independent financial adviser, has been appointed to advise the independent board committee of the Company regarding the Whitewash Waiver. A circular containing, among others, (i) further details of the Subscription Agreement, the Placing Agreement and the Whitewash Waiver; (ii) the recommendations of the independent board committee of the Company to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the independent board committee of the Company; and (iv) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Takeovers Code.

Trading in the Existing Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 5th May, 2003 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Existing Shares with effect from 9:30 a.m. on 21st May, 2003.

Shareholders should be aware that each of the Subscription Agreement and the Placing Agreement is conditional upon a number of conditions as set out under the section headed “Conditions of the Subscription Agreement” and “Conditions of the Placing Agreement” respectively of this announcement and the Subscription and the Placing may or may not proceed. In particular, the Executive may or may not grant the Whitewash Waiver. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

THE SUBSCRIPTION AGREEMENT DATED 20TH MAY, 2003

Parties

- (i) the Company; and
- (ii) the Subscribers, namely Silver Rich Macau Development Limited, Spring Wise Investments Ltd. and Leader Assets Ltd., each of which is a company incorporated in the British Virgin Islands with limited liability.

Each of the Subscribers is independent of, not connected with and not acting in concert with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates. As at the date of this announcement, the Subscribers and parties acting in concert with them do not hold any Existing Shares.

Silver Rich Macau Development Limited is wholly-owned by a discretionary trust, the beneficiaries of which are family members of Mr. Sonny Yeung Hoi Sing. As at 31st March, 2003, Full Ample Limited, a company wholly and beneficially owned by Mr. Sonny Yeung Hoi Sing, provided a short-term loan of HK\$25 million to the Group.

The Subscription Shares

Pursuant to the Subscription Agreement, Silver Rich Macau Development Limited, Spring Wise Investments Ltd. and Leader Assets Ltd. conditionally agreed to subscribe for 678,080,000, 290,606,000 and 74,514,000 new Shares respectively, equivalent to an aggregate of 1,043,200,000 new Shares which represent approximately 7 times of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and approximately 70.0% of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and as enlarged by the Subscription Shares and the Placing Shares (on the assumption that all the 298,000,000 new Shares are successfully placed pursuant to the Placing Agreement).

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with the Shares in issue or to be issued on or prior to the date of Subscription Completion. In addition, the Subscription Shares will not be subject to any lock-up or restriction on disposal requirements.

Conditions of the Subscription Agreement

Subscription Completion is conditional upon the following conditions having been fulfilled (or waived by the parties to the Subscription Agreement as provided below):

- (a) the passing by the Shareholders (excluding such person(s), if any, who are required to abstain by law or by the Listing Rules or the Takeovers Code) of resolutions in the EGM approving:–
 - (i) (if necessary) the increase in the authorised share capital of the Company to such amount as shall allow the Company to allot and issue the Subscription Shares and the Placing Shares upon completion of the Subscription Agreement and the Placing Agreement;
 - (ii) the Subscription Agreement and the transactions contemplated thereunder in accordance with the terms of the Subscription Agreement and the requirements of the Listing Rules and the Takeovers Code; and
 - (iii) the grant of a waiver in respect of the obligation of the Subscribers and the parties acting in concert with them (if any) to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Subscribers or any parties acting in concert with them (if any) as a result of the issue of the Subscription Shares in accordance with Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code;
- (b) the Capital Reorganisation becoming effective and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares (excluding the Subscription Shares and the Placing Shares) upon the Capital Reorganisation becoming effective;
- (c) the Listing Committee of the Stock Exchange agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Subscription Shares (and such permission and listing not subsequently being revoked prior to the delivery of definitive Share certificate(s) representing the Subscription Shares);

- (d) the Executive granting to the Subscribers and parties acting in concert with them (if any) a waiver of the obligation to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Subscribers or any parties acting in concert with them (if any) as a result of the issue of the Subscription Shares;
- (e) the shares of the Company remaining listed and traded on the Stock Exchange at all times prior to and on the date of Subscription Completion, save for any suspension not exceeding 10 consecutive trading days (as defined in the Listing Rules) (or such longer period as the Subscribers may reasonably accept in writing) or any temporary suspension in connection with the clearance by the Stock Exchange and the SFC of this announcement or any other announcement relating to, among others, the transactions contemplated under the Subscription Agreement and/or the Capital Reorganisation;
- (f) no indication being received on or before the date of Subscription Completion from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to (or conditions which may be attached thereto) as a result of Subscription Completion or in connection with the terms of the Subscription Agreement; and
- (g) the Subscribers notifying the Company or the Company's solicitors in writing that they are reasonably satisfied with the due diligence review as specified in the Subscription Agreement.

Pursuant to the Subscription Agreement, the Subscribers may, at their absolute discretion, waive all or any of the above conditions, other than those set out in the above conditions (a)(i), (a)(ii), (b), (c), (e) and (f), at any time by notice in writing to the Company provided that the above conditions (a)(iii) and (d) may only be waived by the Subscribers upon production of sufficient proof to the satisfaction of the SFC that the Subscribers have the financial capability to make the mandatory general offer for the Shares not already owned or agreed to be acquired by the Subscribers or any parties acting in concert with them (if any) as a result of Subscription Completion in accordance with the provisions of the Takeovers Code. In addition, the Subscribers have undertaken to Tai Fook Capital Limited not to waive the above conditions (a)(iii) and (d) unless Tai Fook Capital Limited is satisfied that the Subscribers have the sufficient financial capability to make the aforesaid mandatory general offer.

The Subscribers have confirmed that they have no intention to waive the above conditions (a)(iii) and (d) set out above. In the event that all the above conditions are not fulfilled or waived (as the case may be) by 5:00 p.m. (Hong Kong time) on 15th July, 2003 (or such other date as may be agreed by the parties to the Subscription Agreement), any of the Company or the Subscribers may by notice to the other elect to immediately terminate and rescind the Subscription Agreement.

Reference is made to the Company's circular dated 13th January, 2003 (the "Circular") and announcement dated 23rd April, 2003 (the "Announcement") in relation to the Capital Reorganisation. As at the date of this announcement, completion of the Capital Reorganisation is conditional upon (i) the confirmation by the Court (as defined in the Circular) of the Capital Reduction (as defined in the Circular) and the registration by the Registrar of Companies of Hong Kong of an office copy of the court order and the minutes containing the particulars required under section 61 of the Companies Ordinance; and (ii) the Listing Committee of the Stock Exchange granting (either unconditionally or subject to conditions to which the Company shall not reasonably object) the listing of, and permission to deal in the Shares (excluding the Subscription Shares and the Placing Shares) upon completion of the Capital Reorganisation. As stated in the Announcement, the hearing of the petition for the confirmation of the Capital Reduction (as defined in the Circular) by the Court (as defined in the Circular) will be held on 21st May, 2003 and the effective date of the Capital Reorganisation is expected to be on 2nd June, 2003.

Completion

Subscription Completion shall take place on the third business day after fulfillment or waiver of the last condition of the Subscription Agreement or such other date as the parties to the Subscription Agreement may agree in writing on which Subscription Completion shall take place.

Upon the Subscription Completion, the Company shall also execute the Deed of Settlement with CSH and Grand Orient, the form of which is contained in the Subscription Agreement.

Pursuant to the Deed of Settlement, subject to the payment of the Settlement Sum in the amount of HK\$20 million by the Company to CSH and/or Grand Orient or as it/they may direct, each of the Company, CSH and Grand Orient will irrevocably and unconditionally (a) waive, release and discharge each other in their entirety from (i) all their respective obligations and liabilities under the Debt and the Loan Agreements; and (ii) any past or existing claims which may have against each others in connection with the Debt and the Loan Agreements; (b) undertake not to make any further claim against each others in connection with the Debt and the Loan Agreements; and (c) confirm that after payment of the Settlement Sum, none of the parties shall have any obligation or liability to the others in respect of the Debt and under the Loan Agreements.

The Debt represents miscellaneous non-trade payables due from the Company to CSH which amounted to approximately HK\$0.1 million as at 31st March, 2003. The loans under the Loan Agreements were entered into by the Company and Grand Orient on (i) 5th December, 2000 and as supplemented by two supplemental agreements dated 12th June, 2001 and 12th December, 2001 respectively and a supplemental deed dated 16th October, 2002; (ii) 13th June, 2001 and as supplemented by a supplemental agreement dated 12th December,

2001 and a supplemental deed dated 16th October, 2002; and (iii) 3rd September, 2001 and as supplemented by a supplemental agreement dated 3rd December, 2001 and a supplemental deed dated 16th October, 2002, respectively. Such loans are unsecured and payable on 15th April, 2004 and bear interests ranging from prime rate plus 1% to 2% per annum which are payable on 15th April, 2004. As at 31st March, 2003, the total principal and interest outstanding in respect of the loans under the Loan Agreements amounted to approximately HK\$52.3 million.

The Deed of Settlement shall be subject to, conditional and become effective upon payment by the Company to CSH and/or Grand Orient or as it/they may direct the Settlement Sum on or before 15th July, 2003 (or such other date as the parties to the Deed of Settlement may agree in writing) and not otherwise. In the event that payment of the Settlement Sum is not paid to CSH and/or Grand Orient or as it/they may direct on or before 15th July, 2003 (or such other date as the parties to the Deed of Settlement may agree in writing), the Deed of Settlement shall become null, void and of no further force and effect and the parties to the Deed of Settlement shall be in the same position as regards the Loan Agreements and the Debt as if the Deed of Settlement had never been entered into.

THE PLACING AGREEMENT DATED 20TH MAY, 2003

Parties

- (i) the Company; and
- (ii) Tai Fook Securities Company Limited, the Placing Agent.

Tai Fook Securities Company Limited is independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Placees

There will be not less than six placees who will be individual, corporate and/or institutional investors who are independent of, not connected with and not acting in concert with any of the directors, chief executive or substantial shareholders of each of the Company or the Subscribers, Young Champion Securities Limited, any of their subsidiaries and any of their respective associates.

The Placing Shares

Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a best-efforts basis, up to a maximum of 298,000,000 new Shares, representing approximately 2 times of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and approximately 20.0% of the entire issued share capital of the Company immediately after completion of the Capital Reorganisation and as enlarged by the Subscription Shares and the Placing Shares.

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares in issue or to be issued on or prior to the date of Placing Completion. In addition, the Placing Shares will not be subject to any lock-up or restriction on disposal requirements.

Conditions of the Placing Agreement

Placing Completion is conditional upon the following conditions having been fulfilled:

- (a) the passing by the Shareholders (excluding such person(s), if any, who are required to abstain by law or by the Listing Rules) of resolutions in the EGM approving the Placing Agreement and the transactions contemplated thereunder in accordance with the terms of the Placing Agreement and the requirements of the Listing Rules;
- (b) the Subscription Agreement becoming unconditional in all respects in accordance with its terms; and
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Placing Shares.

If the conditions precedent are not fulfilled by 15th July, 2003 (or such other date as may be agreed by the parties to the Placing Agreement), all rights, obligations and liabilities of the parties under the Placing Agreement in relation to the Placing shall cease and terminate and none of the parties shall have any claim against any other in respect of the Placing save for any antecedent breaches of the Placing Agreement.

Completion

Placing Completion shall take place on the third business day after the date upon which all the conditions of the Placing Agreement shall have been satisfied or such other time and/or date as the Company and the Placing Agent may agree in writing.

SUBSCRIPTION PRICE AND PLACING PRICE

Pursuant to the Subscription Agreement and the Placing Agreement, each of the subscription price per Subscription Share and the placing price per Placing Share is HK\$0.0671, which represents:

- a discount of approximately 39.0% to the theoretical closing price of HK\$0.1100 per Share assuming the Capital Reorganisation has been completed on 2nd May, 2003, which is calculated based on 10 times of the closing price as quoted on the Stock Exchange on 2nd May, 2003, being the last trading day prior to suspension of trading in the Existing Shares on the Stock Exchange pending the issue of this announcement;
- a discount of approximately 43.1% to the theoretical average closing price of HK\$0.1180 per Share assuming the Capital Reorganisation has been completed before the last 10 consecutive trading days up to and including 2nd May, 2003, which is calculated based on 10 times of the closing prices as quoted on the Stock Exchange over the last 10 consecutive trading days up to and including 2nd May, 2003; and
- a discount of approximately 42.0% to the theoretical average closing price of HK\$0.1157 per Share assuming the Capital Reorganisation has been completed before the last 30 consecutive trading days up to and including 2nd May, 2003, which is calculated based on 10 times of the closing prices as quoted on the Stock Exchange over the last 30 consecutive trading days up to and including 2nd May, 2003.

The Directors consider that each of the subscription price per Subscription Share and the placing price per Placing Share of HK\$0.0671 per Share is fair and reasonable after taking into account the fact that (i) the Group has recorded losses for the fifteen months ended 30th September, 2001 and the year ended 30th September, 2002; (ii) the Group had audited consolidated net deficits of approximately HK\$102 million as at 30th September, 2002; and (iii) the thin trading volume of the Existing Shares (the average trading volume of the Existing Shares during the year ended 2nd May, 2003 (being the last trading day prior to suspension of trading in the Existing Shares on the Stock Exchange pending the issue of this announcement) amounted to approximately 795,000 Existing Shares per trading day, representing approximately 0.06% of the total number of issued Existing Shares).

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company immediately after completion of the Capital Reorganisation, Subscription Completion and Placing Completion:

Name	Shareholding immediately after completion of the Capital Reorganisation (Note 1)		Shareholding immediately after completion of the Capital Reorganisation and Subscription Completion		Shareholding immediately after completion of the Capital Reorganisation, Subscription Completion and Placing Completion	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Cyber Best Trading Limited (Note 2)	45,187,069	30.3	45,187,069	3.8	45,187,069	3.0
The Subscribers						
– Silver Rich Macau Development Limited	–	–	678,080,000	56.9	678,080,000	45.5
– Spring Wise Investments Ltd.	–	–	290,606,000	24.4	290,606,000	19.5
– Leader Assets Ltd.	–	–	74,514,000	6.2	74,514,000	5.0
Sub-total	–	–	1,043,200,000	87.5	1,043,200,000	70.0
Placees (Note 3)	–	–	–	–	298,000,000	20.0
Other public	103,877,164	69.7	103,877,164	8.7	103,877,164	7.0
Total	149,064,233	100.0	1,192,264,233	100.0	1,490,264,233	100.0

Notes:

1. As at the date of this announcement, the authorised share capital of the Company comprised 4,000,000,000 Existing Shares of par value of HK\$0.40 each of which 1,490,642,334 Existing Shares had been issued and fully paid. Immediately after completion of the Capital Reorganisation (which involves share consolidation, capital reduction and an increase in the authorised share capital of the Company, the details of which were set out in the Circular), the authorised share capital of the Company will then comprise 160,000,000,000 Shares of par value of HK\$0.01 each of which 149,064,233 Shares will be issued and fully paid.
2. The entire issued share capital of Cyber Best Trading Limited is beneficially and wholly owned by Mr. Lin Che Chu.
3. It is intended that the Placing will be undertaken such that all Placees will be regarded as the public (as defined under the Listing Rules) upon Subscription Completion and Placing Completion.

TAKEOVERS CODE IMPLICATIONS FOR THE SUBSCRIBERS

As at the date of this announcement, none of the Subscribers and parties acting in concert with them hold any of the Existing Shares save for the entering into of the Subscription Agreement. Immediately after completion of the Capital Reorganisation and Subscription Completion but before Placing Completion, the Subscribers and parties acting in concert with them will be interested in 1,043,200,000 Shares, representing approximately 87.5% of the

entire issued share capital of the Company immediately after completion of the Capital Reorganisation and as enlarged by the Subscription Shares. Accordingly, unless the Whitewash Waiver is granted, the Subscribers and parties acting in concert with them would be obliged, upon Subscription Completion, to make an unconditional mandatory cash offer to acquire all the Shares, other than those already owned or agreed to be acquired by the Subscribers or parties acting in concert with them (if any) under Rule 26 of the Takeovers Code. An application will be made by the Subscribers to the Executive for granting of the Whitewash Waiver as soon as possible, which, if granted, would be subject to the approval of the Independent Shareholders at the EGM (taken by way of poll). The Executive may or may not grant the Whitewash Waiver.

Subscription Completion is conditional upon, among others, the granting of the Whitewash Waiver by the Executive. Placing Completion is conditional upon, among others, the Subscription Agreement becoming unconditional in all respects in accordance with the terms of the Subscription Agreement. Therefore, if the Whitewash Waiver is not obtained or such condition of the granting of the Whitewash Waiver by the Executive is not waived by the Subscribers, both of the Subscription Agreement and the Placing Agreement will lapse.

The Whitewash Waiver, if granted by the Executive, would be subject to approval of the Independent Shareholders who are not interested in or involved in the Subscription Agreement at the EGM by way of poll. The Executive may or may not grant the Whitewash Waiver. The Subscribers and parties acting in concert with them have confirmed that they have not acquired any issued share capital in the Company in the six-month period prior to the date of the Subscription Agreement.

As the Subscribers will be interested in more than 50% of the entire issued share capital of the Company after completion of the Capital Reorganisation, Subscription Completion and Placing Completion, the Subscribers may further acquire the Shares without incurring any obligation to make a general offer to acquire all the Shares (other than those already owned or to be acquired by the Subscribers or parties acting in concert with them) under Rule 26 of the Takeovers Code.

INFORMATION ON THE GROUP

The principal activities of the Group are construction and civil engineering business and operation of a department store in Hong Kong. The following table sets out a summary of the audited consolidated results of Group for the year ended 30th September, 2002 and the fifteen months ended 30th September, 2001:

	For the year ended 30th September, 2002	For the fifteen months ended
	<i>HK\$'000</i>	30th September, 2001 <i>HK\$'000</i>
Turnover	302,263	441,827
Loss before taxation	(115,715)	(326,004)
Net loss	(115,407)	(329,251)

As at 30th September, 2001, the Group had an audited consolidated net asset value of approximately HK\$44 million. As at 30th September, 2002, the Group had an audited consolidated net deficits of approximately HK\$102 million.

Notwithstanding the resignation of Mr. Cheung Yu Shum, Jenkin as chairman and an executive director of the Company on 25th April, 2003, the Group will continue its existing businesses of construction, civil engineering and retail trading in Hong Kong. Mr. Cheung Yu Shum, Jenkin was previously responsible for the strategic planning and corporate development of the Company prior to his resignation. Subsequent to his resignation, his function has been undertaken by Mr. Kwok Ka Lap, Alva, an executive Director appointed by the Company on 4th April, 2003. Mr. Kwok, aged 54, has over 20 years of experience in insurance and investment business and is currently an independent non-executive director of two listed companies.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE PLACING

Owing to the sustained economy recession and the sluggish property market in Hong Kong, the operating environment in construction and engineering business remains difficult. Intense competitions also exerted downward pressure on the tender prices. As such, the Directors expect that the performance of the construction and engineering business in Hong Kong is still under pressure. As to the retail business, the Hong Kong economy has not shown significant sign of recovery and the tourism industry still remains depressed in general.

For the year ended 30th September, 2002 and the 15 months ended 30th September, 2001, the Group recorded net loss of approximately HK\$115 million and approximately HK\$329 million respectively. As at 30th September, 2002, the Group was in an audited net deficits position of approximately HK\$102 million. As such, as stated in the audited financial statements of the Company for the year ended 30th September, 2002, the ability of the Group to continue as a going concern will depend upon future funding being available.

According to the Circular, the Company did not have any plans to conduct any capital raising. However, in view of the unfavourable operating environment of the Group and the fact that the ability of the Group to continue as a going concern will depend upon future funding being available, the Company has commenced negotiation with the Subscribers and the Placing Agent in relation to the Subscription and the Placing subsequent to the issue of the aforesaid circular. The aforesaid negotiation with the Subscribers was initiated by the Subscribers. The Directors and the Subscribers consider that the entering into of the Subscription Agreement and the Placing

Agreement provide an opportunity for the Group to strengthen its financial position and provide necessary working capital for its ongoing operations. In particular, the Subscription and the Placing will provide new source of funding to the Group (i) for the payment of the Settlement Sum which is beneficial to the Group given the fact that the Group is only required to pay the Settlement Sum of HK\$20 million to settle the Indebtedness which amounted to approximately HK\$52.4 million as at 31st March 2003 and an unaudited gain of approximately HK\$32.4 million (based on the Indebtedness of approximately HK\$52.4 million as at 31st March, 2003) shall be recognised in the profit and loss account of the Group for the year ending 30th September, 2003; (ii) for meeting the financial needs of the operations and development of the existing business of the Group; and (iii) for investing in new business with good potential in order to diversify the Group's business and bring in new source of income which is in line with the Group's mission of enhancing the value of its investments and seeking opportunities for its synergistic growth. Upon Subscription Completion, the Directors consider that the Group will be able to continue as a going concern.

On the assumption that all the 298,000,000 new Shares are successfully placed pursuant to the Placing Agreement, the estimated net proceeds from the Subscription and the Placing will amount to approximately HK\$89 million. The Directors intend to apply such net proceeds as to approximately HK\$20 million to pay the Settlement Sum and as to approximately HK\$69 million as general working capital for meeting the financial needs of the operations of the existing business of the Group and, when opportunities arise, for investing in new business with good potential which may or may not be in line with the existing principal activities of the Group. At present, the Directors and the Subscribers have not identified any investment opportunities.

As at 31st March, 2003, the Group had an unaudited total liabilities of approximately HK\$125 million. On this basis, the Group would have an unaudited total liabilities of approximately HK\$73 million following completion of the Deed of Settlement, of which approximately HK\$12 million is long-term liabilities and HK\$61 million is short-term liabilities. Out of the aforesaid HK\$61 million short-term liabilities, a short-term loan of HK\$25 million was owed to Full Ample Limited, a company wholly and beneficially owned by Mr. Sonny Yeung Hoi Sing. On the assumption that all of the 298,000,000 new Shares are placed pursuant to the Placing Agreement, the estimated net proceeds from the Subscription and the Placing will amount to approximately HK\$89 million, of which approximately HK\$20 million will be applied to pay the Settlement Sum and approximately HK\$69 million will be applied as general working capital of the Group. After taking into account the existing financial resources available to the Group, including cash and bank balances (approximately HK\$4 million as at 31st March, 2003 (unaudited)) and other current assets (approximately HK\$15 million as at 31st March, 2003 (unaudited)) of the Group, and the aforesaid net proceeds from the Subscription and the Placing, the Directors and the Subscribers consider that the Group would have sufficient funding to repay the aforesaid liabilities when they fall due following completion of the Deed of Settlement, Subscription Completion and Placing Completion. Additional financial information on the Group as required by the Takeovers Code and the Listing Rules will be included in the circular in relation to, among others, the Whitewash Waiver, which will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Takeovers Code.

INFORMATION ON THE SUBSCRIBERS

Each of the Subscribers is a limited company incorporated in the British Virgin Islands. Since their respective incorporation, none of the Subscribers have conducted any business apart from the entering into of the Subscription Agreement.

Silver Rich Macau Development Limited is wholly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Sonny Yeung Hoi Sing. Spring Wise Investments Ltd. is beneficially owned as to 50% by Mr. Chan Hon Keung and as to 50% by Mr. Chan William. Leader Assets Ltd. is wholly and beneficially owned by Mr. Lam Shu Chung.

Mr. Sonny Yeung Hoi Sing, aged 48, has been the National Committee Member of the Chinese People's Consultative Conference, the People's Republic of China since 1993. Mr. Sonny Yeung Hoi Sing has over 20 years of working experience in the finance industry of Hong Kong. At present, Mr. Sonny Yeung Hoi Sing is the sole beneficial owner of Young Champion Securities Limited, a private company incorporated in Hong Kong, which is a licensed corporation under the Securities and Futures Ordinance and a participant of the Stock Exchange and is principally engaged in the provision of securities trading.

Mr. Chan Hon Keung, aged 53, has been a committee member of the Chinese People's Political Consultative Conference, Jiangxi Provincial Committee since 2003. Mr. Chan Hon Keung has over 30 years of working experience in the finance industry of Hong Kong and has joined Young Champion Securities Limited since June 2002. At present, Mr. Chan Hon Keung is the Vice President of Young Champion Securities Limited.

Mr. Chan William, aged 28, is the Director of Tung Wah Group of Hospitals (2003/2004), the Current Advisor of Yan Chai Hospital 36th Term Board of Directors and the Divisional Vice President of Hong Kong St. John Ambulance Brigade Headquarters Command. Mr. Chan William has joined Young Champion Securities Limited since March 2001. At present, Mr. Chan William is the Account Manager of Young Champion Securities Limited. Mr. Chan William is the son of Mr. Chan Hon Keung.

Mr. Lam Shu Chung, aged 46, is the Marketing Director of Young Champion Securities Limited. Before joining Young Champion Securities Limited, Mr. Lam Shu Chung has worked for a number of international financial institutions and has over 20 years of working experience in finance industry in Hong Kong. Mr. Lam Shu Chung has joined Young Champion Securities Limited since October 1999.

INTENTIONS OF THE SUBSCRIBERS

Business

The Subscribers intend that the Group will continue its existing businesses of construction, civil engineering and retail trading in Hong Kong. The Subscribers do not intend to make any material change to such businesses. However, in view of the Group's consecutive operating losses, the Subscribers will conduct a review of the financial position and operations of the Group with a view to enhancing the operations and future development of the Group. The Subscribers have no specific plans to inject any assets into the Group or dispose of any of the Group's assets, other than in the Group's ordinary course of business. The Subscribers presently intend to hold the Subscription Shares as long-term investments.

Management

At present, the Company has three executive Directors, one non-executive Director and two independent non-executive Directors. It is intended that the existing three executive Directors and one non-executive Director will resign upon Subscription Completion. Upon Subscription Completion, the Subscribers will nominate new executive Directors to the board of Directors to manage the operations and development of the Group. Further announcement will be made by the Company of any change in the composition of the board of Directors.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is the intention of the Subscribers to maintain the listing of the Shares on the Stock Exchange after the Subscription Completion. Accordingly, the Subscribers will jointly and severally undertake to the Stock Exchange to take necessary steps to ensure that the public float of the Shares will not be less than 25% immediately after Subscription Completion and Placing Completion. Further announcement will be made, if required, in relation to any action taken in respect of the public float of the Shares to ensure compliance with the Listing Rules.

The Stock Exchange has stated that it will closely monitor trading in the Shares if less than 25% of the Shares are held by the public. If the Stock Exchange believes that: (i) a false market exists or may exist in the Shares; or (ii) there are too few Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares. In addition, the Stock Exchange has stated that it will suspend trading in the Shares if less than 10% of the Shares are held by the public.

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has the discretion to require the Company to issue an announcement and a circular to its Shareholders irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions and any such transaction may result in the Company being treated as if it were a new listing applicant.

GENERAL

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Placing Shares to be issued under the Subscription Agreement and the Placing Agreement.

An independent board committee of the Company will be appointed to advise the Independent Shareholders in relation to the Whitewash Waiver. Ernst & Young Corporate Finance Limited (a licensed corporation under the Securities and Futures Ordinance), the independent financial adviser has been appointed to advise the independent board committee of the Company regarding the Whitewash Waiver.

A circular containing (i) further details of the Subscription Agreement, the Placing Agreement and the Whitewash Waiver; (ii) the recommendations of the independent board committee of the Company to the Independent Shareholders in relation to the Whitewash Waiver; (iii) the letter of advice from the independent financial adviser to advise the independent board committee of the Company regarding the Whitewash Waiver; and (iv) a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING IN THE EXISTING SHARES

Trading in the Existing Shares of the Company has been suspended with effect from 9:30 a.m. on 5th May, 2003 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Existing Shares of the Company with effect from 9:30 a.m. on 21st May, 2003.

Shareholders should be aware that each of the Subscription Agreement and the Placing Agreement is conditional upon a number of conditions as set out under the section headed "Conditions of the Subscription Agreement" and "Conditions of the Placing Agreement" respectively of this announcement and the Subscription and Placing may or may not proceed. In particular, the Executive may or may not grant the Whitewash Waiver. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associates”	has the same meaning ascribed to it under the Listing Rules
“Capital Reorganisation”	the capital reorganisation of the Company involving share consolidation, capital reduction and an increase in the authorised share capital of the Company, details of which were set out in the circular of the Company dated 13th January, 2003
“Company”	China Development Corporation Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“CSH”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Stock Exchange, which is independent of, not connected with and not acting in concert with any of the directors, chief executive or substantial shareholders of each of the Company, the Subscribers, Young Champion Securities Limited, any of their subsidiaries and any of their respective associates
“Debt”	all indebtedness owing by the Company to CSH up to the date of payment of the Settlement Sum in accordance with the terms of the Deed of Settlement
“Deed of Settlement”	the Deed of Settlement to be entered into by the Company, CSH and Grand Orient for the purpose of discharging and releasing each others from all their respective obligations and liabilities under the Debt and the Loan Agreements upon completion of the Subscription Agreement
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve, amongst other things, the Subscription Agreement, the Placing Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of such Executive Director
“Existing Share(s)”	ordinary share(s) of HK\$0.40 each in the capital of the Company before completion of the Capital Reorganisation
“Grand Orient”	Grand Orient Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of CSH, which is independent of, not connected with and not acting in concert with any of the directors, chief executive or substantial shareholders of each of the Company, the Subscribers, Young Champion Securities Limited, any of their subsidiaries and any of their respective associates
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indebtedness”	all and any sums (whether the aggregate principal amount lent by Grand Orient to the Company under the Loan Agreements together with all interest accrued thereon and the Debt) which are payable by the Company to Grand Orient under the Loan Agreements and to CSH in respect of the Debt (as at 31st March, 2003, the Indebtedness amounted to approximately HK\$52.4 million)
“Independent Shareholders”	Shareholders other than the Subscribers and their respective associates and the parties acting in concert with them
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the three loan agreements entered into by the Company as borrower and Grand Orient as lender whereby Grand Orient has granted loans to the Company upon the terms and conditions respectively contained in these loan agreements

“Placees”	not less than six investors who are independent of, not connected with and not acting in concert with any of the directors, chief executive or substantial shareholders of each of the Company or the Subscribers, Young Champion Securities Limited, any of their subsidiaries and any of their respective associates
“Placing”	the placing of up to a maximum of 298,000,000 new Shares through the Placing Agent pursuant to the Placing Agreement to the Placees on a best-efforts basis
“Placing Agent”	Tai Fook Securities Company Limited, a licensed corporation under the Securities and Futures Ordinance
“Placing Agreement”	the conditional placing agreement dated 20th May, 2003 entered into between the Company and the Placing Agent in relation to the Placing on a best-efforts basis subject to the terms and conditions contained therein
“Placing Completion”	completion of the Placing pursuant to the Placing Agreement
“Placing Shares”	a maximum number of 298,000,000 new Shares to be issued by the Company to the Placees pursuant to the Placing Agreement upon Placing Completion
“Settlement Sum”	a sum of HK\$20 million payable by the Company to CSH and/or Grand Orient or as it/they may direct in full and final settlement of the Indebtedness
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective
“Shareholder(s)”	the holder(s) of the Existing Share(s) or the Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Silver Rich Macau Development Limited, Spring Wise Investments Ltd. and Leader Assets Ltd., each of which is a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscribers upon and subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 20th May, 2003 entered into between the Company and the Subscribers in relation to the Subscription
“Subscription Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Subscription Shares”	an aggregate of 1,043,200,000 new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscribers to make an unconditional mandatory cash offer under Rule 26 of the Takeovers Code for all the issued Shares not already owned or agreed to be acquired by the Subscribers and parties acting in concert with them
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By the order of the board
China Development Corporation Limited
Kwok Ka Lap, Alva
Director

By the order of the board
Spring Wise Investments Ltd.
Chan Hon Keung

By the order of the board
Silver Rich Macau Development Limited
Sonny Yeung Hoi Sing
Director

By the order of the board
Leader Assets Ltd.
Lam Shu Chung
Director

Hong Kong, 20th May, 2003

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Subscribers or their respective associates) and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than information relating to the Subscribers or their respective associates) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement (other than information relating to the Subscribers or their respective associates) misleading.

The directors of Silver Rich Macau Development Limited jointly and severally accept full responsibility for the accuracy of the information relating to Silver Rich Macau Development Limited and its associates contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement relating to Silver Rich Macau Development Limited and its associates have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement relating to Silver Rich Macau Development Limited and its associates in this announcement misleading.

The sole director of Spring Wise Investments Ltd. accepts full responsibility for the accuracy of the information relating to Spring Wise Investments Ltd. and its associates contained in this announcement and confirms having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement relating to Spring Wise Investments Ltd. and its associates have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement relating to Spring Wise Investments Ltd. and its associates in this announcement misleading.

The sole director of Leader Assets Ltd. accepts full responsibility for the accuracy of the information relating to Leader Assets Ltd. and its associates contained in this announcement and confirms having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement relating to Leader Assets Ltd. and its associates have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement relating to Leader Assets Ltd. and its associates in this announcement misleading.