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## **CHINA DEVELOPMENT CORPORATION LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **PLACING OF NEW SHARES**

**Placing agent**



**Joint financial advisers**



**VINCO  Vinco Capital Limited**

On 3 November 2003, the Company entered into the conditional Placing Agreement with the Placing Agent in relation to the proposed placing of up to a maximum of 97,200,000 new Shares, on a best-efforts basis, at a placing price of HK\$0.4325 per Placing Share to not less than six investors, equivalent to a total consideration of approximately HK\$42.0 million.

The Placing Shares represent approximately 6.52% of the existing issued share capital of the Company and approximately 6.12% of the issued share capital of the Company as enlarged by the Placing Shares.

The Placing Price represents (i) a premium of approximately 0.58% over and above the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 November 2003; (ii) a premium of approximately 0.35% over and above the average closing price per Share as quoted on the Stock Exchange of approximately HK\$0.431 for the 5 consecutive trading days up to and including 3 November 2003; and (iii) a premium of approximately 0.46% over and above the average closing price per Share as quoted on the Stock Exchange of approximately HK\$0.4305 for the 10 consecutive trading days up to and including 3 November 2003. The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent.

On the assumption that all the Placing Shares are successfully placed pursuant to the Placing Agreement, the total estimated net proceeds to be derived from the Placing will amount to approximately HK\$41.0 million. The Directors intend to apply approximately HK\$10.0 million as general working capital of the Group and approximately HK\$31.0 million, when opportunities arise, for making investments in tourism and retail related businesses in Hong Kong with good potential.

### **THE PLACING AGREEMENT DATED 3 NOVEMBER 2003**

#### **Parties**

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

The Placing Agent is not a connected person of the Company and is 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**

Not less than six placees (being individuals, corporate and/or institutional investors) which will be not connected with the Company or any of the directors, chief executive or substantial shareholders of the Company and any of its subsidiaries or any of their respective associates.

### **Placing Price**

The Placing Price is HK\$0.4325 per Placing Share which was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Placing Price represents (i) a premium of approximately 0.58% over and above the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 November 2003; (ii) a premium of approximately 0.35% over and above the average closing price per Share as quoted on the Stock Exchange of approximately HK\$0.431 for the 5 consecutive trading days up to and including 3 November 2003; and (iii) a premium of approximately 0.46% over and above the average closing price per Share as quoted on the Stock Exchange of approximately HK\$0.4305 for the 10 consecutive trading days up to and including 3 November 2003.

The Directors consider that the terms of the Placing are fair and reasonable and the Placing is in the interest of the Group and the Shareholders as a whole.

### **The Placing Shares**

Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a best-efforts basis, up to a maximum of 97,200,000 new Shares, representing approximately 6.52% of the existing issued share capital of the Company and approximately 6.12% of the issued share capital of the Company as enlarged by the Placing Shares. As at the date of this announcement, the Company had 1,490,264,233 Shares in issue.

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.

### **Condition of the Placing Agreement**

Placing Completion is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Placing Shares.

### **Completion**

Placing Completion shall take place on the second business day after the date upon which the condition 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 but in any event on or before 30 November 2003.

### **REASONS FOR THE PLACING**

The Group is principally engaged in (i) the retailing of consumer goods targeting at tourists in Hong Kong; and (ii) the provision of construction and related services in Hong Kong.

As stated in the interim report of the Company for the six months ended 31 March 2003 (the “Interim Report”), the construction market in Hong Kong remained sluggish and intense competitions have exerted pressure on the tender prices of the construction projects in Hong Kong. On the other hand, following the removal of Hong Kong by World Health Organisation from its list of areas with local transmission of the severe acute respiratory syndrome and the implementation of a series of measures to boost the economy by the Hong Kong government, the local tourism, retail and other related industries in Hong Kong have recovered significantly. Coupled with the execution of the scheme (the “Individual Visit Scheme”) that residents in the Guangdong Province and other cities of the PRC may apply to visit Hong Kong in their individual capacities by the PRC government starting from July 2003 as well as the opening of Hong Kong Disneyland in 2005, it is expected that the prospects of the local tourism, retail and other related industries in Hong Kong will be promising in the future.

In view of the aforementioned business and operating environment, the Group has already put more of its resources and efforts on the tourist-related retail business, resulting in the fact that such business has become the major operations of the Group. Moreover, as stated in the Interim Report, the Directors consider that the Group should explore new businesses and investment opportunities with good potential in order to diversify its scope of operations and provide new sources of revenue to the Group. In particular, given the favourable effects of the Individual Visit Scheme, the Directors have identified tourism and retail related businesses in Hong Kong as one of the possible investment opportunities of the Group after taking into account the fact that (i) such businesses are in line with the Group’s existing retail business; and (ii) the expertise and knowledge of the Group on the Hong Kong retail market could be leveraged by the Group to identify and/or manage such businesses.

The Directors consider that the entering into the Placing Agreement provides an opportunity for the Group to strengthen its financial position and necessary new source of funding for its ongoing operations and expansion. In particular, the Placing will provide new source of funding (i) for general working capital of the Group; and (ii) when opportunities arise, for making investments in tourism and retail related businesses in Hong Kong, which is in line with the development strategies of the Directors as mentioned above and the Group’s mission of enhancing the value of its investments and seeking opportunities for its synergistic growth.

On the assumption that all the Placing Shares are successfully placed pursuant to the Placing Agreement, the total estimated net proceeds to be derived from the Placing will amount to approximately HK\$41.0 million. The Directors intend to apply approximately HK\$10.0 million as general working capital of the Group and approximately HK\$31.0 million, when opportunities arise, for making investments in tourism and retail related businesses in Hong Kong with good potential.

## **APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

## **ISSUE OF THE PLACING SHARES PURSUANT TO GENERAL MANDATE**

The Placing Shares will be allotted and issued by the Company pursuant to the general mandate to allot and issue Shares granted to the Directors at the Company’s extraordinary general meeting held on 21 July 2003.

## **DEFINITIONS**

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

|                      |  |
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| “associate(s)”       | has the same meaning ascribed to it under the Listing Rules  |
| “Company”            | China Development Corporation Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange  |
| “Directors”          | the directors of the Company   |
| “Group”              | the Company and its subsidiaries   |
| “Hong Kong”          | the Hong Kong Special Administrative Region of the PRC   |
| “Listing Rules”      | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Placees”            | not less than six investors which will be not connected with the Company or any of the directors, chief executive or substantial shareholders of the Company and any of its subsidiaries or any of their respective associates |
| “Placing”            | the placing of up to a maximum of 97,200,000 Placing 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 to carry on Type 1 (dealing in securities) regulated activity for the purposes of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong          |
| “Placing Agreement”  | the conditional placing agreement dated 3 November 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 Price”      | HK\$0.4325 per Placing Share, being the subscription price of each Placing Share   |
| “Placing Shares”     | a maximum number of 97,200,000 new Shares to be issued by the Company to the Placees pursuant to the Placing Agreement upon Placing Completion   |
| “PRC”                | the People’s Republic of China   |
| “Share(s)”           | ordinary share(s) of HK\$0.01 each in the capital of the Company   |
| “Shareholder(s)”     | the holder(s) of the Share(s)  |
| “Stock Exchange”     | The Stock Exchange of Hong Kong Limited  |
| “HK\$”               | Hong Kong dollar(s), the lawful currency of Hong Kong  |
| “%”                  | per cent.  |

By the order of the board  
**China Development Corporation Limited**  
**Agnes N.Y. Chiu**  
*Company Secretary*

Hong Kong, 3 November 2003