Management Disussion and Analysis

Interim Dividend

The Directors do not recommend the payment of any interim dividend (1999: Nil).

Management Discussion and Analysis

Financial Review

For the six months ended 31 December 2000, the Group's turnover was HK$195 million, representing a 27% decrease as compared to HK$269 million in the previous corresponding period. The decrease in turnover was partly due to Singapore Housing Development Board's project being substantially completed during the last financial year ended 30 June 2000, and thus contributions were greatly reduced for this six months period. The decrease in turnover was also due to delays in a number of private construction projects.

The Group incurred a loss from operations of about HK$10.2 million as compared to the loss from operations of HK$6.4 million in the previous corresponding period. The increase in loss from operations for this interim period was mainly due to the inclusion of around HK$4.3 million in profit from disposal of fixed assets in the previous corresponding period. Nevertheless, the management was able to reduce the administrative and operating overheads, and will continue to closely monitor the administrative and operating expenses by efficient utilization of the Group's resources.

Liquidity and Capital Resources

The Group's liquidity and financial resources remain healthy during the period under review. As at 31 December 2000, the Group had total borrowings of HK$18.2 million as compared to HK$33.2 million at last financial year end, out of which HK$8.3 million (30 June 2000: HK$20.7 million) represents bank loan secured by a charge on the shares in an associate of the Company, and the remaining balance of HK$9.9 million (30 June 2000: HK$12.5 million) represents obligations under finance leases and hire purchase contracts. The bank loan bears an interest rate of 7.81%- 8.02% per annum.

Management Disussion and Analysis

Of the total borrowings, approximately HK$13.3 million (30 June 2000: HK$17.2 million) is repayable with one year or on demand; approximately HK$4.9 million (30 June 2000: HK$13.8 million) repayable after one year but within two years; and no amount (30 June 2000: HK$2.2 million) repayable after two years but within five years. Since the major business operations of the Group are based in Singapore and the majority of the Group's banking and guarantee facilities are in Singapore dollars, there is minimal exposure in exchange rate risk and therefore the Group does not adopt any exchange rate management policy currently.

During the period under review, the Group did not incur or commit any material capital expenditure. Fund requirements for capital expenditures are expected to be met by internal cash flows, and there is no present plan for material investments or expenditures of a capital nature in the near future.

Shareholders' funds of the Group as at 31 December 2000 amounted to approximately HK$217.5 million (30 June 2000: HK$232.1 million). Accordingly, the Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 31 December 2000 was 8.4% (30 June 2000: 14.3%).

Operating Review

During the period under review, construction projects continued to be the main contributor to the Group's turnover. For the six months period, construction projects generate about HK$180.4 million (1999: HK$254 million) worth of revenue from foundation and infrastructure projects, such as wharf and airport runway construction work. The construction industry has remained sluggish in Singapore and in the region, and there are more contractors than projects available in the market for tendering.

On geographical segments, Singapore remains to be the main contributor to the Group's turnover. For the six months period, turnover from Singapore accounts for about HK$194.9 million (1999: HK$266.4 million) out of the Group's turnover of HK$195.2 million (1999: HK$268.7 million). Turnover from regions Malaysia and Myanmar continues to decline as the Group continues to scale down the operations from these countries due to the extreme difficult construction market conditions.

Management Disussion and Analysis

Prospects

With the construction market in Singapore still remain in the negative growth zone, the Company has prepared to venture into selected regional market such as Thailand, Bangladesh, Cambodia and Philippines where foreign funds are made available with potential opportunity for civil engineering works. With the aggressive marketing strategies to market the sales and rental services of our large fleet of equipment and vessels in Singapore and in the region, it is expected to contribute steady revenue from sales and rental activities of equipment and vessels in the second half of this financial year. The management believes that with the Group's proven track record and expertise, the Group is well positioned to take every opportunity in the construction sector when the construction industry in Singapore and in the region recovers.

A study is now performed by the Board on the assets structure of the Group with a view to discover idle and under-performed assets or assets that borne no strategic value in developing the Group's principal activities and try to free up some of the Group's resources to improve and strengthen the financial structure of the Group. In this regard, the Company has looked into the possibilities of fund raising from the market.

The Board will also examine potential investment opportunities that may arise from time to time that can improve the shareholders' value. Subsequent to the interim balance sheet date, the Company acquired a group of companies principally engaged in the internet related business (see below). The management believes that the acquisition would assist in diversifying the Group's core businesses into the internet and related field, an arena of high potential growth. It is expected that the acquisition will contribute minimal earnings to the Group initially but, in the longer term, potential income and capital appreciation generated from this investment will carry a positive impact on the Group's overall earnings.

Management Disussion and Analysis

Post Interim Balance Sheet Date Acquisition

Acquisition of the controlling interest in Marketspace Commerce International Holding Limited ("MCIH")

On 15 January 2001, the Company, through its wholly owned subsidiary, acquired the entire issued share capital of MCIH for a total consideration of HK$68 million satisfied by HK$3 million in cash and by the issue of 162,500,000 new shares in the Company of HK$0.40 each.

MCIH is an investment holding company whose subsidiaries are principally engaged in internet-based e-commerce activities, providing software solutions, consultancy and internet services and the development of internet virtual currency.

Details of the acquisition have been included in the circular of the Company dated 6 February 2001.

Increase in Authorised Share Capital

At an extraordinary general meeting of the Company held on 22 February 2001, the shareholders approved an increase in the authorised share capital of the Company from HK$400 million divided into 1,000,000,000 shares of HK$0.40 each toHK$1.6 billion divided into 4,000,000,000 shares of HK$0.40 each by the creation of 3,000,000,000 new shares of HK$0.40 each. The increase in the authorised share capital of the Company is to facilitate any capital raising exercise when circumstances arise in the future.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchases, sold or redeemed any of the Company's listed securities during the period under review.

Management Disussion and Analysis

Directors' Interests in Shares

As at 31 December 2000, none of the Directors, chief executives or their respective associates had any personal, family, corporate or other interests in the shares or other securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 of or Part 1 of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies established by the Stock Exchange, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares

Apart from the Company's share option scheme adopted on 29 November 1993, during the six months ended 31 December 2000, no rights were granted to the Directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

No option was granted to any of the Directors of the Company during the period under review pursuant to the existing share option scheme as mentioned above. As at 31 December 2000, there were no share options outstanding which entitle the any of the Directors of the Company to subscribe for shares in the Company.

Management Disussion and Analysis

Substantial Shareholders

As at 31 December 2000, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of Shareholder	Number of Shares	Approximate percentage of issued share capital of the Company
Cyber Best Trading Limited	254,985,796	30.67%
Lin Che Chu	254,985,796 Note	30.67%

Note: Mr. Lin Che Chu is deemed to be interested in the 254,985,796 shares of the Company through his interest in Cyber Best Trading Limited which is a company wholly and beneficially owned by him.

According to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance and so far as was known to the Directors, other than the interests disclosed herein, there was no other person (other than a director or chief executive of the Company) who, as at 31 December 2000 was, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

Code of Best Practice

Throughout the accounting period, the Company has in compliance with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules except that the non-executive Directors and the independent non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation at the Annual General Meeting in accordance with the Company's articles of association.

By Order of the Board
CHINA DEVELOPMENT CORPORATION LIMITED
Cheung Yu Shum Jenkin
Executive Director

Hong Kong, 29 March 2001