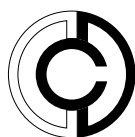


If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Development Corporation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CHINA DEVELOPMENT CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

**PROPOSED CONSOLIDATION OF SHARES,
REDUCTION OF SHARE CAPITAL,
INCREASE IN AUTHORISED SHARE CAPITAL
AND
GRANT OF GENERAL MANDATES TO
ISSUE AND TO REPURCHASE SHARES**

A notice convening the extraordinary general meeting of the Company to be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 6 February 2003 at 10:00 a.m. is set out on pages 14 to 17 of this circular. Whether or not you are able to attend the extraordinary general meeting in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

13 January 2003

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EXPECTED TIMETABLE

2003

Latest time for return of proxy form for the Extraordinary General Meeting	10:00 a.m., Tuesday, 4 February
Extraordinary General Meeting	10:00 a.m., Thursday, 6 February
Direction hearing before the Court*	Tuesday, 11 March
Hearing of the petition for confirmation of the Capital Reduction*	Tuesday, 25 March
Announcement of effective date of the Capital Reorganisation*	Wednesday, 26 March
Effective date of the Capital Reorganisation*	Friday, 4 April
Existing counter for trading in Shares in board lots of 2,000 Shares closes*	Friday, 4 April
Temporary counter for trading in New Shares in board lots of 200 New Shares (in the form of existing share certificates) opens*	Friday, 4 April
First day for free exchange of share certificates and odd lots trading*	Friday, 4 April
Existing counter for trading in New Shares in board lots of 20,000 New Shares (in the form of new share certificates) reopens*	Tuesday, 22 April
Parallel trading in New Shares (in the form of new share certificates and existing share certificates) commences*	Tuesday, 22 April
Temporary counter for trading in New Shares in board lots of 200 New Shares (in the form of existing share certificates) closes*	Thursday, 15 May
Parallel trading in New Shares (in the form of new share certificates and existing share certificate) ends*	Thursday, 15 May
Last day for odd lots trading*	Thursday, 15 May
Last day for free exchange of share certificates*	Tuesday, 20 May

* As it is not possible to ascertain the dates on which the direction hearing before the Court and the Court hearing of the petition for confirmation by the Court of the Capital Reduction will take place, these dates are subject to changes. Further announcement(s) will be made to inform the Shareholders of the exact date of such hearings, the effective date of the Capital Reorganisation and the actual dates for free exchange of certificates and odd lot trading arrangements once such dates are ascertainable.

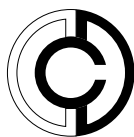
DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Annual General Meeting”	the annual general meeting of the Company to be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 24 February 2003 at 10:00 a.m. or any adjourned meeting thereof
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Auditors”	the auditors of the Company
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday) on which banks in Hong Kong are open for business
“Capital Reduction”	the proposed reduction of the nominal value of each of the issued and unissued Consolidated Shares from HK\$4.00 to HK\$0.01
“Capital Reorganisation”	the Share Consolidation, the Capital Reduction and the Increase of Capital
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Development Corporation Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	share(s) of HK\$4.00 each in the capital of the Company proposed to be created by the Share Consolidation
“Court”	the Court of First Instance of the High Court of Hong Kong
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 6 February 2003 at 10:00 a.m. or any adjourned meeting thereof, notice of which is set out on pages 14 to 17 of this circular

DEFINITIONS

“General Mandate”	the general mandate proposed to be granted to the Directors, conditional upon the Capital Reorganisation becoming effective, to allot, issue and deal with New Shares as described on page 9 of this circular
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase of Capital”	a proposal to increase the authorised share capital of the Company immediately following the Capital Reduction becoming effective as described on page 4 of this circular
“Latest Practicable Date”	9 January 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Registrar”	the Company’s share registrar, Tengis Limited, whose office is situated at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Repurchase Mandate”	the general mandate proposed to be granted to Directors, conditional upon the Capital Reorganisation becoming effective, to repurchase New Shares as described on page 8 of this circular
“Share(s)”	existing share(s) of HK\$0.40 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten issued and unissued Shares into one Consolidated Share
“Share Option Scheme”	the share option scheme of the Company adopted on 7 March 2002
“Shareholder(s)”	holder(s) of Share(s) or New Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.



CHINA DEVELOPMENT CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

Directors:

Cheung Yu Shum, Jenkin (*Chairman*)

Lam Siu Sek

Ng Wai Ming

Lien Kait Long*

Cheung Man Yau, Timothy**

Shum Ka Hei**

Registered Office:

Unit 2301-2, 23rd Floor

SUP Tower

75-83 King's Road

Hong Kong

* *Non-executive Director*

** *Independent non-executive Directors*

13 January 2003

To the Shareholders

Dear Sir/Madam,

**PROPOSED CONSOLIDATION OF SHARES,
REDUCTION OF SHARE CAPITAL,
INCREASE IN AUTHORISED SHARE CAPITAL
AND
GRANT OF GENERAL MANDATES TO
ISSUE AND TO REPURCHASE SHARES**

INTRODUCTION

The Board announced on 19 December 2002 that proposals would be put forward to the Shareholders for the Share Consolidation and the Capital Reduction. As any existing mandates which have been granted or to be granted in the Annual General Meeting to the Directors to issue and to repurchase Shares will not extend to the New Shares to be created upon the Capital Reorganisation becoming effective, it is further proposed that, conditional upon the Capital Reorganisation becoming effective, the Directors be granted the General Mandate and the Repurchase Mandate.

The purpose of this circular is to provide you with further information relating to the Capital Reorganisation, the proposed granting of the General Mandate and the Repurchase Mandate and the notice convening the Extraordinary General Meeting at which resolutions will be proposed to approve the Capital Reorganisation and the granting of the General Mandate and Repurchase Mandate.

LETTER FROM THE BOARD

SHARE CONSOLIDATION AND CAPITAL REDUCTION

The Share Consolidation will be made whereby every ten Shares of HK\$0.40 each in the issued and unissued share capital of the Company will be consolidated into one Consolidated Share of HK\$4.00 each and fractions of a Consolidated Share will not be issued. After the Share Consolidation, the nominal value of the issued and unissued Consolidated Shares will be reduced from HK\$4.00 to HK\$0.01 each pursuant to the Capital Reduction.

The credit of approximately HK\$594,766,291.27 expected to arise as a result of the Capital Reduction will, subject to any conditions which the Court may impose, be applied towards the elimination of the accumulated losses of the Company as at 30 September 2002 as shown in the audited accounts of the Company for the year ended 30 September 2002. The unaudited accumulated losses of the Company as at 31 March 2002 was approximately HK\$772.70 million.

As at the Latest Practicable Date, there were no outstanding employees share options granted under the Share Option Scheme. If any such employees share options were to be granted and exercised prior to the effective date of the Capital Reorganisation, additional Shares would be in issue and the additional credit would arise from the Capital Reduction. Such credit, if any and subject to any conditions which the Court may impose, will also be applied towards the elimination of the accumulated losses of the Company as at 30 September 2002 as shown in the audited accounts of the Company for the year ended 30 September 2002.

The New Shares will rank equal in all respects with each other. The board lot size of the New Shares will be changed to 20,000 New Shares from the current board lot size of 2,000 Shares.

EFFECTS OF THE CAPITAL REDUCTION AND THE INCREASE OF CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$1,600,000,000.00 comprising 4,000,000,000 Shares of which 1,490,642,334 Shares had been issued and were fully paid. On the basis of such issued share capital, there will be 149,064,233 New Shares in issue immediately upon the Share Consolidation and Capital Reduction becoming effective and the total value of the issued share capital of the Company will be reduced from HK\$596,256,933.60 to HK\$1,490,642.33. Immediately upon the Capital Reduction becoming effective, the authorised share capital of the Company will be HK\$4,000,000.00 divided into 400,000,000 New Shares.

It is further proposed that immediately after the Capital Reduction becoming effective, the authorised share capital of the Company will be restored to the original amount of HK\$1,600,000,000.00 by the creation of the requisite number of New Shares. Accordingly, it is expected that 159,600,000,000 additional New Shares will be created.

LETTER FROM THE BOARD

The effect of the Capital Reorganisation are tabulated as follows:

	Before the Capital Reorganisation (extracted from the audited accounts of the Company for the year ended 30 September 2001) <i>(HK\$ million)</i>	Immediately after the Capital Reorganisation becoming effective (assuming no employees share options were to be issued and exercised and no change in these amounts has occurred since the Latest Practicable Date) <i>(HK\$ million)</i>
<i>Authorised share capital:</i>		
4,000,000,000 Shares	1,600.00	
160,000,000,000 New Shares		1,600.00
<i>Shareholders' funds:</i>		
<i>Issued share capital:</i>		
1,490,642,334 Shares	596.26	
149,064,233 New Shares		1.49
Share premium	299.07	299.07
Capital redemption reserve	0.98	0.98
Accumulated losses	<u>(764.46)</u>	<u>(169.69)</u>
	<u>131.85</u>	<u>131.85</u>

Implementation of the Capital Reorganisation, which involves a consolidation of the Shares, a reduction of the share capital of the Company and an increase in the authorised share capital of the Company will not, by themselves or either of them, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders in the Company, except for the payment of the related expenses (including legal costs, printing and related expenses) which is expected to be approximately HK\$0.40 million. The Board believes that the Capital Reorganisation will not have any material adverse effect in the financial position of the Group. Further, the Capital Reduction will not involve either the diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company. The amount of approximately HK\$594,766,291.27 arising from the cancellation of the paid up capital to the extent of HK\$3.99 per Consolidated Share in issue will, subject to any conditions which the Court may impose, be applied towards the elimination of the accumulated losses of the Company as at 30 September 2002 as shown in the audited accounts of the Company for the year ended 30 September 2002. The unaudited accumulated losses of the Company as at 31 March 2002 was approximately HK\$772.70 million.

LETTER FROM THE BOARD

REASONS FOR THE CAPITAL REORGANISATION

The Board noted that the Shares have been traded at prices below their nominal value of HK\$0.40 each for sometime. For the 12-month period immediately prior to the Latest Practicable Date, the price at which the Shares have been traded ranged from HK\$0.010 to HK\$0.075 per Share. Under the Companies Ordinance, a company may not issue shares at a discount to the nominal value of such shares unless, among other things, the issue is authorised by a resolution of the shareholders of the Company and is sanctioned by the Court. Accordingly, the Capital Reorganisation will facilitate future capital raising exercise or asset acquisition by way of allotment or placement of shares when the Board considers the circumstances so require without the need for the Company to apply to the Court on each occasion in order to comply with the statutory requirements which would involve considerable expense and also be time consuming. Although the Company does not have any plans to conduct any such capital raising exercise or acquisition at present, the Board believes that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Capital Reorganisation. The Company does not have any present intention to issue any part of its increased share capital.

CONDITIONS OF THE CAPITAL REORGANISATION

The Capital Reorganisation is conditional upon:

1. the passing of an ordinary resolution to approve the Share Consolidation at the Extraordinary General Meeting;
2. the passing of a special resolution to approve the Capital Reduction at the Extraordinary General Meeting;
3. the passing of an ordinary resolution to approve the Increase of Capital at the Extraordinary General Meeting;
4. the confirmation by the Court of the Capital Reduction and the registration by the Registrar of Companies in Hong Kong of an office copy of the Court order and the minute containing the particulars required under section 61 of the Companies Ordinance; and
5. the Listing Committee of the Stock Exchange granting (either unconditionally or subject to conditions to which the Company shall not reasonably object) listing of, and permission to deal in, the New Shares.

Assuming that the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective immediately following the registration of the Court order and the minute containing the particulars required under section 61 of the Companies Ordinance.

LETTER FROM THE BOARD

TRADING ARRANGEMENT FOR THE NEW SHARES

The Shares are listed and dealt in on the Stock Exchange. No part of the Company's securities are listed or dealt in on any other stock exchange, nor is listing or permission to deal in on any other stock exchange being or proposed to be sought. An application will be made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the New Shares pending the Capital Reorganisation becoming effective.

The New Shares will be listed on the Stock Exchange only and not on any other stock exchange. All necessary arrangements have been made enabling the New Shares to be admitted into CCASS.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

1. Free exchange of certificates

Assuming that the Capital Reorganisation will become effective, new share certificates for the New Shares will be issued in light grey colour in order to distinguish them from existing share certificates (in blue colour) for the Shares.

Shareholders may exchange their existing share certificates for new share certificates free of charge by delivering the existing share certificates to the Registrar. Based on the current expected timetable, Shareholders may do so from 4 April 2003 to 20 May 2003 (both dates inclusive). Thereafter, existing share certificates will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new share certificate issued for the New Shares. The existing share certificates will cease to be valid for trading after the temporary counter for trading in the New Shares in board lots of 200 New Shares shall close (which is currently expected to be on 15 May 2003) but will continue to be good evidence of legal title to the Shares and may be exchanged into new share certificates in accordance with the foregoing. A Shareholder will be entitled to aggregate his/her Shares registered in his/her name in order to obtain new share certificates in the board lot size of 20,000 New Shares. Details and exact dates of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reorganisation is ascertainable.

It is expected that new share certificates will be available for collection on or before the 10th Business Day from the date of submission of the existing share certificates to the Registrar for exchange. Unless otherwise instructed by the Shareholders at the time of delivering the existing share certificate(s) to the Registrar for exchange, new share certificates will be issued in board lots of 20,000 New Shares.

LETTER FROM THE BOARD

2. Arrangement for odd lot trading

In order to facilitate the trading of odd lots of New Shares, the Company has procured a broker to arrange for the sale and purchase of odd lots of New Shares on behalf of the Shareholders, at prevailing market prices. Based on the current expected timetable, the odd lots trading arrangement will be available from 4 April 2003 to 15 May 2003 (both dates inclusive). Shareholders should note that the sale and purchase of odd lots of New Shares are not guaranteed and all related transaction costs and commission shall be payable by the Shareholders. Holders of odd lots of New Shares who wish to take advantage of this facility in order to dispose of odd lots or to top-up odd lots to board lots should contact Ms. Samantha Chan of Tai Fook Securities Company Limited at 25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong (telephone no. 2160 9928) within the aforesaid period. If Shareholders are in any doubt, you are recommended to consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If the Capital Reorganisation results in any Shareholder becoming entitled to fractions of a New Share, all such fractions will, after the end of the odd lots trading arrangement, be aggregated and sold by an agent appointed by the Directors for that purpose, and the proceeds of such sale will be retained for the benefit of the Company.

SHARE OPTION SCHEME

The number of shares subject to the share options granted under the Share Option Scheme, the exercise price of such share options and/or the various maximum number of shares provided under the Share Option Scheme shall be adjusted in accordance with the rules of the Share Option Scheme as a result of the Capital Reorganisation becoming effective. As at the Latest Practicable Date, there were no share options granted under the Share Option Scheme. If the Company shall issue any share options under the Share Option Scheme prior to the effective date of the Capital Reorganisation, the Company will request the Auditors to provide a certificate as to the adjustment (if any) required to be made in accordance with such rules once the Capital Reorganisation becomes effective.

GENERAL MANDATE TO REPURCHASE NEW SHARES

At the Extraordinary General Meeting, an ordinary resolution will be proposed to grant to the Directors authority, conditional upon the Capital Reorganisation becoming effective, to repurchase, as for the fully paid New Shares, of up to 10% of the share capital of the Company in issue immediately following the Capital Reorganisation becoming effective (the "Repurchase Mandate").

The Repurchase Mandate will, if granted, remain in effect until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the law or by the articles of association of the Company; and (iii) its revocation or variation by an ordinary resolution of the Shareholders in general meeting.

An explanatory statement in relation to the Repurchase Mandate as required by the relevant provisions of the Listing Rules concerning the regulation of repurchases by companies of their own securities on the Stock Exchange is set out in the Appendix to this circular.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE NEW SHARES

At the Extraordinary General Meeting, an ordinary resolution will also be proposed that the Directors be given, conditional upon the Capital Reorganisation becoming effective, a general mandate to allot, issue and deal with New Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following the Capital Reorganisation becoming effective (“General Mandate”) in order to increase the flexibility for raising capital to facilitate expansion plan of the Company as the Directors consider appropriate.

The general mandate to issue securities will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the law or the articles of association of the Company; and (iii) its revocation or variation by an ordinary resolution of the shareholders in general meeting.

In addition, if the Repurchase Mandate is granted, an ordinary resolution will be proposed at the Extraordinary General Meeting providing that any New Shares repurchased under the Repurchase Mandate will be added to the total number of the New Shares which may be allotted and issued under the General Mandate.

With respect to the Repurchase Mandate and the General Mandate, the Directors wish to state that they have no present intention of exercising the Repurchase Mandate to repurchase the New Shares and the General Mandate to allot New Shares in the share capital of the Company upon the Capital Reorganisation becoming effective.

EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 6 February 2003 at 10:00 a.m. is set out on pages 14 to 17 of this circular for the purpose of considering and, if thought fit, passing the resolutions in respect of the Capital Reorganisation and the granting of the General Mandate and Repurchase Mandate to be proposed at the Extraordinary General Meeting.

A form of proxy for use by the Shareholders at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Registrar, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Having regard to the information described above, the Board is of the opinion that the Capital Reorganisation and the proposed granting of the Repurchase Mandate and the General Mandate to the Directors upon the Capital Reorganisation becoming effective are in the best interest of the Company and the Shareholders as a whole. The Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its net assets and/or earnings per New Share and will only be made when the Directors believe that a repurchase of New Shares will benefit the Company and the Shareholders. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to approve the same at the Extraordinary General Meeting.

Yours faithfully,

For and on behalf of the Board of
China Development Corporation Limited
Cheung Yu Shum, Jenkin
Chairman

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide all the information in relation to the Repurchase Mandate for your consideration and also constitute the Memorandum required under section 49BA of the Companies Ordinance.

I. LISTING RULES RELATING TO THE REPURCHASES OF SECURITIES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions. The Company is empowered by its memorandum and articles of association to repurchase its own securities.

II. REASON FOR REPURCHASE

Upon the Capital Reorganisation becoming effective, any existing mandates which have been granted or to be granted in the Annual General Meeting to the Directors will not extend to the New Shares. The Directors believe that it is in the best interest of the Company and the Shareholders to continue to have a general authority from the Shareholders to enable the Directors to repurchase the New Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per New Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

The exercise of the Repurchase Mandate in full will not have a material adverse impact on the working capital or gearing position of the Company as compared with that disclosed in its most recent published audited accounts as at 30 September 2001.

III. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,490,642,334 Shares. As at the Latest Practicable Date, there were no outstanding share options granted under the Share Option Scheme entitling holders thereof to subscribe for any Shares.

On the basis that no Shares shall be issued pursuant to the Share Option Scheme prior to the Capital Reorganisation becoming effective and subject to the passing of the relevant ordinary resolution approving the Repurchase Mandate, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 14,906,423 New Shares.

IV. FUNDING OF REPURCHASE

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of Hong Kong.

It is envisaged that the funds required for any repurchase would be derived from the capital paid up on the New Shares being repurchased and from the distributable profits of the Company.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing level (as compared with the position disclosed in its most recent published audited accounts) which in the opinion of the Directors are from time to time appropriate for the Company.

V. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2002		
January	0.043	0.032
February	0.050	0.030
March	0.050	0.032
April	0.038	0.030
May	0.075	0.030
June	0.050	0.032
July	0.051	0.014
August	0.020	0.012
September	0.020	0.011
October	0.024	0.011
November	0.016	0.010
December	0.015	0.010
2003		
January (up to the Latest Practicable Date)	0.012	0.010

VI. SHARES REPURCHASES MADE BY THE COMPANY

Neither the Company nor any of its subsidiaries had purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

VII. GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

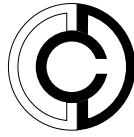
The Directors do not propose to exercise the Repurchase Mandate to such extent as would cause the percentage of the issued share capital of the Company being held by the public to fall below the minimum percentage prescribed under the Listing Rules.

If, as a result of a securities repurchase a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Code on Takeovers and Mergers (the "Takeovers Code").

As at the Latest Practicable Date, Cyber Best Trading Limited beneficially held 451,870,692 Shares, representing approximately 30.31% of the existing issued share capital of the Company. The entire issued share capital of Cyber Best Trading Limited is beneficially owned by Mr. Lin Che Chu. In the event that the Directors exercised in full the power to repurchase New Shares in accordance with the terms of Repurchase Mandate, the shareholding of Cyber Best Trading Limited and/or Mr. Lin Che Chu in the Company would be increased to approximately 33.68% of the issued share capital of the Company. As a result, Cyber Best Trading Limited and/or Mr. Lin Che Chu may be required under the Takeovers Code to make a mandatory offer for all the outstanding New Shares of the Company pursuant to such increase.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any New Shares or other securities to the Company or its subsidiaries.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell any New Shares to the Company nor has any such connected person undertaken not to sell any of the New Shares held by him to the Company in the event that the Repurchase Mandate is approved by the Shareholders.



CHINA DEVELOPMENT CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China Development Corporation Limited (the “Company”) will be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 6 February 2003 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the resolutions set out below:

ORDINARY RESOLUTION

1. **“THAT:**

subject to and immediately prior to the reduction of capital contemplated in Resolution 2 of this notice (the “Capital Reduction”) taking effect, the share capital of the Company, comprising 4,000,000,000 shares of HK\$0.40 each, be consolidated (the “Share Consolidation”) into 400,000,000 shares of HK\$4.00 each (“Consolidated Shares”).”

SPECIAL RESOLUTION

2. **“THAT:**

- (a) immediately following the Share Consolidation, the authorised share capital of the Company be reduced from HK\$1,600,000,000.00 divided into 400,000,000 Consolidated Shares of HK\$4.00 each to HK\$4,000,000.00 divided into 400,000,000 shares of HK\$0.01 (“New Shares”) each and that such reduction be effected by cancelling paid-up capital to the extent of HK\$3.99 upon each of the Consolidated Shares in issue on the date on which the petition for the confirmation of the reduction herein is heard by the High Court of the Hong Kong Special Administrative Region and by reducing the nominal amount of all the issued and unissued Consolidated Shares in the share capital of the Company from HK\$4.00 to HK\$0.01 per New Share; and
- (b) the credit arising as a result of the capital reduction contemplated in paragraph (a) above be, subject to any conditions with the Court may impose, applied towards the elimination of the accumulated losses of the Company as at 30 September 2002 as shown in the audited accounts of the Company for the year ended 30 September 2002.”

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ORDINARY RESOLUTIONS

3. **“THAT:**

subject to and forthwith upon the Capital Reduction taking effect, the authorised share capital of the Company be increased to its former amount of HK\$1,600,000,000.00 by the creation of such number of new New Shares of HK\$0.01 each the aggregate nominal amount of which is equal to the amount by which the capital of the Company is reduced pursuant to Resolution 2 of this notice, such new New Shares to rank pari passu in all respects with the then existing shares of the Company.”

4. **“THAT:**

(a) conditional upon the capital reorganisation contemplated in the Resolutions set out in Resolutions 1 to 3 of this notice (the “Capital Reorganisation”) becoming effective and subject to sub-paragraph (c) below, pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to allot additional New Shares and to make or grant offers, agreements and options which might require the exercise of such power, be and is hereby generally and unconditionally approved;

(b) the approval in sub-paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (a) and (b) above, otherwise than pursuant to Rights Issue and the exercise of options granted under any share option scheme adopted by the Company, shall not in aggregate exceed 20 per cent. of the nominal amount of the share capital of the Company in issue immediately after the Capital Reorganisation becoming effective and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from immediately after the Capital Reorganisation becoming effective until whichever is the earliest of:

(aa) the conclusion of the next annual general meeting of the Company;

(bb) the expiration of the period within the next annual general meeting of the Company is required by the law or the articles of association of the Company to be held; and

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(cc) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of shares pursuant to an offer made to the shareholders of the Company, excluding for that purpose any shareholder who is resident in a place where such offer is not permitted or is impracticable under the law of that place, and, where appropriate, to holders of other equity securities for the time being in issue (if any) entitled to be offered them pro rata (apart from fractional entitlements) to their then holdings of New Shares (or such other equity securities).”

5. **“THAT:**

(a) conditional upon the Capital Reorganisation becoming effective, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase New Shares be and is hereby generally and unconditionally approved;

(b) the total nominal amount of the New Shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue immediately after the Capital Reorganisation becoming effective and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution, “Relevant Period” means the period from immediately after the Capital Reorganisation becoming effective until whichever is the earliest of:

(aa) the conclusion of the next annual general meeting of the Company;

(bb) the expiration of the period within which the next annual general meeting of the Company is required by the law or the articles of association of the Company to be held; and

(cc) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

6. **“THAT:**

conditional upon the Capital Reorganisation becoming effective, the general mandate granted to the directors of the Company to allot, issue and deal with additional New Shares pursuant to Ordinary Resolution set out in Resolution 4 of this notice be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted pursuant to the such general mandate the aggregate nominal amount of share capital of the Company repurchased by the Company under the authority

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granted pursuant to Ordinary Resolution set out in Resolution 5 of this notice, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective.”

By order of the Board
Cheung Yu Shum, Jenkin
Chairman

Hong Kong, 13 January 2003

Registered Office:
Unit 2301-2, 23rd Floor
SUP Tower
75-83 King's Road
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the Company's share registrar, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of them so present whose name stands first in the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect thereof.