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

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REALTY DEVELOPMENT CORPORATION LIMITED
(聯邦地產有限公司)

(incorporated in Hong Kong with limited liability)

PROPOSED PRIVATISATION BY

NEW ASIA REALTY AND TRUST COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

**BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
INVOLVING THE CANCELLATION OF ALL OF THE ISSUED SHARES
OF HK\$0.20 EACH IN REALTY DEVELOPMENT CORPORATION LIMITED
WHICH ARE HELD BY THE SCHEME SHAREHOLDERS
(AS DEFINED HEREIN)**

Financial adviser to New Asia Realty and Trust Company, Limited



The Hongkong and Shanghai Banking Corporation Limited

**Independent financial adviser to the Independent Board Committee (as defined herein)
of Realty Development Corporation Limited**



SOMERLEY LIMITED

A letter from the board of directors of Realty Development Corporation Limited is set out on pages 8 to 15 of this document. An explanatory statement regarding the Proposal (as defined herein) is set out on pages 40 to 54 of this document. A letter from the Independent Board Committee containing its advice to the Independent Minority Shareholders (as defined herein) in relation to the Proposal is set out on pages 16 and 17 of this document. A letter from the independent financial adviser, Sommerley Limited, containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 18 to 39 of this document.

The action to be taken by the Independent Minority Shareholders and the RDC Shareholders (as defined herein) is set out on pages 53 and 54 of this document.

Notices convening the Court Meeting (as defined herein) and the Extraordinary General Meeting (as defined herein) to be held on Friday, 21st February, 2003 are set out on pages 128 to 131 of this document. Whether or not you are able to attend the Meetings (as defined herein) in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to deposit both of them with the registrar of Realty Development Corporation Limited, Tengis Limited, at Ground Floor, 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 the holding of the relevant Meeting. In the case of the pink form of proxy, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so deposited.

24th January, 2003

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SUMMARY

This document contains details of the proposal by New Asia Realty and Trust Company, Limited to privatise Realty Development Corporation Limited.

Under the Proposal you are being offered:

FOR EACH SCHEME SHARE HK\$3.20 IN CASH

This represents:

- a premium of 28.00% over the closing price of HK\$2.500 per RDC Share as quoted on the Stock Exchange on 6th December, 2002, being the last trading day prior to the suspension of trading in the RDC Shares pending the issue of the Announcement;
- a premium of approximately 57.64% over the average closing price of approximately HK\$2.030 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the three month period up to and including 6th December, 2002;
- a premium of approximately 76.80% over the lowest closing price during the 12 month period ended on the date of the Announcement of HK\$1.810 per RDC Share as quoted on the Stock Exchange on 7th October, 2002;
- a premium of 2.40% over the closing price of HK\$3.125 per RDC Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 18.78% to the Adjusted NAV per RDC Share of approximately HK\$3.94.

For the avoidance of doubt, it should be noted that the interim dividend of HK\$0.03 per RDC Share in respect of the six month period ended 30th September, 2002 was paid on 23rd January, 2003 to those RDC Shareholders whose names appeared on the Register on 10th January, 2003.

The detailed terms and conditions of the Proposal, and the advice of the Independent Board Committee and Somerley recommending that the Independent Minority Shareholders vote in favour of the Proposal are set out in this document, which you are urged to read carefully.

DEFINITIONS

In this document (other than the Scheme and notices of the Meetings), the following expressions shall have the meanings respectively set opposite them unless the context otherwise requires:

“Adjusted NAV”	pro forma adjusted consolidated net asset value of the RDC Group which is based on the audited consolidated net asset value of the RDC Group as at 31st March, 2002 and adjusted for certain items as set out in Section 7 of Appendix I to the Explanatory Statement contained in this document
“Announcement”	the announcement dated 17th December, 2002 issued jointly by Wheelock, NART and RDC relating to the Proposal and published in The Standard and the Hong Kong Economic Journal on 18th December, 2002
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Banking Ordinance”	Banking Ordinance, Chapter 155 of the Laws of Hong Kong
“Cancellation Price”	the cancellation price of HK\$3.20 per RDC Share payable by NART to the holders of Scheme Shares
“Chesterton Petty”	Chesterton Petty Limited, an independent professional property valuer
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Condition(s)”	the conditions or any of them to which the Proposal is subject, all of which are set out in the Explanatory Statement on pages 41 and 42 of this document
“Court Meeting”	the meeting of the Minority Shareholders to be convened at the direction of the High Court for the approval of the Scheme, notice of which is set out on pages 128 and 129 of this document, and any adjournment thereof
“Effective Date”	the date on which the Scheme, if approved, becomes effective, which is expected to be 19th March, 2003
“Excluded Parties”	NART, Pomeroy and Frexon (which is deemed under the Takeovers Code to be a party acting in concert with NART and Pomeroy) which are collectively beneficially interested in an aggregate of approximately 74.17% of the issued capital of RDC

DEFINITIONS

“Explanatory Statement”	the explanatory statement set out on pages 40 to 54 of this document and issued in compliance with Section 166A of the Companies Ordinance
“Extraordinary General Meeting”	the extraordinary general meeting of RDC for the approval and implementation of the Scheme, notice of which is set out on pages 130 and 131 of this document, and any adjournment thereof
“Frexon”	Frexon Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly owned subsidiary of Wheelock
“GFA”	gross floor area
“High Court”	High Court of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, an exempt dealer under the Securities Ordinance and a licensed bank under the Banking Ordinance, being the financial adviser to NART in connection with the Proposal
“Independent Board Committee”	an independent committee of the RDC Board comprising Mr. G. S. Yee, an independent non-executive RDC Director, appointed by the RDC Board to advise the Independent Minority Shareholders in relation to the Proposal
“Independent Minority Shareholders”	Minority Shareholders other than Frexon
“Latest Practicable Date”	21st January, 2003, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“Listing”	the listing of the RDC Shares on the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Meeting(s)”	the Court Meeting and the Extraordinary General Meeting or either of them, as the case may be
“Minority Shareholders”	RDC Shareholders other than NART and Pomeroy

DEFINITIONS

“NART”	New Asia Realty and Trust Company, Limited, a company incorporated in Hong Kong with limited liability the shares of which are listed on the Stock Exchange and which is an approximately 74.22% owned subsidiary of Wheelock
“NART Director(s)”	director(s) of NART
“NART Shares”	ordinary shares of HK\$0.20 each in the capital of NART
“NAV”	the consolidated net asset value of the RDC Group as at 30th September, 2002 based on the interim unaudited financial statements of the RDC Group for the six months ended 30th September, 2002 as set out in the interim report of RDC despatched to the RDC Shareholders on 24th December, 2002
“Pomeroy”	Pomeroy Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly owned subsidiary of NART
“Proposal”	the proposal for the privatisation of RDC by NART by way of the Scheme
“RDC”	Realty Development Corporation Limited (聯邦地產有限公司), a company incorporated in Hong Kong with limited liability the shares of which are listed on the Stock Exchange and which is an approximately 72.42% owned subsidiary of NART
“RDC Board”	board of RDC Directors
“RDC Director(s)”	director(s) of RDC
“RDC Group”	RDC and its subsidiaries
“RDC Share(s)”	ordinary share(s) of HK\$0.20 each in the capital of RDC
“RDC Shareholder(s)”	registered holder(s) of the RDC Shares and includes a person entitled by transmission to be registered as such and joint holders
“Record Time”	4:00 p.m. Hong Kong time on the day immediately preceding the Effective Date
“Register”	register of members of RDC
“Registrar”	registrar of RDC, Tengis Limited, whose address is situate at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Relevant Authorities”	appropriate governments, governmental or regulatory bodies, courts or institutions

DEFINITIONS

“Scheme”	the scheme of arrangement under Section 166 of the Companies Ordinance involving the cancellation of all of the Scheme Shares as set out on pages 120 to 127 of this document, with or subject to any modification thereof or addition thereto or conditions approved or imposed by the High Court
“Scheme Share(s)”	RDC Share(s) in issue at the Record Time other than those beneficially owned by NART and Pomeroy
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong
“Securities Ordinance”	Securities Ordinance, Chapter 333 of the Laws of Hong Kong
“Singapore”	the Republic of Singapore
“Sommerley”	Sommerley Limited, the independent financial adviser to the Independent Board Committee and an exempt dealer registered under the Securities Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the transaction of business
“Trust Deed”	the trust deed dated 23rd January, 2003 entered into between NART and the Trustee in relation to, among other things, the entitlement to the Cancellation Price of the untraceable holders of Scheme Shares under the Scheme, a summary of which is set out in Appendix III to the Explanatory Statement contained in this document
“Trustee”	HSBC Trustee (Hong Kong) Limited or the trustee for the time being of the Trust Deed
“Wheelock”	Wheelock and Company Limited, a company incorporated in Hong Kong with limited liability the shares of which are listed on the Stock Exchange
“Wheelock Group”	Wheelock and its subsidiaries
“Wheelock Shares”	ordinary shares of HK\$0.50 each in the capital of Wheelock
“sq. ft.”	square feet
“%”	per cent.

EXPECTED TIMETABLE

2003

Latest time for lodging transfers of the RDC
Shares in order to be entitled to attend
and vote at the Court Meeting and
the Extraordinary General Meeting 4:00 p.m. on Tuesday, 18th February

Closure of the Register for the determination of
entitlements of the Independent Minority Shareholders
to attend and vote at the Court Meeting
and of the RDC Shareholders to attend and
vote at the Extraordinary General Meeting Wednesday, 19th February to
Friday, 21st February
(both dates inclusive)

Latest time for lodging forms of proxy in respect of:

Court Meeting (*Note 1*) 9:15 a.m. on Wednesday, 19th February

Extraordinary General Meeting (*Note 1*) 9:30 a.m. on Wednesday, 19th February

Suspension of dealings in the RDC Shares and
the NART Shares 9:30 a.m. on Friday, 21st February

Court Meeting 9:15 a.m. on Friday, 21st February

Extraordinary General Meeting 9:30 a.m. on Friday, 21st February

Press announcements of the results of the Meetings in
The Standard, the Hong Kong Economic Journal
and the Hong Kong Economic Times Monday, 24th February

Resumption of dealings in the RDC Shares and
the NART Shares 9:30 a.m. on Monday, 24th February

Last day for dealings in the RDC Shares Tuesday, 11th March

Suspension of dealings in the RDC Shares 9:30 a.m. on Wednesday, 12th March

Latest time for lodging transfers of
the RDC Shares in order to qualify for
the Cancellation Price under the Scheme 4:00 p.m. on Friday, 14th March

EXPECTED TIMETABLE

2003

High Court hearing of petition to sanction the Scheme	Tuesday, 18th March
Record Time	4:00 p.m. on Tuesday, 18th March
Effective Date (<i>Note 2</i>)	Wednesday, 19th March
Withdrawal of the Listing (<i>Note 2</i>)	4:00 p.m. on Wednesday, 19th March
Press announcements of the Effective Date and the withdrawal of the Listing in The Standard, the Hong Kong Economic Journal and the Hong Kong Economic Times	Thursday, 20th March
Cheques for payment of the Cancellation Price to be despatched on or before	Friday, 28th March

The RDC Shareholders should note that the above timetable, which is mainly dependent on the availability of the dates for the High Court to hear the proceedings relating to the Scheme, is subject to change. Further announcements will be made in the event that there is any change.

Notes:

1. Forms of proxy should be deposited with the Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event by the times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so deposited. In order to be valid, the white form of proxy for the Extraordinary General Meeting must be deposited not later than the time and date stated above. Completion and return of a form of proxy for either of the Meetings will not preclude an Independent Minority Shareholder from attending the Court Meeting, or an RDC Shareholder from attending the Extraordinary General Meeting, and voting in person if he so wishes. In such event, the returned form of proxy will be deemed to have been revoked.
2. The Scheme will become effective when it is sanctioned (with or without modification) by the High Court and an office copy of the order of the High Court, together with the minute containing the particulars required by Section 61 of the Companies Ordinance, are delivered to and registered by the Registrar of Companies in Hong Kong. Registration is expected to take place on Wednesday, 19th March, 2003. The Minority Shareholders should note the Conditions set out in the Explanatory Statement on pages 41 and 42 of this document. If the Scheme becomes effective, it is expected that the Listing will be withdrawn on Wednesday, 19th March, 2003.



REALTY DEVELOPMENT CORPORATION LIMITED
(聯邦地產有限公司)

(incorporated in Hong Kong with limited liability)

Mr. J. T. Hung (*Chairman*)
Mr. T. Y. Ng
Mr. J. M. K. Chow
Mr. G. S. Yee

Registered office:
23rd Floor, Wheelock House
20 Pedder Street
Central
Hong Kong

24th January, 2003

To the RDC Shareholders

Dear Sir or Madam,

**Proposed Privatisation of
REALTY DEVELOPMENT CORPORATION LIMITED
by New Asia Realty and Trust Company, Limited
by way of a Scheme of Arrangement
under Section 166 of the Companies Ordinance**

INTRODUCTION

On 13th December, 2002, NART, which together with its indirectly wholly owned subsidiary, Pomeroy, presently controls an aggregate of 833,873,273 RDC Shares representing approximately 72.42% of the issued share capital of RDC, requested that the RDC Board put forward a proposal to the Minority Shareholders regarding a proposed privatisation of RDC by NART by way of a scheme of arrangement under Section 166 of the Companies Ordinance which involves the cancellation and extinguishment of all of the Scheme Shares in consideration of the payment of the Cancellation Price.

Upon the Scheme becoming effective, RDC will become an indirectly wholly owned subsidiary of NART. RDC will apply to the Stock Exchange for the withdrawal of the Listing immediately following the Effective Date. It is the intention of NART to maintain the existing businesses of the RDC Group upon the privatisation of RDC.

LETTER FROM THE RDC BOARD

For the avoidance of doubt, it should be noted that the interim dividend of HK\$0.03 per RDC Share in respect of the six month period ended 30th September, 2002 was paid on 23rd January, 2003 to those RDC Shareholders whose names appeared on the Register on 10th January, 2003.

Frexon, being a member of the Wheelock Group and a fellow subsidiary of NART, is presently interested in 20,067,506 RDC Shares representing approximately 1.75% of the issued capital of RDC. Under the Takeovers Code, Frexon is deemed to be a party acting in concert with NART and Pomeroy in respect of the Proposal and, accordingly, will not be entitled to vote at the Court Meeting for the purpose of approving the Scheme.

NART has appointed HSBC as its financial adviser in connection with the Proposal.

The RDC Board comprises four non-executive RDC Directors, namely, Messrs J. T. Hung, T. Y. Ng, J. M. K. Chow and G. S. Yee. Mr. J. T. Hung, formerly the managing director of Wheelock and a former executive director of The Wharf (Holdings) Limited, which is a member of the Wheelock Group, is interested in 10,000 Wheelock Shares and is consequently not considered to be independent for the purpose of expressing any opinion to the Independent Minority Shareholders on the Proposal. Mr. T. Y. Ng, who holds 70,000 Wheelock Shares, is a NART Director. He is also an employee of the Wheelock Group and, among other things, from time to time acts on behalf of Wheelock Properties Limited, a member of the Wheelock Group, in the discharge of its duties under the Management Agreement between RDC and Wheelock Properties Limited a summary of which is set out in the section headed "Material Contracts" in Appendix IV to the Explanatory Statement contained in this document. He is accordingly not considered to be independent for the purpose of expressing any opinion to the Independent Minority Shareholders on the Proposal. Mr. J. M. K. Chow, an authorised person and registered structural engineer, is performing certain consulting services for the Wheelock Group and is consequently not considered to be independent for the purpose of expressing any opinion to the Independent Minority Shareholders on the Proposal either. As a result, Mr. G. S. Yee, an independent non-executive RDC Director, has been appointed by the RDC Board as the sole member of the Independent Board Committee to make a recommendation to the Independent Minority Shareholders in respect of the Proposal.

Somerley has been appointed by the RDC Board as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal.

LETTER FROM THE RDC BOARD

SHAREHOLDING STRUCTURE OF RDC

The table below sets out the shareholding structure of RDC as at the Latest Practicable Date and immediately following completion of the Proposal on the basis of the same number of RDC Shares in issue:

	As at the Latest Practicable Date		Number of Scheme Shares	Immediately following completion of the Proposal	
	Number of RDC Shares	%		Number of RDC Shares	%
NART	505,473,223	43.90	—	822,989,590	71.48
Pomeroy	328,400,050	28.52	—	328,400,050	28.52
Frexon	<u>20,067,506</u>	<u>1.75</u>	<u>20,067,506</u>	<u>—</u>	<u>—</u>
Sub total for Excluded Parties	853,940,779	74.17	20,067,506	1,151,389,640	100.00
Public	<u>297,448,861</u>	<u>25.83</u>	<u>297,448,861</u>	<u>—</u>	<u>—</u>
Total	<u>1,151,389,640</u>	<u>100.00</u>	<u>317,516,367</u>	<u>1,151,389,640</u>	<u>100.00</u>

Notes:

1. % figures are approximate.
2. Under the Scheme, the Scheme Shares will be cancelled and such number of new RDC Shares as is equal to the number of the Scheme Shares cancelled will be created and credited as fully paid, which will be allotted and issued to NART or as it may direct.

SUMMARY OF THE PROPOSAL

The purpose of this document is to provide you with further information regarding the Proposal and to give you notices of the Meetings. Your attention is also drawn to the letter from the Independent Board Committee, the letter from Somerley to the Independent Board Committee, the Explanatory Statement and the Scheme, all of which form part of this document.

It is proposed that, subject to the Conditions being fulfilled or, where applicable, waived, the Proposal will be implemented by way of the Scheme, which will involve a reduction in the authorised and issued share capital of RDC by the cancellation and extinguishment of all of the Scheme Shares. Forthwith upon such reduction of capital taking effect, the authorised share capital of RDC will be increased to its former amount of HK\$300,000,000 by the creation of such number of new RDC Shares as is equal to the number of the Scheme Shares cancelled. The credit arising in RDC's books of account as a result of the reduction of capital will be

LETTER FROM THE RDC BOARD

applied in paying up in full at par the new RDC Shares so created, which will be allotted and issued, credited as fully paid, to NART or as it may direct. The Scheme also provides that, in consideration of the cancellation and extinguishment of the Scheme Shares, the holders of Scheme Shares whose names appear on the Register at the Record Time will be entitled to receive the Cancellation Price from NART.

Payment of the Cancellation Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right which RDC may have or claims to have against any holder of Scheme Shares.

On the bases of the Cancellation Price and of a total of 1,151,389,640 RDC Shares presently in issue, the entire issued share capital of RDC is valued at approximately HK\$3,684.4 million under the Proposal. The total amount of the Cancellation Price payable pursuant to the Scheme is approximately HK\$1,016.1 million in cash. NART has stated that it intends to finance this amount from bank borrowings arranged by NART for this purpose. Such borrowings are unsecured and the payment of interest on, and the repayment of, such borrowings will not depend to any significant extent on the businesses of the RDC Group. HSBC is satisfied that sufficient financial resources are available to NART for the implementation of the Proposal.

The Proposal will become effective and binding on NART, Pomeroy and RDC and all of the Minority Shareholders, provided that the Conditions are fulfilled or, where applicable, waived. The Conditions are set out in the section headed "Conditions of the Proposal" in the Explanatory Statement appearing on pages 40 to 54 of this document.

The Scheme will lapse if it does not become effective on or before 30th April, 2003 (or such later date as the High Court may allow) and the Minority Shareholders will be notified accordingly by press announcements. Further announcements regarding the Proposal will be made as and when appropriate.

Assuming that the Scheme becomes effective on Wednesday, 19th March, 2003, cheques for the Cancellation Price are expected to be despatched to the Minority Shareholders on or before Friday, 28th March, 2003.

FINANCIAL EFFECTS OF THE PROPOSAL

Share Price

The Cancellation Price represents:

- a premium of 28.00% over the closing price of HK\$2.500 per RDC Share as quoted on the Stock Exchange on 6th December, 2002, being the last trading day prior to the suspension of trading in the RDC Shares pending the issue of the Announcement;

LETTER FROM THE RDC BOARD

- a premium of 28.00% over the average closing price of HK\$2.500 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including 6th December, 2002;
- a premium of approximately 40.17% over the average closing price of approximately HK\$2.283 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the one month period up to and including 6th December, 2002;
- a premium of approximately 57.64% over the average closing price of approximately HK\$2.030 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the three month period up to and including 6th December, 2002;
- a premium of 2.40% over the closing price of HK\$3.125 per RDC Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a premium of approximately 76.80% over the lowest closing price during the 12 month period ended on the date of the Announcement of HK\$1.810 per RDC Share as quoted on the Stock Exchange on 7th October, 2002.

Historical share price information on the RDC Shares is set out in Section 2 of Appendix IV to the Explanatory Statement contained in this document.

As already explained, the interim dividend of HK\$0.03 per RDC Share in respect of the six month period ended 30th September, 2002 was paid on 23rd January, 2003 to those RDC Shareholders whose names appeared on the Register on 10th January, 2003.

Net Asset Value

The Cancellation Price represents:

- (i) a discount of approximately 25.93% to the book NAV per RDC Share as at 30th September, 2002 of approximately HK\$4.32; and
- (ii) a discount of approximately 18.78% to the Adjusted NAV per RDC Share of approximately HK\$3.94.

Earnings

The RDC Group's audited consolidated loss attributable to the RDC Shareholders for the year ended 31st March, 2002 was approximately HK\$81.3 million, representing a loss per RDC Share of approximately 7.1 cents as shown in the Consolidated Profit and Loss Account of the RDC Group in Section 2 of Appendix I to the Explanatory Statement contained in this document. By comparison, the RDC Group's audited consolidated profit attributable to the RDC Shareholders in respect of the previous financial year ended 31st March, 2001 was approximately HK\$62.6 million, equivalent to earnings per RDC Share of approximately 5.4 cents.

LETTER FROM THE RDC BOARD

Dividend Yield

Based on the Cancellation Price and the dividends for the year ended 31st March, 2002, the dividend yield for the RDC Shares would be approximately 2.81%.

BACKGROUND TO, AND REASONS FOR, THE PROPOSAL

Your attention is drawn to the section headed "Background to, and reasons for, the Proposal" in the Explanatory Statement on pages 44 and 45 of this document.

INFORMATION RELATING TO THE RDC GROUP AND FUTURE INTENTIONS

Your attention is also drawn to the sections headed "Information relating to the RDC Group" and "Future intentions" in the Explanatory Statement on pages 45 to 49 of this document.

MEETINGS AND ACTION TO BE TAKEN BY THE INDEPENDENT MINORITY SHAREHOLDERS AND THE RDC SHAREHOLDERS

As you will see from the notices of Meetings on pages 128 to 131 of this document, the Meetings have been convened to be held at 9:15 a.m. and 9:30 a.m. respectively in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong on Friday, 21st February, 2003.

The High Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. In so far as the statutory requirement for the sanction of the Scheme by the High Court is concerned, a resolution for the approval of the Scheme will be deemed to have been passed if a majority in number representing three-fourths in value of the RDC Shares held by the Minority Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme.

Under Rule 2.10 of the Takeovers Code, however, such a resolution will only be considered to have been passed if (i) the Scheme is approved by at least 75% of the votes attaching to the RDC Shares of the Independent Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the RDC Shares held by all of the Independent Minority Shareholders. Based on 297,448,861 RDC Shares presently held by the Independent Minority Shareholders, 10% of such RDC Shares amounted to 29,744,886 RDC Shares.

Immediately following the Court Meeting, the Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme.

LETTER FROM THE RDC BOARD

NART and Pomeroy are interested in an aggregate of 833,873,273 RDC Shares, representing approximately 72.42% of the issued share capital of RDC. Such RDC Shares will not form part of the Scheme Shares and as such will not be entitled to vote at the Court Meeting although both NART and Pomeroy will undertake to the High Court to be bound by the Scheme. Furthermore Frexon, which is a member of the Wheelock Group, holds 20,067,506 RDC Shares representing approximately 1.75% of the issued share capital of RDC. Frexon is deemed under the Takeovers Code to be acting in concert with NART and Pomeroy and, in view of the interests of NART in the Proposal, Frexon will abstain from voting on the Scheme at the Court Meeting. However, each of NART, Pomeroy and Frexon will be represented and will vote at the Extraordinary General Meeting to approve and give effect to the Scheme and it is their respective intentions that the RDC Shares held by them be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting.

Whether or not they are able to attend the Meetings in person, the Independent Minority Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the RDC Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to deposit them with the Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible, but in any case not later than the following respective times:

- (a) in the case of the pink form of proxy for use at the Court Meeting, the Independent Minority Shareholders are requested to deposit this form of proxy not later than 9:15 a.m. on Wednesday, 19th February, 2003, but if it is not so deposited, it may be handed to the Chairman of the Court Meeting at the Court Meeting; and
- (b) in order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be deposited by the RDC Shareholders not later than 9:30 a.m. on Wednesday, 19th February, 2003.

A self-addressed, pre-paid envelope is enclosed for your convenience for returning by post (from within Hong Kong only) your completed forms of proxy. The completion and return of a form of proxy for any of the Meetings will not preclude you from attending the relevant Meeting and voting in person if you so wish. In the event that you attend a Meeting after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

For the purpose of determining the entitlements of the Independent Minority Shareholders to attend and vote at the Court Meeting and the RDC Shareholders to attend and vote at the Extraordinary General Meeting, the Register will be closed from Wednesday, 19th February, 2003 to Friday, 21st February, 2003 (both dates inclusive). During such period no transfer of RDC Shares will be effected. In order to qualify to vote at the Court Meeting or the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 18th February, 2003.

LETTER FROM THE RDC BOARD

Assuming that the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be on Wednesday, 19th March, 2003. Further press announcements will be made giving details of the results of the Meetings and, if all the resolutions are passed at the Meetings, the last day for dealing in the RDC Shares, the Record Time, the result of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of the withdrawal of the Listing.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections headed "Share certificates, dealings and listing" and "Registration and payment" in the Explanatory Statement on pages 50 and 51 of this document.

FURTHER INFORMATION

A letter from the Independent Board Committee to the Independent Minority Shareholders as well as a letter from Somerley to the Independent Board Committee are reproduced on pages 16 to 39 of this document. We advise you to read these letters carefully before you take any action in respect of the Proposal.

In considering what action to take in connection with the Proposal, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisers.

You are also urged to read carefully the Explanatory Statement and all the Appendices to the Explanatory Statement set out on pages 40 to 119 of this document, the Scheme set out on pages 120 to 127 of this document and the notices of the Meetings set out on pages 128 to 131 of this document.

Yours faithfully,
For and on behalf of the RDC Board
Mr. J. T. Hung
Chairman



REALTY DEVELOPMENT CORPORATION LIMITED

(聯邦地產有限公司)

(incorporated in Hong Kong with limited liability)

24th January, 2003

To the Independent Minority Shareholders

Dear Sir or Madam,

**Proposed Privatisation of
REALTY DEVELOPMENT CORPORATION LIMITED
by New Asia Realty and Trust Company, Limited
by way of a Scheme of Arrangement
under Section 166 of the Companies Ordinance**

It was announced on 17th December, 2002 that NART had requested the RDC Directors to put forward the Proposal to the Minority Shareholders for the purpose of acquiring their interests in RDC by way of the Scheme at the Cancellation Price of HK\$3.20 per Scheme Share. Details of the Proposal are set out in the letter from the RDC Board on pages 8 to 15 of this document and the Explanatory Statement set out on pages 40 to 54 of this document. For the purpose of the Proposal I have been appointed by the RDC Board to be the sole member of the Independent Board Committee in order to make a recommendation to the Independent Minority Shareholders as to how they should vote on the Scheme. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal.

Having taken into account the terms of the Proposal and the opinion of Somerley and, in particular, the factors, reasons and recommendations set out in the letter from Somerley to the Independent Board Committee which appears on pages 18 to 39 of this document and to which I draw the specific attention of the Independent Minority Shareholders, I consider that the terms of the Proposal are fair and reasonable in so far as the Independent Minority Shareholders are concerned.

Accordingly, I recommend that the Independent Minority Shareholders vote in favour of the resolution to approve the Scheme at the Court Meeting. I also recommend that the Independent Minority Shareholders vote in favour of the special resolution to approve and give effect to the Scheme at the Extraordinary General Meeting.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

I also draw your attention to (i) the letter from the RDC Board, (ii) the Explanatory Statement and (iii) the Appendices which form part of the Explanatory Statement. In particular, I draw your attention to the property valuation in Appendix II to the Explanatory Statement.

Yours faithfully,

Mr. G. S. Yee

Independent Non-executive Director

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter from Somerley to the Independent Board Committee prepared for inclusion in this document:



Somerley Limited
Suite 3108, One Exchange Square
8 Connaught Place
Central
Hong Kong

24th January, 2003

The Independent Board Committee
Realty Development Corporation Limited
23rd Floor, Wheelock House
20 Pedder Street
Central
Hong Kong

Dear Sir,

**PROPOSED PRIVATISATION OF
REALTY DEVELOPMENT CORPORATION LIMITED
BY NEW ASIA REALTY AND TRUST COMPANY, LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 166 OF THE COMPANIES ORDINANCE)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed privatisation of RDC by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Details of the Scheme are contained in the document to the RDC Shareholders dated 24th January, 2003 (the "Document") of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Document. References in this letter to "Appendix" are references to Appendices to the Explanatory Statement contained in the Document.

The RDC Board comprises four non-executive RDC Directors, Mr. J. T. Hung, Mr. T. Y. Ng, Mr. J. M. K. Chow and Mr. G. S. Yee. The Chairman, Mr. J. T. Hung, formerly the managing director of Wheelock and a former executive director of The Wharf (Holdings) Limited ("Wharf"), which is a member of the Wheelock Group, is interested in 10,000 Wheelock Shares. Mr. T. Y. Ng, who holds 70,000 Wheelock Shares, is a NART Director. He is also an employee of the Wheelock Group and, among other things, from time to time acts on behalf of Wheelock Properties Limited, a member of the Wheelock Group, in the discharge of its duties under the Management Agreement between RDC and Wheelock Properties Limited, a summary of which is set out in the section headed "Material Contracts" in Appendix IV. Mr. J.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

M. K. Chow, an authorised person and registered structural engineer, is performing certain consulting services for the Wheelock Group. Consequently, Mr. J. T. Hung, Mr. T. Y. Ng and Mr. J. M. K. Chow are not considered independent in the context of the Proposal. The remaining RDC Director, Mr. G. S. Yee, who is an independent non-executive RDC Director, has been appointed by the RDC Board as the sole member of the Independent Board Committee to give a recommendation to the Independent Minority Shareholders as regards the Proposal. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee as regards the fairness and reasonableness of the terms of the Proposal.

Somerley is not associated with NART or RDC or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from NART or RDC and their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the RDC Directors, which we have assumed to be true, accurate and complete. We have discussed with the RDC Directors their views on the financial and trading position and prospects of RDC. The RDC Group has no employees, all management, administrative and related services being provided to the RDC Group by fellow subsidiaries of the Wheelock Group. In particular, general management is undertaken by Wheelock Properties Limited, and we have discussed the performance of the RDC Group with their representatives and with other relevant executives of the Wheelock Group. We have discussed with Chesterton Petty the bases and assumptions for their valuation of the RDC Group's property interests as at 30th November, 2002, which is contained in Appendix II.

We have sought and received confirmation from the RDC Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our relying on such information. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Document were true at the date of the Document and will continue to be true at the date of the Meetings. We have not conducted any independent investigation into the businesses and affairs of the RDC Group.

TERMS OF THE PROPOSAL

In summary, the Proposal involves the following principal steps:

- (i) all the Scheme Shares held by their holders will be cancelled and in consideration therefor such holders will receive from NART HK\$3.20 in cash for every Scheme Share held, representing a discount of approximately 18.8% to the Adjusted NAV of HK\$3.94 per RDC Share as set out in Appendix I; and

- (ii) RDC will become a wholly-owned subsidiary of NART and the listing of the RDC Shares on the Stock Exchange will be withdrawn.

Further details of the terms and conditions of the Proposal, including how and when the Cancellation Price will be paid to the holders of Scheme Shares, are set out in the Explanatory Statement and the Scheme in the Document. Such amounts are not normally taxable in Hong Kong but the holders of Scheme Shares should seek their own tax advice if in doubt as to whether the proceeds from the Proposal may be taxable in their hands.

The Scheme is subject to a number of conditions, including the sanction by the High Court of the Scheme and approval by at least three-fourths in value of the votes (taken by poll) cast by a majority in number of the Independent Minority Shareholders present and voting at the Court Meeting, and dissenting votes (taken by poll) against the Scheme at the Court Meeting cast by the Independent Minority Shareholders not exceeding 10% in value of all the RDC Shares held by all of the Independent Minority Shareholders. Independent Minority Shareholders held 297,448,861 RDC Shares at the Latest Practicable Date and 10% of such shares amounted to 29,744,886 RDC Shares.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee with regard to the Proposal, we have taken into account the following principal factors and reasons:

1. Reasons for and background to the Proposal

The RDC Group is principally engaged in property investment and development in Hong Kong and also holds listed securities as investments. The RDC Group's activities are concentrated in Hong Kong. The small amount of turnover shown in the accounts as derived from Singapore relates to dividends from securities listed in Singapore.

As with many Hong Kong listed property companies, the RDC Shares have been trading at a substantial discount to underlying net asset value. Over the period from 1st January, 2001 to 6th December, 2002 which is the last day on which the RDC Shares were traded before the date of the Announcement (the "Last Trading Day"), the RDC Shares have closed within the range of HK\$1.66 to HK\$2.70 per RDC Share, with an average closing price of approximately HK\$2.10 per RDC Share. Such average closing price represents a discount of about 46.7% to the Adjusted NAV per RDC Share of HK\$3.94 as set out in Appendix I.

RDC has not raised money from the equity capital market since 1972. Given the substantial discount of the market price to the net asset value per RDC Share, in our opinion, it would be difficult for RDC to raise capital through the equity markets without significant dilution to the Adjusted NAV per RDC Share. In any event, at present RDC has no urgent requirement for capital, as the most active portion of its development programme is separately funded through associated companies. In addition, the RDC Group has a strong balance sheet

with Adjusted NAV of HK\$4,535.7 million and secured bank loans of HK\$276 million as at 30th November, 2002, a gearing ratio of 6.1%. Consequently, the expense of maintaining a public listing will not in the foreseeable future bring any corresponding benefit in enabling RDC to raise new equity capital.

The RDC Directors have confirmed that, upon the privatisation of RDC, they do not intend to make any significant changes to the existing businesses of the RDC Group or make significant disposals of its assets in the near future, other than in the ordinary course of business. Both NART and RDC have also confirmed that no discussions are taking place with any third party regarding the disposal of the major assets of the RDC Group.

If the Scheme becomes effective, RDC will, subject to the approval of the Stock Exchange, withdraw the listing of the RDC Shares on the Stock Exchange. However, in the event that the Scheme is not approved or is withdrawn or lapses, RDC will maintain the listing of the RDC Shares on the Stock Exchange.

2. Past results and future prospects of the RDC Group

A summary of the audited consolidated results of the RDC Group for the three years ended 31st March, 2002 and the unaudited consolidated results of the RDC Group for the six months ended 30th September, 2002 and 2001 are set out in Appendix I.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

The following table sets out the turnover, profitability and dividends of the RDC Group for the three years ended 31st March, 2002 and the six months ended 30th September, 2002 and 2001:

Period ended	Annual audited			Six months unaudited	
	31/3/00 <i>HK\$million</i>	31/3/01 <i>HK\$million</i>	31/3/02 <i>HK\$million</i>	30/09/02 <i>HK\$million</i>	30/09/01 <i>HK\$million</i>
Turnover					
Property development	224.9	130.2	239.8	387.4	201.2
Property investment	144.8	135.9	142.7	72.7	68.0
Investment and others	<u>155.4</u>	<u>179.3</u>	<u>121.1</u>	<u>45.8</u>	<u>65.4</u>
	<u>525.1</u>	<u>445.4</u>	<u>503.6</u>	<u>505.9</u>	<u>334.6</u>
Profitability					
Property development	150.6	51.3	11.6	1.2	19.2
Property investment	92.7	89.9	102.5	53.4	44.9
Investment and others	<u>170.7</u>	<u>361.3</u>	<u>78.7</u>	<u>43.1</u>	<u>48.3</u>
	414.0	502.5	192.8	97.7	112.4
Unallocated expenses	<u>—</u>	<u>(14.2)</u>	<u>(13.1)</u>	<u>(5.0)</u>	<u>(7.4)</u>
Operating profit	414.0	488.3	179.7	92.7	105.0
Borrowing costs	(67.6)	(87.1)	(34.0)	(7.0)	(25.5)
Provision for impairment in value of properties	(30.7)	(338.7)	(217.8)	(434.5)	—
Share of profit less losses of associates	9.3	15.7	(0.2)	2.3	2.0
Profit/(loss) before taxation and minority interests	325.0	78.2	(72.3)	(346.5)	81.5
Taxation and minority interests	<u>(166.1)</u>	<u>(15.6)</u>	<u>(9.0)</u>	<u>(6.4)</u>	<u>(3.6)</u>
Profit/(loss) attributable to RDC Shareholders	<u>158.9</u>	<u>62.6</u>	<u>(81.3)</u>	<u>(352.9)</u>	<u>77.9</u>
Dividends					
Dividends declared and paid	<u>103.6</u>	<u>103.6</u>	<u>103.6</u>	<u>34.5</u>	<u>34.5</u>
Dividend per RDC Share (<i>HK\$</i>)	<u>0.09</u>	<u>0.09</u>	<u>0.09</u>	<u>0.03</u>	<u>0.03</u>

Turnover and gross profit margin

As shown in the above table, the turnover of the RDC Group comprises revenues generated from (a) property development, (b) property investment and (c) investment and others. Set out below is a brief review of the performance of each segment during the above period.

(a) Property development

The property development segment accounted for approximately 43%, 29%, 48% and 77% of the total turnover for the three years ended 31st March, 2000, 2001, 2002 and six months ended 30th September, 2002 respectively. Turnover from property development is by its nature subject to large variations, depending on the timing of completion of major projects. It should also be noted that the RDC Group's largest development interests are currently held through associates, the turnover of which is not included in RDC Group turnover.

The sales of property decreased from HK\$224.9 million in 2000 to HK\$130.2 million in 2001. The decline was mainly due to the reduction in sales of residential units at The Regalia and The Astrid. Gross profit margin during this period also dropped from 67% to 39% principally as a result of sales price weakness.

For the year ended 31st March, 2002, turnover rebounded to HK\$239.8 million, mainly attributable to sales of residential units at The Primrose, The Astrid, Forest Hill, The Regalia and My Loft projects. However the gross profit margin further deteriorated from 39% in 2001 to 5% in 2002, mainly due to difficult market conditions.

For the six months ended 30th September, 2002, the property development segment recorded revenue of HK\$387.4 million. The sharp increase, as compared to HK\$201.2 million in 2001, was mainly due to the pre-sale of 194 residential units out of 260 units at Palm Cove launched in March 2002 as well as sales in other developments, including Forest Hill, The Regalia and Bailey Garden. The profit margin, however, dropped to only 0.3% for this period, due principally to the higher book cost of land and continued sales price weakness in the residential property market.

(b) Property investment

The property investment segment accounted for approximately 28%, 31%, 28% and 14% of the total turnover for the three years ended 2000, 2001, 2002 and the six months ended 30th September, 2002 respectively. Property investment income tends to be more stable than property development income. Gross profit margins are also higher, as the costs of managing a rental portfolio are relatively modest.

Income is attributable to rentals from the shop and office units at Wheelock House, Central, the shopping arcade and car parks at Healthy Gardens, North Point and the shopping arcade at Belcher's Street, Kennedy Town. At 31st March, 2001 the occupancy rate of Wheelock House reached 98% and the occupancy rate of Healthy Gardens improved from 61% to 76%. The high occupancy rate of Wheelock House and the improvement in occupancy rate at Healthy Gardens was offset by the decrease in the rental rate during that period and resulted in a decrease in rental income from HK\$144.8 million in 1999/2000 to HK\$135.9 million in 2000/01. The gross profit margin for the segment for the years ended 31st March, 2000 and 2001 was approximately 64% and 66% respectively.

Rental income in 2001/02 increased by 5% to HK\$142.7 million. The increase was mainly due to further improvement in the occupancy rate. As at 31st March, 2002, the occupancy rate of Wheelock House and Healthy Gardens reached 99% and 94% respectively. The increase in occupancy rate enhanced the cost effectiveness and consequently improved the gross profit margin for the segment by 6% to 72%.

Revenue of this segment for the six months ended 30th September, 2002 improved slightly by 7% to HK\$72.7 million, as compared to the HK\$68 million generated in the same period in 2001. The gross profit margin also improved from 66% in 2001 to 73% in 2002.

(c) Investment and others

Investment and other income accounted for approximately 30%, 40%, 24% and 9% of the turnover for the three years ended 31st March, 2000, 2001 and 2002 and the six months ended 30th September, 2002 respectively. As this segment consists principally of interest and dividends received, related costs are small and an analysis of margin is of little meaning.

Interest income and dividends received from shares (principally in HSBC Holdings plc, Wharf (both listed on the Stock Exchange) and Hongkong Land Holdings Limited (listed on the Singapore Stock Exchange)) held as investments recorded an increase of 15% to HK\$179.3 million in 2000/01 and a decrease of 32% to HK\$121.1 million in 2001/02. During the six months ended 30th September, 2002, interest and dividend income dropped to HK\$45.8 million compared to HK\$65.4 million for the same period in 2001. The decrease was mainly due to lower interest rates during 2001/02 as well as the sale of certain investments.

As illustrated above, the activities of the RDC Group are very concentrated in Hong Kong. Within Hong Kong, turnover and income is well balanced between development, rental and investment income. However, while the turnover of the RDC Group has increased, the gross profit margin has been deteriorating, in particular for the property development segment. Profit

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

margin on property development, which tends to account for the largest portion of the RDC Group's turnover, decreased significantly from 67% in 1999/2000 to approximately 0.3% for the six months ended 30th September, 2002. Consequently, the overall gross profit margin dropped from 79% in 1999/2000 to 19% for the six months ended 30th September, 2002.

Operating profit

The operating profit of the RDC Group for the period has remained positive for the periods under review, but dropped significantly from HK\$488.3 million in 2000/01 to HK\$179.7 million in 2001/02. The strong performance in 2000/01 was due to inclusion of other income of HK\$192.2 million, representing mainly profit on disposal of shares in companies listed in Hong Kong and Singapore held as investments. Operating profit in 2001/02 included other losses of HK\$37.4 million, representing mainly the loss on disposal of shares in companies listed in Hong Kong and Singapore, and there was a decrease of HK\$39.7 million in the profit contribution from property development as discussed above.

Provision for impairment in value of assets

RDC made provisions of HK\$338.7 million, HK\$217.8 million and HK\$434.5 million for impairment in value of properties as at 31st March, 2001 and 2002 and the six months ended 30th September, 2002 respectively. The provisions made as at 31st March, 2001 and 2002 were principally for development projects in Tuen Mun and Kwai Chung and for land held for development, reflecting the prevailing property market conditions.

After an internal review, the RDC Group decided to make a provision of HK\$434.5 million for the impairment in the value of the RDC Group's property interests in the first half of 2002/03 financial year. The valuations in the independent valuation on 30th November, 2002 set out in Appendix II reflect a further deficit of approximately HK\$470 million as compared to the book values of the RDC Group's property interests of HK\$4,962 million as at 30th November, 2002.

Share of profit/loss of associates

Despite the inclusion of the RDC Group's 20% share of results recognised from the pre-sales of the Sorrento Phase I, profits from associates decreased from HK\$15.7 million in the year ended 31st March, 2001 to a loss of HK\$0.2 million in the year ended 31st March, 2002, mainly due to the property provision made by an associate.

Profit/loss attributable to RDC Shareholders

The result of the RDC Group declined from a profit of HK\$62.6 million in 2000/01 to a loss of HK\$81.3 million in 2001/02. After provisions, a loss of HK\$352.9 million was incurred for the first half of the financial year 2002/03. The reason for the decline, as stated above, was mainly due to the decrease in gross profit margin, the impairment of asset value and the share of loss of associates.

Prospects of the RDC Group

In the interim report of the RDC Group for six months ended 30th September, 2002, the RDC Directors stated that the RDC Group, with its land bank mainly represented by its 20% interest in the Sorrento and King's Park developments, is well-placed to take advantage of the gradual recovery which they anticipate in the Hong Kong economy.

We agree that the outlook for these two projects, representing approximately 21% of the RDC Group's total assets on the basis set out in section 3 of our letter, is stable. The Sorrento project is relatively well advanced, with over 80% of Phase I units and approximately 30% of the Phase II units sold. The remaining units will be marketed in 2003/04. The Sorrento project should, depending on the market conditions, generate significant cash inflows for the RDC Group in due course but to-date has only demonstrated modest profitability. King's Park is at an earlier stage, with foundation works in progress and pre-sale due in the next few months. Its reception will depend on sentiment in the residential property market over those months.

The remaining land bank consists principally of lots totalling approximately 5.3 million square feet of farmland in the New Territories, which are primarily valued, as set out in the property valuation in Appendix II, on an open market basis with reference to sales evidence as available in the market. As not all the lots are adjacent to each other, acquisition of additional lots would be required before a commercially feasible development could be commenced. Other pre-requisites for development include application for re-zoning and payment of land premium to Government. Given the costs and procedures involved and the present state of the residential property market in the New Territories, RDC has no plan to develop these lots in the foreseeable future.

Of the other main profit generators of the RDC Group, commercial rents on Wheelock House and Healthy Gardens may suffer some weakness on reversions while any increase in contributions from securities held as investments will depend largely on the performance of the Hong Kong and Singapore stock markets.

Overall, we consider the prospects for the RDC Group are sound but heavily dependent on economic conditions in Hong Kong, in particular the prevailing sentiment in the Hong Kong mid-range residential property market, where some projects appear recently to have been well received but where potential over-supply has also been noted by property analysts.

We consider it important for the Independent Minority Shareholders to bear in mind the sources of the RDC Group's turnover and profits when considering the Proposal. As the RDC Group has reported material losses attributable to RDC Shareholders over the last full financial year and for the six months ended 30th September, 2002, we do not consider it practicable to calculate a price earnings multiple as a basis for assessing whether the Cancellation Price is fair and reasonable to the Independent Minority Shareholders.

Dividends paid to RDC Shareholders

Despite substantial recent losses attributable to RDC Shareholders, RDC paid total dividends of HK\$0.09 per RDC Share in the financial year 2001/02, unchanged from the previous year. It has also announced an interim dividend of HK\$0.03 per RDC Share for the six months ended 30th September, 2002 (2001 - HK\$0.03 per RDC Share), which was paid on 23rd January, 2003.

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Based on a maintained dividend of HK\$0.09 per RDC Share, the dividend yield of the RDC Shares at the Cancellation Price of HK\$3.20 per Scheme Share is approximately 2.8%. The RDC Group had audited revenue reserves of over HK\$5 billion as at 31st March, 2002. Given its strong balance sheet position, we consider that RDC can continue to maintain its dividend for the foreseeable future whether or not further losses of the recent size are reported. Consequently, we regard RDC as a reliable income producing investment for RDC Shareholders.

Based on statistics released by HSI Services Limited, the weighted average dividend yield of the constituent stocks of the Hang Seng Composite Index - Construction and Properties sub-index and the Hang Seng Property Index as at the end of November 2002 was 3.5% and 3.4% respectively. The average dividend yield for the first 11 months of 2002 for both indices was 3.1%. Based on the above, the Independent Minority Shareholders would be able to maintain or increase their income by reinvesting the proceeds from accepting the Proposal in Hong Kong property stocks.

3. Assets, gearing and Adjusted NAV of the RDC Group

Assets

The unaudited consolidated balance sheet of the RDC Group as at 30th September, 2002 is set out in Appendix I. Total assets and net assets as at that date of HK\$6,087.1 million and HK\$4,970.4 million respectively may be analysed as follows:

	<i>HK\$ million</i>	%
Investment properties	1,737.9	28.5
Properties held for sale	277.4	4.6
Properties under development for sale	1,039.5	17.1
Properties held through associates (<i>Note</i>)	<u>1,306.1</u>	<u>21.4</u>
	4,360.9	71.6
Listed investments	991.2	16.3
Other assets	<u>735.0</u>	<u>12.1</u>
Total assets	6,087.1	100.0
<i>Less:</i> Current liabilities	(635.1)	
Long term bank loans	(476.0)	
Minority interests	<u>(5.6)</u>	
Net assets	<u>4,970.4</u>	

Note: Principally the Sorrento (MTRC Kowloon Station) and King's Park (Homantin) residential projects.

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The property interests of the RDC Group as at 30th November, 2002 are set out in the property valuation contained in Appendix II. All the property interests are located in Hong Kong and their attributable value based on the valuation may be analysed as follows:

	Interest held	Attributable value	Proportion of total
	%	HK\$ million	%
Investment properties			
— Wheelock House	100	966	21
— others	100	<u>658</u>	<u>15</u>
		1,624	36
Completed properties held for sale			
— various	100	585	13
Properties under development			
— Kwai Hei Street	100	120	3
— Sorrento	20	1,538 (Note)	34
— King's Park	20	<u>477 (Note)</u>	<u>11</u>
		2,135	48
Land for future development	100	<u>148</u>	<u>3</u>
Total property interests		<u>4,492</u>	<u>100</u>

Note: The difference between the above combined value of the Sorrento and King's Park properties of HK\$2,015.0 million and the book value of HK\$1,306.1 million for properties held through associates as shown in the RDC Group's balance sheet at 30th September, 2002 is accounted for principally by the bank borrowings and other liabilities of the associates holding the properties.

We have discussed the basis and assumptions for the property valuation with the independent property valuers, Chesterton Petty, and concur with the approach they have taken.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

The RDC Group also holds shares in Wharf, HSBC Holdings plc, Hongkong Land Holdings Limited and i-CABLE Communications Limited with a market value as at the Latest Practicable Date of approximately HK\$1,091.1 million. The table below sets out the details of RDC's holdings in these companies:

Listed investments held by RDC	Place of listing	Number of shares held '000	Market price as at the Latest Practicable Date	Market value as at the Latest Practicable Date HK\$ million
Wharf	Hong Kong	33,243.6	HK\$15.75	523.6
HSBC Holdings plc	Hong Kong	1,031.6	HK\$87.00	89.7
Hongkong Land Holdings Limited	Singapore	43,732.8	US\$ 1.40	477.6
i-CABLE Communications Limited	Hong Kong	77.1	HK\$2.675	<u>0.2</u>
Total				<u>1,091.1</u>

Note: US\$ is converted into HK\$, for illustration only, at the rate of US\$1 to HK\$7.8.

Gearing

The indebtedness of the RDC Group as at 30th November, 2002 is set out in Section 5 of Appendix I. It consists principally of secured bank loans of HK\$276 million. In addition, at that date, the RDC Group had outstanding guarantees of banking facilities of the associated companies developing the Sorrento and King's Park projects of HK\$621 million, of which HK\$266 million had been drawn at 30th November, 2002. RDC and other members of the Wheelock Group have jointly and severally guaranteed the performance of the development agreement in respect of the Sorrento project, which is expected to be completed in February 2004.

Calculated on the basis of the ratio of debt of HK\$276 million to Adjusted NAV of HK\$4,535.7 million, the gearing is approximately 6.1%, which we consider to be relatively low. Even taking into account the obligations to associates, and bearing in mind cash balances at 30th November, 2002 of some HK\$210 million, we consider the balance sheet of the RDC Group is strong.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

Adjusted NAV

A statement of the Adjusted NAV of the RDC Group is set out in Section 7 of Appendix I. In summary, the Adjusted NAV is:

	<i>HK\$ million</i>
Unaudited net assets as at 30th September, 2002	4,970.4
Adjusted for	
● deficit on property valuation set out above	(469.8)
● surplus on market value of listed investments set out above	69.6
● interim dividend paid for 2002/03	<u>(34.5)</u>
	<u>4,535.7</u>
Per RDC Share (based on 1,151,389,640 RDC Shares in issue at the Latest Practicable Date)	<u>HK\$3.94</u>

Comparisons

The Adjusted NAV of the RDC Group compares with the Cancellation Price receivable by the holders of the Scheme Shares as follows:

Cancellation Price	Adjusted NAV per RDC Share	Discount
HK\$3.20	HK\$3.94	18.8%

To consider whether the above discount is fair and reasonable for the Independent Minority Shareholders in the context of the Proposal, we set out below for comparison:

- the discount to net assets at which the RDC Shares have traded since the beginning of 2001;
- the discount to net assets at which similar Hong Kong listed property companies have traded over the same period;
- the discount to net assets at which recent privatisation proposals for Hong Kong listed property companies have been made over the same period.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

Historical discount of market price to NAV

We have compared the closing price of the RDC Shares against the then latest published consolidated net asset value of the RDC Shares, which we have assumed was generally available to the market from the date of publication of RDC's full year or interim results announcement. Based on the analysis set out below, the RDC Shares have traded at a substantial discount to underlying net asset value for the period from 1st January, 2001 to the Last Trading Day and the discounts have for the entire period under review been greater than 40%. In the absence of the Proposal, in our opinion, it is unlikely that such discount will narrow to the approximately 18.8% discount to the Adjusted NAV per RDC Share represented by the Cancellation Price.

Period	Published net consolidated asset value per RDC Share [#] HK\$	Closing price per RDC Share		Discount to net asset value	
		High	Low	Lowest	Highest
		HK\$	HK\$		
1/1/2001 - 17/6/2001	5.89	2.50	1.66	57.6%	71.8%
*18/6/2001 - 19/11/2001	5.56	2.70	1.78	51.4%	68.0%
*20/11/2001 - 6/6/2002	5.17	2.40	1.95	53.6%	62.3%
*7/6/2002 - 18/11/2002	5.19	2.25	1.81	56.6%	65.1%
*19/11/2002 - Last Trading Day	4.32	2.50	2.075	42.1%	52.0%

Notes

* Date when RDC published its full year or interim announcement.

Net asset values are extracted from RDC's annual or interim reports.

During the period from 1st January, 2001 to the Last Trading Day, the RDC Shares have closed within the range of HK\$1.66 to HK\$2.70 per RDC Share, with an average closing price of approximately HK\$2.10 per RDC Share. Such average closing price represents a discount of about 46.7% to the Adjusted NAV per RDC Share of HK\$3.94.

Discounts of similar listed companies

We have identified six listed property companies (the "Comparable Companies") whose principal activities include property investment and development with assets predominantly in Hong Kong. The Comparable Companies selected have a market capitalisation between HK\$978.8 million and HK\$5,343.5 million as at the Latest Practicable Date.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

The table below illustrates the level of discount of share price to net asset value of the Comparable Companies and RDC:

	Closing share price on the Latest Practicable Date (HK\$)	Last audited NAV per share (HK\$)	Last audited consolidated NAV (HK\$ million)	Discount of share price to NAV per share	Market capitalisation on the Latest Practicable Date (HK\$ million)
Hopewell Holdings Limited	6.10	15.75	13,814.7	61.3%	5,343.5
China Motor Bus Company, Limited	47.9	85.43	3,907.5	43.9%	2,187.6
Kowloon Development Company Limited	3.55	6.50	3,147.1	45.4%	1,717.4
HKR International Limited	1.34	5.45	6,716.8	75.4%	1,550.9
Allied Properties (H.K.) Limited	0.237	1.15	7,164.0	79.4%	1,159.8
Asia Standard International Group Limited	0.238	1.01	4,859.4	76.4%	978.8
RDC	2.5 <i>(note a)</i>	3.94 <i>(note b)</i>	4,535.7 <i>(note b)</i>	36.5%	2,878.5 <i>(note a)</i>
Discount of Cancellation Price to NAV	3.2 <i>(note c)</i>	3.94 <i>(note b)</i>	N/A	18.8%	N/A

Notes:

- (a) We have taken the price of the RDC Shares as at the Last Trading Day for the purpose of determining the market capitalisation of RDC. We have not referred to the price of the RDC Shares as at the Latest Practicable Date for the purpose of determining RDC's market capitalisation because, in our opinion, it is unlikely that the recent significantly higher price level of the RDC Shares will continue if the Proposal is withdrawn or lapses.
- (b) Adjusted NAV per RDC Share of HK\$3.94.
- (c) Cancellation Price of HK\$3.20 per Scheme Share.

The Comparable Companies traded at a discount to net asset value of approximately 43.9% to 79.4%. The simple average discount of all the Comparable Companies is approximately 63.6%. The discount of approximately 18.8% represented by the Cancellation Price to the Adjusted NAV per RDC Share is considerably below the average discount of approximately 63.6% for the Comparable Companies.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

In the absence of the Proposal and based on the fundamentals of RDC and the level of discounts of share price to net asset value of the Comparable Companies, it is unlikely in our opinion that the discount to net assets of 36.5% at which the RDC Shares have recently been standing will narrow to the 18.8% discount which the terms of the Scheme represent.

Privatisation precedents

We have reviewed a total of five privatisation proposals announced since 1st January, 2001 for companies listed on the Stock Exchange whose principal activities include property investment and development. Summarised below is the discount to net assets at which these proposals were made:

Date of privatisation proposal	Company	Principal activities	Discount of offer price to audited adjusted consolidated NAV per share
2002 November	Henderson Investment Limited	Property investment and development, investment holding infrastructure, department store operation, retailing and hotel business	27.8% <i>(Note 1)</i>
September	Ryoden Development Limited	Property investment and development in Hong Kong and the PRC	29.0%
2001 August	Evergo China Holdings Limited <i>(Note 2)</i>	Property investment and development, investment holding and financing in the PRC	78.1%
February	Concord Land Development Company Limited <i>(Note 2)</i>	Property development in Hong Kong and the PRC	77.9%
January	The Mingly Corporation Limited	Investing in and developing principally high technology companies and property investment	33.3%
	The Proposal		18.8%

Source: published circulars relating to the above proposals.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

Notes:

1. Consolidated NAV has been adjusted for the market values of the underlying listed assets held by Henderson Investment Limited.
2. Involved share exchange offer.

The Cancellation Price of HK\$3.20 represents an approximately 18.8% discount to the Adjusted NAV per RDC Share of HK\$3.94. The above precedents embody terms which are at a deeper discount than that represented by the Cancellation Price.

4. Share price and trading volume

(i) Share price

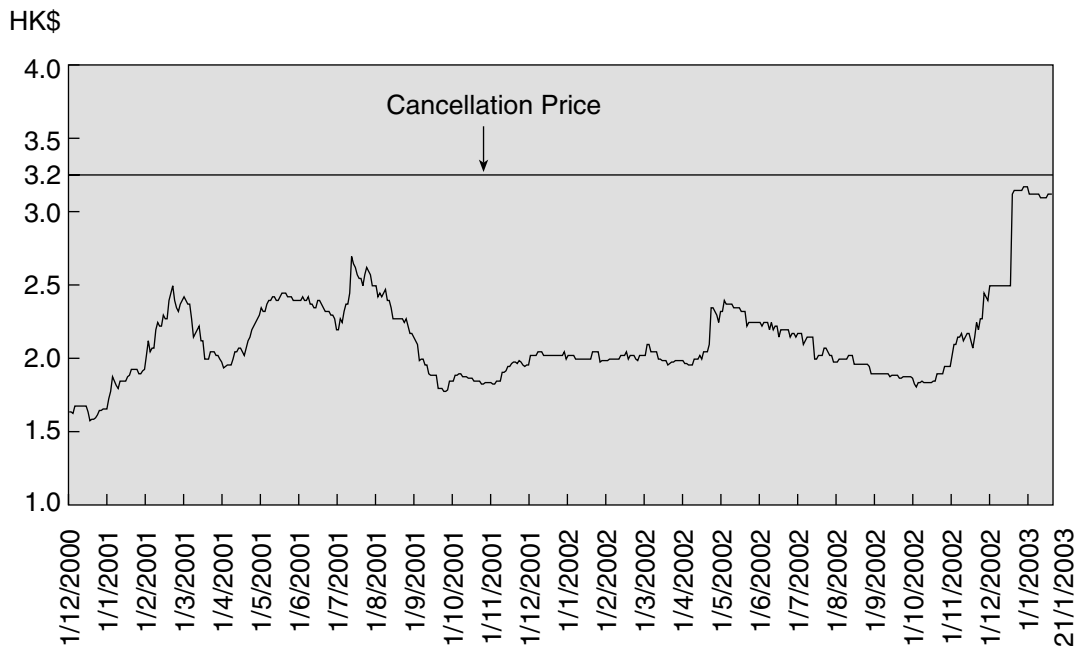
The following table sets out the monthly highest and lowest trading prices of the RDC Shares and the average closing prices of the RDC Shares in each month for the period commencing from 1st December, 2001 (being twelve months preceding the Last Trading Day) and up to the Last Trading Day (the "Period").

Month	Trading price per RDC Share		Average closing price per RDC Share
	Highest	Lowest	
	HK\$	HK\$	HK\$
2001			
December	2.05	1.93	2.02
2002			
January	2.05	1.92	2.02
February	2.05	1.96	2.01
March	2.10	1.96	2.02
April	2.10	1.96	2.00
May	2.40	2.15	2.33
June	2.40	2.15	2.23
July	2.20	1.96	2.11
August	2.025	1.95	1.99
September	1.90	1.83	1.89
October	1.95	1.81	1.87
November	2.475	1.95	2.19
1st December, 2002 to Last Trading Day	2.50	2.35	2.50

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

The highest and lowest trading prices per RDC Share during the twelve months prior to the publication of the Announcement were HK\$2.5 (from 2nd December, 2002 to 6th December, 2002) and HK\$1.81 (on 7th October, 2002) respectively. The Cancellation Price of HK\$3.20 per Scheme Share represents a premium of approximately 28% over such highest trading price per RDC Share and a premium of approximately 76.8% over such lowest trading price per RDC Share during the Period.

The graph below illustrates the daily closing price per RDC Share quoted on the Stock Exchange from 1st December, 2000 up to the Latest Practicable Date (both dates inclusive):



Source: Bloomberg

As illustrated in the above share price chart, the closing prices of the RDC Shares were below the Cancellation Price at all times during the period under review. During the past two years, the RDC Shares have traded in a fairly stable pattern with no drastic fluctuations, bearing in mind market conditions. From early 2001, the RDC Shares appreciated somewhat in line with the general expectation of recovery in the economy and the property market in Hong Kong. Following the terrorist attacks in September 2001, the RDC Shares dropped significantly reflecting negative market sentiment. From October 2001 onwards, the RDC Shares stabilised and remained stable until late 2002. The recent surge in the market price of the RDC Shares before the Announcement was mainly due, in our opinion, to market speculation on potential changes to the structure of the Wheelock Group.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

The Cancellation Price of HK\$3.20 per Scheme Share represents:

- **a premium of approximately 31.5%** over the average closing price of approximately HK\$2.433 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the ten trading days up to and including the Last Trading Day;
- **a premium of approximately 40.2%** over the average closing price of approximately HK\$2.283 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the one month period up to and including the Last Trading Day;
- **a premium of approximately 57.6%** over the average closing price of approximately HK\$2.030 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the three months period up to and including the Last Trading Day; and
- **a premium of approximately 76.8%** over the lowest closing price during the twelve month period ended on the date of the Announcement of HK\$1.810 per RDC Share, as quoted on the Stock Exchange on 7th October, 2002;

The closing price of the RDC Shares on the Latest Practicable Date was HK\$3.125, slightly below the Cancellation Price of HK\$3.20 per Scheme Share. Following the Announcement on 18th December, 2002, the RDC Shares rose to close at HK\$3.125 as at the Latest Practicable Date. In our opinion, the recent rise reflects the terms of the Proposal and it is not likely that the market price of the RDC Shares will remain at the current level if the Proposal is withdrawn or lapses.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

(ii) *Trading volume of the RDC Shares*

The following table sets out the total number of RDC Shares traded per month, the percentage of the monthly trading volume to the issued share capital of RDC and the percentage of the monthly trading volume to RDC Shares held by the public respectively for the period commencing from 1st December, 2001 up to and including the Latest Practicable Date:

	Monthly trading volume of RDC Shares	Monthly trading volume to issued RDC Shares (Note 1)	Monthly trading volume to public float (Note 2)
December 2001	382,580	0.03%	0.13%
January 2002	758,600	0.07%	0.26%
February 2002	310,000	0.03%	0.10%
March 2002	822,781	0.07%	0.28%
April 2002	1,252,835	0.11%	0.42%
May 2002	856,645	0.07%	0.29%
June 2002	473,306	0.04%	0.16%
July 2002	1,025,485	0.09%	0.34%
August 2002	166,880	0.01%	0.06%
September 2002	309,743	0.03%	0.10%
October 2002	770,937	0.07%	0.26%
November 2002	1,529,600	0.13%	0.51%
December 2002	9,963,962	0.87%	3.35%
1st January, 2003 to Latest Practicable Date	15,629,062	1.36%	5.25%

Notes:

(1) Based on 1,151,389,640 RDC Shares in issue.

(2) Based on a public float of 297,448,861 RDC Shares.

The monthly trading volume of the RDC Shares during the period from December 2001 to November 2002 was relatively thin, with the highest monthly trading volume recorded in November 2002, representing approximately 0.13% of the issued share capital of RDC or approximately 0.51% of the RDC Shares held by the public. From the date of the Announcement up to and including the Latest Practicable Date, the trading volume of the RDC Shares increased significantly and the monthly trading volume in December 2002 represents approximately 0.87% of the issued share capital of RDC or approximately 3.35% of the RDC Shares held by the public. Based on trading volume over the last year as a whole, in our opinion, the RDC Shares are relatively illiquid. Trading increased in December 2002 but the relatively active trading volume recorded in this period is, in our opinion, due to the attention generated by the Proposal.

As illustrated in the table above, the monthly trading volume of the RDC Shares before the release of the Announcement represents 0.6% or less of the RDC Shares held by the public. In our view, this level of liquidity would not be sufficient for the Independent Minority Shareholders to sell significant numbers of their RDC Shares in the market without causing downward pressure on the market price of the RDC Shares. The Proposal represents an opportunity for the holders of Scheme Shares to dispose of their entire holdings at the Cancellation Price if they so wish.

CONCLUSIONS AND RECOMMENDATION

RDC has not raised funds from the equity capital market for over 30 years and does not have any obvious need to tap the equity markets for the foreseeable future. It would not, in our opinion, be in RDC Shareholders' interests for further shares to be issued at the persistent discounts to NAV at which the RDC Shares have traded over the last two years. One of the chief objectives, in our opinion, of the management of a group specialising in property and investments should be to maximise the net assets per share.

Significant losses (after property provisions) have been incurred by RDC for the latest financial year ended 31st March, 2002 and for the latest six months ended 30th September, 2002. The RDC Directors consider that RDC is well-placed to take advantage of a recovery in the Hong Kong economy when it comes. However, we do not consider it practicable at present to assess the Proposal on a price earnings basis. Despite losses, dividend payments have been maintained at HK\$0.09 per RDC Share for the past three years and because of the strong balance sheet we believe this dividend can be maintained if the RDC Directors so decide. On the basis of the Cancellation Price of HK\$3.20, this represents a yield of 2.8%, which is slightly below the average yield on the Hang Seng Property Index for 2002.

The discount of the Cancellation Price to the Adjusted NAV is 18.8%, which compares with the two-year average discount of closing prices to net assets of the RDC Shares of 46.7%. The shares of the mid-size Hong Kong property companies with which we consider RDC is comparable are trading in the market at discounts in the range of 43.9% to 79.4% to their underlying net asset value.

The range of discounts of offer price to asset value in other recent Hong Kong privatisation proposals in the property sector is approximately 27.8% to 78.1%. The terms of the Proposal are, in our opinion, favourable to the holders of the Scheme Shares by comparison with such other recent proposals.

The Cancellation Price of HK\$3.20 per Scheme Share is substantially above the HK\$1.81 to HK\$2.5 range at which the RDC Shares have traded in the twelve months prior to the Announcement. The Proposal represents a 58% premium to the three months' average price before the Announcement. In addition, the volume of trading in the RDC Shares has been low, with monthly trading generally less than 1% of the public float of the RDC Shares.

LETTER FROM SOMERLEY TO THE INDEPENDENT BOARD COMMITTEE

Consequently, we consider that the Proposal, through which the Independent Minority Shareholders will be able to dispose of their whole holding of RDC Shares at a substantial premium to recent market prices, represents a good opportunity for the Independent Minority Shareholders to realise their investment on an attractive basis.

Based on the above principal factors and reasons, we consider the terms of the Proposal, in particular the Cancellation Price, are fair and reasonable to the Independent Minority Shareholders. Accordingly, we recommend that the Independent Board Committee advises the Independent Minority Shareholders to vote in favour of the resolutions to approve and to implement the Scheme to be proposed at the Meetings.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Section 166A of the Companies Ordinance.

SCHEME OF ARRANGEMENT FOR THE CANCELLATION OF THE SCHEME SHARES AND THE PAYMENT OF THE CANCELLATION PRICE

INTRODUCTION

It was announced by NART and RDC on 17th December, 2002 that NART had requested that the RDC Board put forward the Proposal for the privatisation of RDC to the Minority Shareholders for consideration.

NART, together with its indirectly wholly owned subsidiary, Pomeroy, are the beneficial owners of an aggregate of 833,873,273 RDC Shares representing approximately 72.42% of the issued capital of RDC.

The purpose of this Explanatory Statement is to explain the terms and the effects of the Proposal, which is to be implemented by the Scheme, and to give to the Minority Shareholders other relevant information.

A letter from the RDC Board is set out on pages 8 to 15 of this document. A letter from the Independent Board Committee, together with a letter from Somerley to the Independent Board Committee, in connection with the Proposal are set out on pages 16 to 39 of this document. The terms of the Scheme are set out on pages 120 to 127 of this document.

SUMMARY OF THE PROPOSAL

It is proposed that, subject to the Conditions being fulfilled or, where applicable, waived, the Proposal will be implemented by way of the Scheme, which will involve a reduction in the authorised and issued share capital of RDC by the cancellation and extinguishment of all of the Scheme Shares. Forthwith upon such reduction of capital taking effect, the authorised share capital of RDC will be increased to its former amount of HK\$300,000,000 by the creation of such number of new RDC Shares as is equal to the number of the Scheme Shares cancelled. The credit arising in RDC's books of account as a result of the reduction of capital will be applied in paying up in full at par the new RDC Shares so created, which will be allotted and issued, credited as fully paid, to NART or as it may direct. The Scheme also provides that, in consideration of the cancellation and extinguishment of the Scheme Shares, the holders of Scheme Shares whose names appear on the Register at the Record Time will be entitled to receive the Cancellation Price from NART.

EXPLANATORY STATEMENT

Payment of the Cancellation Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right which RDC may have or claims to have against any holder of Scheme Shares.

On the bases of the Cancellation Price and of a total of 1,151,389,640 RDC Shares presently in issue, the entire issued share capital of RDC is valued at approximately HK\$3,684.4 million under the Proposal. The total amount of the Cancellation Price payable pursuant to the Scheme is approximately HK\$1,016.1 million in cash. NART has stated that it intends to finance this amount from bank borrowings arranged by NART for this purpose. Such borrowings are unsecured and the payment of interest on, and the repayment of, such borrowings will not depend to any significant extent on the businesses of the RDC Group. HSBC is satisfied that sufficient financial resources are available to NART for the implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on RDC and all of the RDC Shareholders subject to the fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval (by way of a poll) of the Scheme by a majority in number of the Independent Minority Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of the RDC Shares that are voted either in person or by proxy by the Independent Minority Shareholders at the Court Meeting, provided that the Scheme is not disapproved by the Independent Minority Shareholders at the Court Meeting holding more than 10% in value of all the RDC Shares held by all of the Independent Minority Shareholders;
- (b) the passing of a special resolution (by way of a poll) to approve and give effect to the Scheme, including the cancellation of the Scheme Shares and the reduction of the issued share capital of RDC, by a majority of at least three-fourths of the votes cast by the RDC Shareholders present and voting, in person or by proxy, at the Extraordinary General Meeting;
- (c) the sanction of the Scheme, with or without modifications, by the High Court and confirmation of the reduction of capital involved in the Scheme;
- (d) an office copy of the order of the High Court, together with a minute containing the particulars required by Section 61 of the Companies Ordinance, being registered by the Registrar of Companies in Hong Kong;
- (e) the Authorisations having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in Hong Kong and any other relevant jurisdictions;

EXPLANATORY STATEMENT

- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and
- (g) all bank and other necessary consents which may be required under any existing contractual obligations of RDC being obtained.

Condition (a) is the combined effect of Section 166 of the Companies Ordinance and Rule 2.10 of the Takeovers Code. In so far as the statutory requirement for the sanction of the Scheme by the High Court is concerned, a resolution for the approval of the Scheme will be deemed to have been passed if a majority in number representing three-fourths in value of the RDC Shares held by the Minority Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme.

Under Rule 2.10 of the Takeovers Code, however, such a resolution will only be considered to have been passed if (i) the Scheme is approved by at least 75% of the votes attaching to the RDC Shares of the Independent Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the RDC Shares held by all of the Independent Minority Shareholders. Based on 297,448,861 RDC Shares presently held by the Independent Minority Shareholders, 10% of such RDC Shares amounted to 29,744,886 RDC Shares.

NART reserves the right to waive conditions (e), (f) and (g), either in whole or in respect of any particular matter. Conditions (a) to (d) cannot be waived as they are either statutory or regulatory requirements. All of the above conditions will have to be fulfilled or waived, where applicable, on or before 30th April, 2003 or such later date as the Court may allow in relation to the Scheme, otherwise the Scheme will lapse.

Assuming that all of the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Wednesday, 19th March, 2003. Further press announcements will be made giving details of the results of the Meetings and, if the resolutions are passed at the Meetings, the last day for dealing in the RDC Shares, the Record Time, the result of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of the withdrawal of the Listing.

The Scheme will lapse if it does not become effective on or before 30th April, 2003 or such later date as the High Court may allow and the holders of Scheme Shares will be notified accordingly by press announcements.

EXPLANATORY STATEMENT

FINANCIAL EFFECTS OF THE PROPOSAL

Share Price

The Cancellation Price represents:

- a premium of 28.00% over the closing price of HK\$2.500 per RDC Share as quoted on the Stock Exchange on 6th December, 2002, being the last trading day prior to the suspension of trading in the RDC Shares pending the issue of the Announcement;
- a premium of 28.00% over the average closing price of HK\$2.500 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including 6th December, 2002;
- a premium of approximately 40.17% over the average closing price of approximately HK\$2.283 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the one month period up to and including 6th December, 2002;
- a premium of approximately 57.64% over the average closing price of approximately HK\$2.030 per RDC Share based on the daily closing prices as quoted on the Stock Exchange over the three month period up to and including 6th December, 2002;
- a premium of 2.40% over the closing price of HK\$3.125 per RDC Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a premium of approximately 76.80% over the lowest closing price during the 12 month period ended on the date of the Announcement of HK\$1.810 per RDC Share as quoted on the Stock Exchange on 7th October, 2002.

Historical share price information on the RDC Shares is set out in Section 2 of Appendix IV to this Explanatory Statement.

As already explained in the letter from the RDC Board, the interim dividend of HK\$0.03 per RDC Share in respect of the six month period ended 30th September, 2002 was paid on 23rd January, 2003 to those RDC Shareholders whose names appeared on the Register on 10th January, 2003.

Net Asset Value

The Cancellation Price represents:

- (i) a discount of approximately 25.93% to the book NAV per RDC Share as at 30th September, 2002 of approximately HK\$4.32; and
- (ii) a discount of approximately 18.78% to the Adjusted NAV per RDC Share of approximately HK\$3.94.

EXPLANATORY STATEMENT

Earnings

The RDC Group's audited consolidated loss attributable to the RDC Shareholders for the year ended 31st March, 2002 was approximately HK\$81.3 million, representing a loss per RDC Share of approximately 7.1 cents as shown in the Consolidated Profit and Loss Account of the RDC Group in Section 2 of Appendix I to this Explanatory Statement. By comparison, the RDC Group's audited consolidated profit attributable to the RDC Shareholders in respect of the previous financial year was approximately HK\$62.6 million, equivalent to earnings per RDC Share of approximately 5.4 cents.

Dividend Yield

Based on the Cancellation Price and the dividends for the year ended 31st March, 2002, the dividend yield for the RDC Shares would be approximately 2.81%.

BACKGROUND TO, AND REASONS FOR, THE PROPOSAL

For the RDC Shareholders

During the 12 month period ended on the date of the Announcement, the lowest and highest closing prices per RDC Share on the Stock Exchange were HK\$1.81 and HK\$2.50 respectively, with a simple average closing price of HK\$2.067. During this period, liquidity in the RDC Shares was restricted to an average daily turnover of 68,865 RDC Shares. The Cancellation Price represents a premium of 28.0% over the closing price per RDC Share on the last trading day prior to the suspension of trading in the RDC Shares pending the issue of the Announcement, and a premium of approximately 54.8% over the simple average closing price referred to above.

The RDC Shares have habitually traded at a significant discount to their attributable net asset value. Since 27th July, 2000, being the day following the redesignation of the former 'A' and 'B' classes of shares of RDC as ordinary shares, the ratio of the daily closing price to the last published net asset value of RDC (based on the annual and interim results of RDC) was a discount of between approximately 42.1% and 73.1%. The closing price of the RDC Shares on the last trading day prior to the suspension of trading in the RDC Shares pending the issue of the Announcement represented a discount of approximately 36.55% to the Adjusted NAV per RDC Share of approximately HK\$3.94. By contrast, the Cancellation Price is a discount to the Adjusted NAV per RDC Share of only approximately 18.78%.

The Proposal accordingly provides an opportunity for the holders of Scheme Shares to dispose of their RDC Shares and receive cash at a price above the prevailing market price. In light of the low liquidity in the RDC Shares, the Proposal also affords the holders of Scheme Shares with the opportunity to realise their investments in RDC at a significant premium to the closing prices of the RDC Shares as referred to above and, if they so wish, invest the monies received under the Scheme in alternative investments with higher liquidity than RDC Shares or use them for other purposes.

EXPLANATORY STATEMENT

For NART

The Proposal enables NART to eliminate the listing of a subsidiary which has not raised any money from the equity capital market since 1972 and which, in the opinion of the NART Directors and having regard to RDC's projects in hand, will have no ability or need in the foreseeable future to raise money from the equity capital market. It will also allow NART to increase its interest in the businesses of the RDC Group which the management of NART believe will positively contribute towards shareholder value for NART.

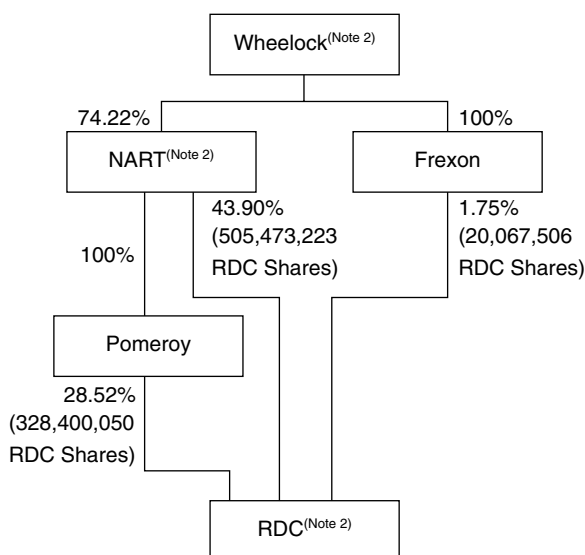
The withdrawal of the Listing and the conversion of RDC into an indirectly wholly owned subsidiary of NART will also eliminate the expense of having to comply with the Listing Rules requirements for connected transactions whenever NART and RDC jointly undertake property development or investment projects. It is not the intention of NART to relist the RDC Shares on any exchange in the foreseeable future after the withdrawal of the Listing.

INFORMATION RELATING TO THE RDC GROUP

RDC is a company incorporated in Hong Kong with limited liability and the RDC Shares have been listed on the Stock Exchange, or its predecessor exchanges, since 1970. The principal business of RDC is investment holding.

RDC Group Structure

An overview of that part of the structure of the Wheelock Group involved in the Proposal prior to the completion of the Proposal is set out below:



Total issued share capital of RDC - 1,151,389,640 RDC Shares

EXPLANATORY STATEMENT

Notes:

1. % figures are approximate.
2. Listed on the Stock Exchange.
3. The above chart sets out the principal companies involved, with wholly owned intermediate holding companies being omitted.
4. Wheelock, NART and Pomeroy are parties who are presumed to be acting in concert under the Takeovers Code.

Assets held by RDC

The following are the principal categories of assets held by RDC (all assets referred to below are wholly owned by RDC save where stated otherwise):

- Investment properties in Hong Kong (further details of which are set out in Appendix II to this Explanatory Statement):
 - 3rd-24th Floors and Shop C of Wheelock House
 - Shops and godown spaces at 100-142 Belcher's Street, Kennedy Town
 - Shops and carparks at Basement - 3rd Floor, Healthy Gardens Podium, 560 King's Road, North Point
- Properties under development or for sale in Hong Kong (further details of which are set out in Appendix II to this Explanatory Statement):
 - 20% attributable interest in "Sorrento" - 2,126 residential units in 5 towers totalling 2.5 million sq. ft GFA above the Kowloon MTRC station. Completion of Phases I and II of Sorrento is expected to take place some time during the first quarter of 2003 and the first quarter of 2004 respectively. The pre-sale of Sorrento Phase I was launched at the end of 2001 and Phase II was launched in November, 2002. As at the Latest Practicable Date, 1,043 units or approximately 81% of Phase I and 273 units or approximately 34% of Phase II had been sold
 - 20% attributable interest in the King's Park development of 700 residential units totalling 904,200 sq. ft GFA. Superstructure works at King's Park are now in progress. Pre-sale is targeted to take place during the first quarter of 2003 with completion of the project scheduled for the first quarter of 2004
 - 38 Kwai Hei Street - industrial and office development totalling 242,100 sq. ft GFA in Kwai Chung, for which completion is expected to be in the third quarter of 2003

EXPLANATORY STATEMENT

As part of RDC's marketing strategy, its subsidiaries have granted second mortgages in relation to 194 residential units totalling approximately HK\$136.7 million as at 30th November, 2002. In addition, associates of RDC have granted, or given to purchasers an option to take, second mortgages for a total of approximately HK\$496.5 million in relation to 412 residential units as at 30th November, 2002.

- Farm land in Hong Kong (further details of which are set out in Appendix II to this Explanatory Statement):
 - Various lots with a total site area of approximately 5.3 million sq. ft. and which are primarily valued on an open market basis with reference to sales evidence as available in the market in the property valuation report an extract of which is set out in Appendix II to this Explanatory Statement. These comprise scattered lots in eight separate locations in the New Territories and not all the lots in any one of the eight locations are physically adjacent to each other. Accordingly, the RDC Directors believe that it will be necessary to acquire additional lots before being able to develop any of the locations as a commercially feasible development. There is no certainty as to the timescale within which this could be achieved or the cost of doing so. In addition, as the land is zoned as farm land, it would be necessary to obtain consent for a change in land use, and pay the requisite land premium, before they could be developed. Given the costs and procedures involved and the present state of the residential property market in the New Territories, RDC has no plan to develop these lots in the foreseeable future.

- Unsold units/carparks in Hong Kong:

— My Loft	57,160 sq. ft / 41 units + 25 car park spaces
— Palm Cove	61,808 sq. ft / 65 units + 390 car park spaces
— Forest Hill	10,728 sq. ft / 5 units + 5 car park spaces
— The Astrid	17,717 sq. ft / 15 units + 27 car park spaces
— Parc Regal	1,325 sq. ft / 1 unit + 2 car park spaces
— The Regalia	6,435 sq. ft / 5 units + 36 car park spaces (+ 4 car park spaces which are jointly owned)
— Parc Oasis I & III	525 car park spaces
— Parc Oasis II (attributable interest of 50%)	128 car park spaces
— Fortress Garden	2 car park spaces
— Bailey Garden	10,472 sq. ft shop / 7 units + 118 car park spaces
— Parc Royale (attributable interest of 44%)	361 car park spaces

EXPLANATORY STATEMENT

- Quoted investments in Hong Kong and Singapore as at the Latest Practicable Date:
 - The Wharf (Holdings) Limited, which is a member of the Wheelock Group - approximately 1.3% interest in its issued share capital with a market value of approximately HK\$523.6 million
 - Other quoted investments - aggregate market value of approximately HK\$567.5 million

Financial information

A summary of the consolidated results of RDC for the year ended 31st March, 2002, and for the period of six months ended 30th September, 2002, is set out below:

	Unaudited for the 6 months ended 30th September, 2002	Audited for the year ended 31st March, 2002
	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	505.9	503.6
Operating profit	92.7	179.7
Loss before taxation	(346.5)	(72.3)
Loss after taxation but before minority interests	(352.8)	(81.2)
Loss attributable to RDC Shareholders	<u>(352.9)</u>	<u>(81.3)</u>

Net asset value

The NAV of RDC as at 30th September, 2002 was approximately HK\$4,970.4 million, or approximately HK\$4.32 per RDC Share, based on 1,151,389,640 RDC Shares in issue as at that date. The NAV was determined after a downward revaluation of the RDC Group's properties and long-term investments as set out in the interim results set out in Section 3 of Appendix I to this Explanatory Statement.

The Adjusted NAV was approximately HK\$4,535.7 million, or approximately HK\$3.94 per RDC Share based on 1,151,389,640 RDC Shares in issue as at that date. Details of the Adjusted NAV are set out in Section 7 of Appendix I to this Explanatory Statement.

Dividends

The interim dividend of HK\$0.03 per RDC Share in respect of the six month period ended 30th September, 2002 was paid on 23rd January, 2003 to those RDC Shareholders whose names appeared on the Register on 10th January, 2003. Payment of such interim dividend is not dependent on the result of the Proposal or the Scheme.

EXPLANATORY STATEMENT

Liquidity and financial resources

At 30th September, 2002, the RDC Group's shareholders' funds totalled HK\$4,970.4 million or approximately HK\$4.32 per RDC Share, decreasing from HK\$5,974.6 million or approximately HK\$5.19 per RDC Share at 31st March, 2002 mainly due to the downward revaluation of the RDC Group's properties and long-term investments.

At 30th September, 2002, the RDC Group's net debt amounted to HK\$52.3 million, representing total debts of HK\$476.0 million less deposits and cash of HK\$423.7 million, which is a decrease of HK\$403.9 million as compared to HK\$456.2 million at 31st March, 2002. Accordingly, at 30th September, 2002 the RDC Group's net debt represented 0.9% (31st March, 2002: 6.9%) of its total assets. The decrease in the RDC Group's net debt was mainly due to net cash generated from operating activities and proceeds from disposal of certain long term investments during the six month period ended 30th September, 2002.

FUTURE INTENTIONS

NART does not intend to dispose of its interest in RDC, nor does it intend to discontinue any of the RDC Group's businesses following the implementation of the Proposal. It is the intention of NART to maintain the existing businesses of the RDC Group upon implementation of the Proposal.

The RDC Directors have confirmed that, upon the privatisation of RDC, they do not intend to make any significant changes to the existing businesses or make any significant disposals of the assets or the associated companies of RDC in the near future, or make any significant redeployment of its fixed assets, other than in the ordinary course of business.

Whether or not the Proposal is implemented, the RDC Directors do not have any intention to make any significant changes to the existing employment of the staff of the RDC Group.

The RDC Directors intend that the Listing will be withdrawn if the Scheme is implemented and be maintained in the event that the Scheme is not approved or is withdrawn or lapses.

INFORMATION RELATING TO THE INTERESTS OF THE EXCLUDED PARTIES

NART is beneficially interested in 505,473,223 RDC Shares, representing approximately 43.90% of the issued share capital of RDC. In addition, NART's indirectly wholly owned subsidiary, Pomeroy, is beneficially interested in 328,400,050 RDC Shares representing approximately 28.52% of the issued capital of RDC. These two blocks of RDC Shares, which in aggregate represent approximately 72.42% of the issued capital of RDC, will not be entitled to vote at the Court Meeting as they will not form part of the Scheme Shares. Furthermore, Frexon, which is a member of the Wheelock Group, holds 20,067,506 RDC Shares representing approximately 1.75% of the issued capital of RDC. Frexon is deemed under the Takeovers Code to be acting in concert with NART and Pomeroy and, in view of the interests of NART in the Proposal, Frexon will abstain from voting on the Scheme at the Court Meeting notwithstanding that the RDC Shares held by Frexon form part of the Scheme Shares which

EXPLANATORY STATEMENT

will be cancelled. However, each of NART, Pomeroy and Frexon will be represented and will vote at the Extraordinary General Meeting to approve and give effect to the Scheme and it is their respective intentions that the RDC Shares held by them be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting.

INTERESTS OF THE RDC DIRECTORS IN THE SCHEME AND EFFECTS THEREON

For the purposes of Section 166A(1) of the Companies Ordinance, the RDC Board confirms that none of the RDC Directors is a creditor of RDC or has any interest in RDC Shares. Accordingly, the Scheme will have no effect on the RDC Directors, whether as such directors or otherwise.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all of the Scheme Shares will be cancelled and extinguished and all of the certificates representing the Scheme Shares will, accordingly, cease to have effect as documents or evidence of title save for the untraceable holders of Scheme Shares for the purpose of establishing to the Trustee in accordance with the terms of the Trust Deed their entitlements under the Scheme as explained in Section 3 of Appendix III to this Explanatory Statement.

RDC will apply to the Stock Exchange for the withdrawal of the Listing immediately following the Effective Date, which is expected to take place on Wednesday, 19th March, 2003. In such event, the Listing is expected to be withdrawn on the same day, Wednesday, 19th March, 2003.

The holders of Scheme Shares will be notified of the exact dates on which the Scheme and the withdrawal of the Listing become effective by press announcements.

If the Scheme is not approved or is withdrawn or lapses, it is intended that the Listing will be maintained.

REGISTRATION AND PAYMENT

If the Scheme becomes effective, cheques for the Cancellation Price will be sent to the holders of Scheme Shares whose names must appear on the Register at the Record Time. Such cheques will be posted within ten days after the Effective Date.

It is proposed to close the Register immediately after 4.00 p.m. on Monday, 17th March, 2003, or such other date as may be notified to the Minority Shareholders by press announcements, in order to establish entitlements to the Cancellation Price under the Scheme. The Minority Shareholders or their successors in title should ensure that their RDC Shares are registered or lodged for registration in their names or in the names of their nominees by 4:00 p.m. on Friday, 14th March, 2003. The Registrar of RDC is Tengis Limited whose address is situate at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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Assuming that the Scheme becomes effective on Wednesday, 19th March, 2003, cheques for the Cancellation Price are expected to be despatched to the holders of Scheme Shares or persons nominated by them on or before Friday, 28th March, 2003. As provided in the Scheme, on or after the day being six calendar months after the posting of such cheques, NART shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in RDC's name with a licensed bank in Hong Kong selected by RDC. RDC shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums, together with interest thereon in accordance with Clause 3(d) of the Scheme, to persons who satisfy RDC that they are entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, NART shall be released from any further obligation to make any payments under the Scheme and RDC shall thereafter transfer to NART the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

In the absence of any specific instructions to the contrary received in writing by the Registrar, cheques will be sent to the holders of Scheme Shares (other than the untraceable holders of Scheme Shares) whose names appear on the Register at the Record Time at their respective addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and neither NART nor RDC will be liable for any loss or delay in transmission.

OVERSEAS HOLDERS OF SCHEME SHARES

As a result of the Proposal, those Minority Shareholders who are not resident in Hong Kong may be subject to the laws of other jurisdictions. Such Minority Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of those Minority Shareholders not resident in Hong Kong to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental approval, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

UNTRACEABLE HOLDERS OF SCHEME SHARES

Under the Scheme, the Cancellation Price which would otherwise be payable to the holders of Scheme Shares who are untraceable will be paid to the Trustee to be held on trust for such persons; for this purpose a holder of Scheme Shares will be deemed to be untraceable if (i) he has no registered address appearing on the Register at the Record Time or (ii) on the last three consecutive occasions prior to the posting date of this document on which a dividend has been paid by RDC a cheque for the cash dividend payable to such holder of Scheme Shares (or other person entitled) either (a) has been sent to such holder of Scheme Shares (or other person entitled) and has been returned undelivered or, in the case of such a cheque, has

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not been cashed or (b) has not been sent to such holder of Scheme Shares (or other person entitled) because on an earlier occasion a cheque for a dividend so payable has been returned undelivered, and in such case no valid claim in respect thereof has been communicated in writing to the Registrar. The Trustee will hold the Cancellation Price on the terms of the Trust Deed, a summary of which is set out in Appendix III to this document, until the expiration of 12 years after the Effective Date during which time any persons entitled thereto may claim such monies. During this period, the Cancellation Price remaining unclaimed or such part thereof may be invested by the Trustee in short term securities including debt obligations and certificates of deposit and bank deposits and all persons entitled thereto may claim such monies from the Trustee including interest less any costs, tax and other deductions required by law and expenses. On the expiration of 12 years after the Effective Date, the Trustee, at the expense of NART, will transfer to NART or NART's nominee(s) the balance of the trust assets in respect of which claims have not been made and accepted. There will be no right to obtain payment thereafter.

TAXATION

The Minority Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Price would make such Minority Shareholders liable to taxation in Hong Kong or in other jurisdictions.

MEETINGS

The High Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. In so far as the statutory requirement for the sanction of the Scheme by the High Court is concerned, a resolution for the approval of the Scheme will be deemed to have been passed if a majority in number representing three-fourths in value of the RDC Shares held by the Minority Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme.

Under Rule 2.10 of the Takeovers Code, however, such a resolution will only be considered to have been passed if (i) the Scheme is approved by at least 75% of the votes attaching to the RDC Shares of the Independent Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the RDC Shares held by all of the Independent Minority Shareholders. Based on 297,448,861 RDC Shares presently held by the Independent Minority Shareholders, 10% of such RDC Shares amounted to 29,744,886 RDC Shares.

Immediately following the Court Meeting, the Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme.

EXPLANATORY STATEMENT

As stated above, NART and Pomeroy are interested in an aggregate of 833,873,273 RDC Shares, representing approximately 72.42% of the issued share capital of RDC. Such RDC Shares will not form part of the Scheme Shares and as such will not be entitled to vote at the Court Meeting although both NART and Pomeroy will undertake to the High Court to be bound by the Scheme. Furthermore Frexon, which is a member of the Wheelock Group, holds 20,067,506 RDC Shares representing approximately 1.75% of the issued share capital of RDC. Frexon is deemed under the Takeovers Code to be acting in concert with NART and Pomeroy and, in view of the interests of NART in the Proposal, Frexon will abstain from voting on the Scheme at the Court Meeting. However, each of NART, Pomeroy and Frexon will be represented and will vote at the Extraordinary General Meeting to approve and give effect to the Scheme and it is their respective intentions that the RDC Shares held by them be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting.

Notices of the Meetings are set out on pages 128 to 131 of this document. The Meetings will be held on Friday, 21st February, 2003 at the respective times specified in such notices in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong.

ACTION TO BE TAKEN BY THE INDEPENDENT MINORITY SHAREHOLDERS AND THE RDC SHAREHOLDERS

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not they are able to attend any of the Meetings in person, the Independent Minority Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the RDC Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to deposit them with the Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible, but in any case not later than the following respective times:

- (a) in the case of the pink form of proxy for use at the Court Meeting, the Independent Minority Shareholders are requested to deposit this form of proxy not later than 9:15 a.m. on Wednesday, 19th February, 2003, but if it is not so deposited, it may be handed to the Chairman of the Court Meeting at the Court Meeting; and
- (b) in order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be deposited by the RDC Shareholders not later than 9:30 a.m. on Wednesday, 19th February, 2003.

A self-addressed, pre-paid envelope is enclosed for your convenience for returning by post (from within Hong Kong only) your completed forms of proxy. The completion and return

EXPLANATORY STATEMENT

of a form of proxy for any of the Meetings will not preclude you from attending the relevant Meeting and voting in person if you so wish. In the event that you attend a Meeting after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

For the purpose of determining the entitlements of the Independent Minority Shareholders to attend and vote at the Court Meeting and the RDC Shareholders to attend and vote at the Extraordinary General Meeting, the Register will be closed from Wednesday, 19th February, 2003 to Friday, 21st February, 2003 (both dates inclusive). During such period no transfer of RDC Shares will be effected. In order to qualify to vote at the Court Meeting or the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be deposited with the Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 18th February, 2003.

Assuming that the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Wednesday, 19th March, 2003. Further press announcements will be made giving details of the results of the Meetings and, if all the resolutions are passed at the Meetings, the last day for dealing in the RDC Shares, the Record Time, the result of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of the withdrawal of the Listing.

FURTHER INFORMATION

Further information in relation to the Proposal is set out in the Appendices to this document, all of which form part of this Explanatory Statement.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results of the RDC Group for each of the last three financial years ended 31st March:

	2002	2001	2000
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	503.6	445.4	525.1
Profit from operations	179.7	488.3	414.0
(Loss)/profit before taxation	(72.3)	78.2	325.0
Taxation	(8.9)	(15.3)	(165.9)
(Loss)/profit after taxation but before minority interests	(81.2)	62.9	159.1
Minority interests	(0.1)	(0.3)	(0.2)
(Loss)/profit for the year attributable to the RDC Shareholders	(81.3)	62.6	158.9
Dividends	(103.6)	(103.6)	(103.6)
(Loss)/earnings per RDC Share (HK\$ cents)	(7.1)	5.4	13.8
Dividend per RDC Share (HK\$ cents)	9.0	9.0	9.0

2. AUDITED CONSOLIDATED ACCOUNTS OF THE RDC GROUP FOR THE YEAR ENDED 31ST MARCH, 2002

The information in this Section 2 has been extracted from the audited consolidated accounts of the RDC Group for the year ended 31st March, 2002. For the purpose of this Section 2, the following expressions correspond with the definitions of this document respectively set opposite them:

“Company”	RDC
“Director(s)”	RDC Director(s)
“Group”	RDC Group
“shares” or “ordinary shares”	RDC Shares
“shareholders”	RDC Shareholders



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

To the shareholders of Realty Development Corporation Limited
(*incorporated in Hong Kong with limited liability*)

We have audited the accounts on pages 57 to 86 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2002 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

Hong Kong, 7th June, 2002

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2002

	Note	2002 HK\$ million	2001 HK\$ million
Turnover	3	503.6	445.4
Other net (loss)/income	4	<u>(37.4)</u>	<u>192.2</u>
		466.2	637.6
Direct costs and operating expenses		(249.9)	(113.2)
Selling and marketing expenses		(15.6)	(7.2)
Administrative and corporate expenses		<u>(21.0)</u>	<u>(28.9)</u>
Operating profit	3	179.7	488.3
Borrowing costs	5	(34.0)	(87.1)
Provision for impairment in value of properties		(217.8)	(338.7)
Share of profits less losses of associates		<u>(0.2)</u>	<u>15.7</u>
(Loss)/profit before taxation		(72.3)	78.2
Taxation	6	<u>(8.9)</u>	<u>(15.3)</u>
(Loss)/profit after taxation		(81.2)	62.9
Minority interests		<u>(0.1)</u>	<u>(0.3)</u>
(Loss)/profit attributable to shareholders	7	<u>(81.3)</u>	<u>62.6</u>
Dividends attributable to the year	8		
Interim dividend declared during the year		34.5	34.5
Final dividend proposed after the balance sheet date		<u>69.1</u>	<u>69.1</u>
		<u>103.6</u>	<u>103.6</u>
(Loss)/earnings per share	9	<u>(7.1) cents</u>	<u>5.4 cents</u>

The notes on pages 64 to 86 form part of these accounts.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

CONSOLIDATED BALANCE SHEET

At 31st March, 2002

	<i>Note</i>	2002 <i>HK\$ million</i>	2001 (Restated) <i>HK\$ million</i>
Non-current assets			
Investment properties	11	2,059.0	2,146.5
Associates	13	1,278.9	1,551.1
Long-term investments	14	1,547.4	1,788.8
Deferred debtors	15	43.9	57.4
		<u>4,929.2</u>	<u>5,543.8</u>
Current assets			
Properties under development for sale	16	1,243.3	1,290.5
Properties held for sale	16	332.6	550.6
Trade and other receivables	17	61.6	155.4
Bank balances and deposits		19.8	19.0
		<u>1,657.3</u>	<u>2,015.5</u>
Current liabilities			
Bank loans and overdrafts	18	—	163.0
Amounts due to fellow subsidiaries		1.1	5.5
Trade and other payables	19	125.3	159.3
Taxation		4.0	8.8
		<u>130.4</u>	<u>336.6</u>
Net current assets		<u>1,526.9</u>	<u>1,678.9</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,456.1</u>	<u>7,222.7</u>
Capital and reserves			
Share capital	20	230.3	230.3
Reserves	21	5,744.3	6,241.0
		<u>5,974.6</u>	<u>6,471.3</u>
Minority interests		5.5	5.4
Non-current liabilities			
Long-term bank loans	22	476.0	746.0
TOTAL EQUITY AND NON-CURRENT LIABILITIES		<u>6,456.1</u>	<u>7,222.7</u>

The notes on pages 64 to 86 form part of these accounts.

John T. Hung
Chairman

T. Y. Ng
Director

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

COMPANY BALANCE SHEET*At 31st March, 2002*

	<i>Note</i>	2002 <i>HK\$ million</i>	2001 (Restated) <i>HK\$ million</i>
Non-current assets			
Subsidiaries	12	2,010.7	1,968.5
Associates	13	<u>(0.8)</u>	<u>(0.8)</u>
		2,009.9	1,967.7
Current assets			
Properties held for sale		0.1	0.1
Trade and other receivables		0.1	0.1
Bank balances and deposits		<u>3.9</u>	<u>0.1</u>
		<u>4.1</u>	<u>0.3</u>
Current liabilities			
Trade and other payables		<u>41.9</u>	<u>42.6</u>
Net current liabilities		<u>(37.8)</u>	<u>(42.3)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,972.1</u>	<u>1,925.4</u>
Capital and reserves			
Share capital	20	230.3	230.3
Reserves	21	<u>1,741.8</u>	<u>1,695.1</u>
TOTAL EQUITY		<u>1,972.1</u>	<u>1,925.4</u>

The notes on pages 64 to 86 form part of these accounts.

John T. Hung*Chairman***T. Y. Ng***Director*

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES*For the year ended 31st March, 2002*

	<i>Note</i>	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Deficit on revaluation of investment properties	21(a)	(85.1)	(368.9)
(Deficit)/surplus on revaluation of non-trading securities	21(a)	<u>(223.7)</u>	<u>263.8</u>
Net losses not recognised in the profit and loss account		(308.8)	(105.1)
(Loss)/profit attributable to shareholders		(81.3)	62.6
Reserves transferred to the profit and loss account on disposal of:	21(a)		
Non-trading securities		—	(73.7)
Investment properties		(3.0)	—
Net provision for non-trading securities written back	21(a)	<u>—</u>	<u>(11.0)</u>
Total recognised losses		<u><u>(393.1)</u></u>	<u><u>(127.2)</u></u>

The notes on pages 64 to 86 form part of these accounts.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st March, 2002*

	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Net cash inflow from operating activities (Note a)	192.6	8.7
Returns on investments and servicing of finance		
Interest received	47.1	100.4
Interest paid	(27.3)	(83.9)
Dividends received from listed securities	79.9	66.9
Dividends received from an associate	1.1	3.9
Dividends paid to shareholders	<u>(103.6)</u>	<u>(103.6)</u>
 Net cash outflow from returns on investments and servicing of finance	 (2.8)	 (16.3)
Taxation		
Hong Kong profits tax paid	(12.3)	(5.3)
Tax refunded	<u>—</u>	<u>60.5</u>
 Tax (paid)/refunded	 (12.3)	 55.2
Investing activities		
Proceeds from disposals of non-trading securities	398.5	1,296.7
Proceeds on disposals of investment properties	2.5	—
Purchase of non-trading securities	(410.5)	(951.6)
Purchase of associates	—	(31.3)
Additions to investment properties	(1.0)	(6.4)
Decrease/(increase) in net amount due from associates	<u>266.8</u>	<u>(382.5)</u>
 Net cash inflow/(outflow) from investing activities	 <u>256.3</u>	 <u>(75.1)</u>
 Net cash inflow/(outflow) before financing	 433.8	 (27.5)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Financing (Note b)		
Net (repayment)/drawdown of long term bank loans	(270.0)	776.0
Net repayment of short-term bank loans	<u>(30.0)</u>	<u>(598.0)</u>
Net cash (outflow)/inflow from financing	<u>(300.0)</u>	<u>178.0</u>
Increase in cash and cash equivalents	133.8	150.5
Cash and cash equivalents at 1st April	<u>(114.0)</u>	<u>(264.5)</u>
Cash and cash equivalents at 31st March	<u><u>19.8</u></u>	<u><u>(114.0)</u></u>
Analysis of the balances of cash and cash equivalents at 31st March		
Bank balances and deposits maturing within three months	19.8	19.0
Bank loans and overdrafts due within three months	<u>—</u>	<u>(133.0)</u>
	<u><u>19.8</u></u>	<u><u>(114.0)</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

Notes to the consolidated cash flow statement

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
(Loss)/profit before taxation	(72.3)	78.2
Share of profits less losses of associates	0.2	(15.7)
Interest income	(46.9)	(93.6)
Interest expenses	27.6	83.0
Dividend income from listed securities	(74.2)	(85.7)
Net loss/(profit) on disposal of non-trading securities	32.4	(181.2)
Provision for impairment in value of properties	217.8	338.7
Net provision for non-trading securities written back	—	(11.0)
Profit on disposal of investment properties	(2.1)	—
Decrease in deferred debtors	13.5	33.6
Increase in properties under development for sale	(155.0)	(117.8)
Decrease in properties held for sale	202.4	108.1
Decrease/(increase) in trade and other receivables	87.9	(102.5)
Decrease in amounts due to fellow subsidiaries	(4.4)	(12.3)
Decrease in trade and other payables	(34.3)	(13.1)
	<u>192.6</u>	<u>8.7</u>
Net cash inflow from operating activities	<u>192.6</u>	<u>8.7</u>

(b) Analysis of changes in financing

	Long-term bank loans <i>HK\$ million</i>	Short-term bank loans <i>HK\$ million</i>	Minority interests <i>HK\$ million</i>
Balance at 1st April, 2000	—	598.0	5.1
Cash inflow/(outflow) related to financing	776.0	(598.0)	—
Minority interests' share of reserves	—	—	0.3
Reclassification	(30.0)	30.0	—
	<u>746.0</u>	<u>30.0</u>	<u>5.4</u>
Balance at 31st March, 2001 and 1st April, 2001	746.0	30.0	5.4
Cash outflow related to financing	(270.0)	(30.0)	—
Minority interests' share of reserves	—	—	0.1
	<u>476.0</u>	<u>—</u>	<u>5.5</u>
Balance at 31st March, 2002	<u>476.0</u>	<u>—</u>	<u>5.5</u>

NOTES TO THE ACCOUNTS**1. PRINCIPAL ACCOUNTING POLICIES****(a) Statement of compliance**

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation**(i) Subsidiaries and controlled companies**

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the same way as for investments in securities.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(f)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities.

(ii) Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case it is stated at fair value with changes in fair value recognised in the same way as for investments in securities. The profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(c)(iii).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the profit and loss account.

(iii) *Goodwill/negative goodwill*

Goodwill is recognised as an asset and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

On disposal of a controlled subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit and loss on disposal.

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the profit and loss account.

(d) **Properties**

(i) *Investment properties*

Investment properties are defined as properties which are income producing and intended to be held for the long term, and such properties are included in the balance sheet at their open market value, on the basis of an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserves. If the total of these reserves is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. When a surplus arises on subsequent revaluation on a portfolio basis, it will be credited to the profit and loss account if and to the extent that a deficit on revaluation had previously been charged to the profit and loss account.

On disposal of investment properties, the revaluation surplus or deficit previously taken to the investment property revaluation reserves is included in calculating the profit or loss on disposal.

(ii) *Properties under development for sale*

Properties under development for sale are classified under current assets and stated at the lower of specifically identified cost, including capitalised borrowing costs plus attributable profit, and net realisable value. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds in respect of the units sold.

Borrowing costs on loans relating to properties under development for sale are capitalised up to the date of practical completion of development.

(iii) *Properties held for sale*

Properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

(e) **Depreciation**

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each property at the date of valuation. Investment properties held on leases with an unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

(f) **Impairment of assets**

The carrying amounts of assets, other than properties carried at revalued amounts, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the profit and loss account.

(i) *Recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use.

(ii) *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(g) **Investments in securities**

- (i) Non-trading securities are classified as long-term investments and stated in the balance sheet at fair value. Change in fair value are recognised in the investment revaluation reserves until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative surplus or deficit is transferred from the investment revaluation reserves to the profit and loss account.

Transfers from the investment revaluation reserves to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of non-trading securities are determined as the difference between the net disposal proceeds and the carrying amount of the securities and are recognised in the profit and loss account as they arise. On disposal of non-trading securities, the relevant revaluation surplus or deficit previously taken to the investment revaluation reserves is also transferred to the profit and loss account for the year.

- (ii) Trading securities are classified as short-term investment under current assets and stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(h) **Foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries and associates which are dealt with in capital reserves. On disposal of an overseas subsidiary and associate, the cumulative amount of the exchange difference which related to that overseas subsidiary and associate is included in the calculation of the profit and loss on disposal. Gains or losses on outstanding forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account.

(i) **Assets held for use in operating leases**

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(e) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(j)(i) below.

(j) **Recognition of revenue**

(i) Rental income under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Income from sale of completed property is recognised upon signing of the sale and purchase agreement and income from pre-sale of property under development for sale is recognised over the course of development (see note 1(d)(ii)).

(iii) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

(k) **Deferred taxation**

Deferred taxation is calculated at the current tax rate under the liability method in respect of the taxation effect arising from all material timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

(l) **Borrowing costs**

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(m) **Related parties**

For the purposes of these accounts, a party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(n) **Provisions**

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products, or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate and financing expenses.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

2. SEGMENT INFORMATION

(a) Business segments

(i) Revenue and results

	Segment Revenue		Segment Results	
	2002	2001	2002	2001
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property development	239.8	130.2	11.6	51.3
Property investment	142.7	135.9	102.5	89.9
Investment and others	<u>121.1</u>	<u>179.3</u>	<u>78.7</u>	<u>361.3</u>
	<u>503.6</u>	<u>445.4</u>	192.8	502.5
Unallocated expenses			<u>(13.1)</u>	<u>(14.2)</u>
Operating profit			179.7	488.3
Borrowing costs			(34.0)	(87.1)
Provision for impairment in value of properties			(217.8)	(338.7)
Associates				
Property development			(1.3)	13.4
Investment and others			<u>1.1</u>	<u>2.3</u>
(Loss)/profit before taxation			<u>(72.3)</u>	<u>78.2</u>

(ii) Assets and liabilities

	Assets		Liabilities	
	2002	2001	2002	2001
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property development	2,861.8	3,487.1	85.7	92.1
Property investment	2,059.0	2,146.5	29.0	27.0
Investment and others	<u>1,645.9</u>	<u>1,906.7</u>	<u>10.6</u>	<u>40.2</u>
Segment assets and liabilities	6,566.7	7,540.3	125.3	159.3
Unallocated items	<u>19.8</u>	<u>19.0</u>	<u>481.1</u>	<u>923.3</u>
Total assets and liabilities	<u>6,586.5</u>	<u>7,559.3</u>	<u>606.4</u>	<u>1,082.6</u>

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate and financing expenses.

The Group has no significant capital expenditure and depreciation and amortisation.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

(b) Geographical segments

(i) Revenue and results

	Segment Revenue		Segment Results	
	2002	2001	2002	2001
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	468.8	394.0	163.6	260.5
Singapore	<u>34.8</u>	<u>51.4</u>	<u>16.1</u>	<u>227.8</u>
	<u>503.6</u>	<u>445.4</u>	<u>179.7</u>	<u>488.3</u>

(ii) Assets and liabilities

During the year, more than 90 per cent of the assets and liabilities of the Group in terms of the above items was in Hong Kong.

3. TURNOVER AND OPERATING PROFIT

(a) Turnover

The principal activities of the Group are property development, property investment, treasury management and investment holding. An analysis of the Group's turnover is as follows:

	2002	2001
	HK\$ million	HK\$ million
Property development	239.8	130.2
Property investment	142.7	135.9
Investment and others	<u>121.1</u>	<u>179.3</u>
	<u>503.6</u>	<u>445.4</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

(b) Operating profit

	Group	
	2002	2001
	HK\$ million	HK\$ million
Operating profit is arrived at:		
after charging:		
Cost of properties sold	208.6	71.0
Auditors' remuneration	<u>0.8</u>	<u>0.9</u>
after crediting:		
Rental income from operating leases less outgoings (included in the rental income above is gross rental income from investment properties of HK\$132.9 million (2001: HK\$125.5 million) of which HK\$5.4 million (2001: HK\$6.3 million) is contingent rentals)	104.2	96.1
Interest income from deposits and advances	46.9	93.6
Dividend income from listed securities	<u>74.2</u>	<u>85.7</u>

(c) Directors' emoluments

	Group	
	2002	2001
	HK\$ million	HK\$ million
Fees	0.1	0.1
Salaries and other benefits	—	—
Retirement scheme contributions	—	—
Discretionary bonuses and/or performance-related bonuses	—	—
Compensation for loss of office	—	—
Inducement for joining the Group	<u>—</u>	<u>—</u>

For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK\$40,000 (2001: HK\$40,000), being wholly in the form of Directors' fees, were paid/payable to independent non-executive Directors of the Company.

The aggregate emoluments paid or payable by the Company and/or its subsidiaries for the two financial years ended 31st March, 2002 and 31st March, 2001 in respect of each of the persons who was a Director of the Company at anytime during the years amounted to less than HK\$1,000,000.

(d) Five highest paid employees

The Group has no employees and the Group's management services are provided by the General Managers under the agreements mentioned in the section headed "Management Contracts" in the Report of the Directors.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

4. OTHER NET (LOSS)/INCOME

	Group	
	2002	2001
	HK\$ million	HK\$ million
Net (loss)/profit on disposal of non-trading securities	(32.4)	181.2
Net provision for non-trading securities written back	—	11.0
Others	<u>(5.0)</u>	<u>—</u>
	<u><u>(37.4)</u></u>	<u><u>192.2</u></u>

Included in the net profit on disposal of non-trading securities for the year ended 31st March, 2001 is a net surplus of HK\$73.7 million transferred from the investment revaluation reserves.

5. BORROWING COSTS

	Group	
	2002	2001
	HK\$ million	HK\$ million
Interest payable on:		
Bank loans and overdrafts	27.6	75.7
Other loans repayable within 5 years	<u>—</u>	<u>7.3</u>
	27.6	83.0
Other borrowing costs	<u>6.4</u>	<u>4.1</u>
	<u><u>34.0</u></u>	<u><u>87.1</u></u>

6. TAXATION

The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16% (2001: 16%). The taxation charge is made up as follows:

	Group	
	2002	2001
	HK\$ million	HK\$ million
Company and subsidiaries		
Hong Kong profits tax for the year	7.5	13.6
Associates		
Hong Kong profits tax for the year	<u>1.4</u>	<u>1.7</u>
	<u><u>8.9</u></u>	<u><u>15.3</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

There are no timing differences which would give rise to a material provision for deferred taxation in the Company and its subsidiaries.

7. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(Loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$150.3 million (2001: HK\$150.4 million).

8. DIVIDENDS

(a) Dividends attributable to the year

	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Interim dividend declared and paid of 3.0 cents (2001: 3.0 cents) per share	34.5	34.5
Final dividend proposed after the balance sheet date of 6.0 cents (2001: 6.0 cents) per share	<u>69.1</u>	<u>69.1</u>
	<u>103.6</u>	<u>103.6</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of 6.0 cents (2001: 6.0 cents) per share	<u>69.1</u>	<u>69.1</u>

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year of HK\$81.3 million (2001: profit of HK\$62.6 million) and 1,151.4 million ordinary shares in issue throughout the two financial years ended 31st March, 2002.

10. CHANGES IN ACCOUNTING POLICIES

(a) Proposed dividends

In prior years, dividends proposed after the balance sheet date were accrued as liabilities at the balance sheet date. With effect from 1st April, 2001, dividends proposed after the balance sheet date are not recognised as a liability in the accounting period to which they relate in accordance with the revised SSAP

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

9 “Events after the balance sheet date” issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years’ figures, shareholders’ funds as at 1st April, 2001, were restated and increased by HK\$69.1 million (1st April, 2000: HK\$69.1 million) representing the proposed final dividend for the year ended 31st March, 2001.

As a result of the adoption of SSAP 9 and restating the prior years’ reserves, the Group’s shareholders’ funds at 31st March, 2002 have increased by HK\$69.1 million (2001: HK\$69.1 million).

(b) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment pricing is based on similar terms as those available to other external parties.

In Note 2 to the accounts, the Group has disclosed segment revenue and results as defined under SSAP 26 “Segment reporting” issued by the Hong Kong Society of Accountants. In accordance with the Group’s internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

11. INVESTMENT PROPERTIES

	Long leasehold investment properties in Hong Kong <i>HK\$ million</i>
Group	
At valuation	
At 1st April, 2001	2,146.5
Additions	1.0
Disposals	(3.4)
Revaluation deficit	<u>(85.1)</u>
At 31st March, 2002	<u>2,059.0</u>
At 31st March, 2001	<u>2,146.5</u>
 (a) The analysis of valuation of investment properties is as follows:	
Valuation at 31st March, 2002	<u>2,059.0</u>
Valuation at 31st March, 2001	<u>2,146.5</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

(b) Properties revaluation

The Group's investment properties have been revalued as at 31st March, 2002 by Harriman Realty Company, Limited, a fellow subsidiary engaged in professional valuation, on an open market value basis, after taking into consideration the net income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus or deficit arising on revaluation is dealt with in the investment property revaluation reserves.

- (c) The gross amounts of fixed assets of the Group held for use in operating leases is HK\$2,059.0 million (2001: HK\$2,146.5 million).
- (d) The Group leases out properties under operating leases, which generally run for an initial period of two to five years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.
- (e) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	Group	
	2002	2001
	HK\$ million	HK\$ million
Within 1 year	106.5	90.5
After 1 year but within 5 years	117.5	157.9
After 5 years	<u>7.2</u>	<u>11.1</u>
	<u>231.2</u>	<u>259.5</u>

12. SUBSIDIARIES

	Company	
	2002	2001
	HK\$ million	HK\$ million
Unlisted shares, at cost	1,469.7	1,469.7
Amounts due from subsidiaries	<u>541.0</u>	<u>498.8</u>
	<u>2,010.7</u>	<u>1,968.5</u>

Details of principal subsidiaries at 31st March, 2002 are shown on page 86.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

13. ASSOCIATES

	Group		Company	
	2002	2001	2002	2001
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Unlisted shares, at cost	—	—	0.5	0.5
Share of net assets	<u>64.1</u>	<u>69.5</u>	<u>—</u>	<u>—</u>
	64.1	69.5	0.5	0.5
Amounts due from associates	1,225.9	1,492.7	—	—
Amounts due to associates	<u>(11.1)</u>	<u>(11.1)</u>	<u>(1.3)</u>	<u>(1.3)</u>
	<u>1,278.9</u>	<u>1,551.1</u>	<u>(0.8)</u>	<u>(0.8)</u>

(a) Included in the amounts due from associates is a loan of HK\$901.9 million (2001: HK\$1,181.4 million) advanced to an associate for a property development project. The loan bears interest at rates determined by shareholders of the associate with reference to prevailing market rates which were between 3.5% and 7.1% for the current year (2001: 6.7% to 8.2%). Interest income in respect of loans to the associate for the year ended 31st March, 2002 amounted to HK\$50.9 million (2001: HK\$81.6 million). The loan is unsecured and has no fixed terms of repayment.

(b) The following supplementary financial information is disclosed relating to a significant associate of the Group, Hopfield Holdings Limited:

	2002	2001
	<i>HK\$ million</i>	<i>HK\$ million</i>
Consolidated balance sheet		
Current assets	8,387.8	6,009.7
Current liabilities	(3,237.4)	(102.7)
Non-current liabilities	<u>(5,113.7)</u>	<u>(5,907.0)</u>
Consolidated profit and loss account		
Turnover	1,760.6	—
Profit for the year	<u>36.7</u>	<u>—</u>

Details of principal associates at 31st March, 2002 are shown on page 86.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

14. LONG-TERM INVESTMENTS

	Group	
	2002	2001
	HK\$ million	HK\$ million
Non-trading equity securities, at market value		
Listed in Hong Kong	957.3	1,055.4
Listed outside Hong Kong	<u>590.1</u>	<u>733.4</u>
	<u>1,547.4</u>	<u>1,788.8</u>

15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

16. PROPERTIES UNDER DEVELOPMENT FOR SALE AND HELD FOR SALE

- (a) The amount of properties under development for sale/held for sale carried at net realisable value is HK\$1,356.3 million (2001: HK\$1,021.6 million).
- (b) Properties under development for sale in the amount of HK\$681.3 million (2001: HK\$1,290.5 million) are expected to be completed after more than one year.
- (c) Properties under development for sale with a carrying value of HK\$433.0 million (2001: HK\$Nil) have been pledged as security for banking facilities made available to the Group.

17. TRADE AND OTHER RECEIVABLES

The Group maintains defined credit policies for its businesses and trade debtors are closely monitored in order to control the credit risk associated with trade debtors.

Included in trade and other receivables are trade debtors with an ageing analysis as at 31st March, 2002 as follows:

	Group	
	2002	2001
	HK\$ million	HK\$ million
Current	13.1	15.2
31-60 days	0.2	0.2
61-90 days	0.2	0.2
Over 90 days	<u>0.9</u>	<u>0.4</u>
	<u>14.4</u>	<u>16.0</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

18. BANK LOANS AND OVERDRAFTS

	Group	
	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Bank loans and overdrafts		
Secured	—	133.0
Unsecured	—	—
	<u>—</u>	<u>—</u>
		133.0
Current portion of long term bank loans (secured)	—	30.0
	<u>—</u>	<u>30.0</u>
		163.0
	<u>—</u>	<u>163.0</u>

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31st March, 2002 as follows:

	Group	
	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Amounts payable in the next:		
0-30 days	18.8	9.4
31-60 days	0.9	14.5
61-90 days	15.4	12.9
Over 90 days	30.9	5.6
	<u>66.0</u>	<u>42.4</u>

20. SHARE CAPITAL

	2002	2001	Group	
	No. of shares <i>million</i>	No. of shares <i>million</i>	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Authorised:				
Ordinary shares of HK\$0.20 each	<u>1,500.0</u>	<u>1,500.0</u>	<u>300.0</u>	<u>300.0</u>
Issued and fully paid:				
Ordinary shares of HK\$0.20 each	<u>1,151.4</u>	<u>1,151.4</u>	<u>230.3</u>	<u>230.3</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

21. RESERVES

	Capital redemption reserve	Investment property revaluation reserves	Investment revaluation reserves	Other capital reserves	Revenue reserves	Total (Restated)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
(a) Group						
Company and subsidiaries						
Balance at 1st April, 2001						
As previously reported	0.5	881.1	(349.7)	392.0	5,217.7	6,141.6
Prior year adjustment (<i>Note 10a</i>)	—	—	—	—	69.1	69.1
As restated	0.5	881.1	(349.7)	392.0	5,286.8	6,210.7
Final dividend approved in respect of the previous year (<i>Note 8b</i>)	—	—	—	—	(69.1)	(69.1)
Revaluation deficits	—	(85.1)	(221.0)	—	—	(306.1)
Realised on disposal	—	(3.0)	—	—	—	(3.0)
Loss for the year absorbed	—	—	—	—	(78.6)	(78.6)
Interim dividend declared in respect of the current year (<i>Note 8a</i>)	—	—	—	—	(34.5)	(34.5)
Balance at 31st March, 2002	0.5	793.0	(570.7)	392.0	5,104.6	5,719.4
Associates						
Balance at 1st April, 2001	—	—	7.4	—	22.9	30.3
Revaluation deficits	—	—	(2.7)	—	—	(2.7)
Loss for the year absorbed	—	—	—	—	(2.7)	(2.7)
Balance at 31st March, 2002	—	—	4.7	—	20.2	24.9
Total reserves at 31st March, 2002	0.5	793.0	(566.0)	392.0	5,124.8	5,744.3

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

	Capital redemption reserve	Investment property revaluation reserves	Investment revaluation reserves	Other capital reserves	Revenue reserves	Total (Restated)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Company and subsidiaries						
Balance at 1st April, 2000						
As previously reported	0.5	1,250.0	(493.9)	392.0	5,376.6	6,525.2
Prior year adjustment (<i>Note 10a</i>)	—	—	—	—	69.1	69.1
As restated	0.5	1,250.0	(493.9)	392.0	5,445.7	6,594.3
Final dividend approved in respect of the previous year (<i>Note 8b</i>)	—	—	—	—	(69.1)	(69.1)
Revaluation (deficits)/surpluses	—	(368.9)	256.4	—	—	(112.5)
Realised on disposal	—	—	(73.7)	—	—	(73.7)
Reclassification	—	—	(27.5)	—	(107.8)	(135.3)
Net provision for non-trading securities written back	—	—	(11.0)	—	—	(11.0)
Profit for the year retained	—	—	—	—	52.5	52.5
Interim dividend declared in respect of the current year (<i>Note 8a</i>)	—	—	—	—	(34.5)	(34.5)
Balance at 31st March, 2001	0.5	881.1	(349.7)	392.0	5,286.8	6,210.7
Associates						
Balance at 1st April, 2000	—	—	(27.5)	—	(95.0)	(122.5)
Reclassification	—	—	27.5	—	107.8	135.3
Revaluation surplus	—	—	7.4	—	—	7.4
Profit for the year retained	—	—	—	—	10.1	10.1
Balance at 31st March, 2001	—	—	7.4	—	22.9	30.3
Total reserves at 31st March, 2001	0.5	881.1	(342.3)	392.0	5,309.7	6,241.0

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

	Capital redemption reserve	Investment property revaluation reserves	Investment revaluation reserves	Other capital reserves	Revenue reserves	Total (Restated)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
(b) Company						
Balance at 1st April, 2001						
As previously reported	0.5	—	—	156.6	1,468.9	1,626.0
Prior year adjustment (<i>Note 10a</i>)	—	—	—	—	69.1	69.1
As restated	0.5	—	—	156.6	1,538.0	1,695.1
Final dividend approved in respect of the previous year (<i>Note 8b</i>)	—	—	—	—	(69.1)	(69.1)
Profit for the year retained	—	—	—	—	150.3	150.3
Interim dividend declared in respect of the current year (<i>Note 8a</i>)	—	—	—	—	(34.5)	(34.5)
Balance at 31st March, 2002	0.5	—	—	156.6	1,584.7	1,741.8
Balance at 1st April, 2000						
As previously reported	0.5	—	—	156.6	1,422.1	1,579.2
Prior year adjustment (<i>Note 10a</i>)	—	—	—	—	69.1	69.1
As restated	0.5	—	—	156.6	1,491.2	1,648.3
Final dividend approved in respect of the previous year (<i>Note 8b</i>)	—	—	—	—	(69.1)	(69.1)
Profit for the year retained	—	—	—	—	150.4	150.4
Interim dividend declared in respect of the current year (<i>Note 8a</i>)	—	—	—	—	(34.5)	(34.5)
Total reserves at 31st March, 2001	0.5	—	—	156.6	1,538.0	1,695.1

Reserves of the Company available for distribution to shareholders amount to HK\$1,584.7 million (2001: restated - HK\$1,538.0 million). The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance. The revaluation reserves and other capital reserves have been set up and will be dealt with in accordance with the accounting policies adopted by the Group.

After the balance sheet date the Directors proposed a final dividend of 6.0 cents (2001: 6.0 cents) per share amounting to HK\$69.1 million (2001: HK\$69.1 million). This dividend has not been recognised as a liability at the balance sheet date.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

22. LONG-TERM BANK LOANS

	Group	
	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
Bank loans (secured)		
Repayable after 1 years, but within 2 years	—	28.0
Repayable after 2 years, but within 5 years	<u>476.0</u>	<u>718.0</u>
	<u>476.0</u>	<u>746.0</u>

- (a) As at 31st March, 2002, the Group's net debts, representing the total loans less deposits and cash, are analysed as follows:

	2002	2001
	<i>HK\$ million</i>	<i>HK\$ million</i>
Short term bank loans	—	163.0
Long term bank loans	<u>476.0</u>	<u>746.0</u>
	476.0	909.0
Bank balances and deposits	<u>(19.8)</u>	<u>(19.0)</u>
	<u>456.2</u>	<u>890.0</u>

- (b) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuations.

23. CONTINGENT LIABILITIES

	Group		Company	
	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>	2002 <i>HK\$ million</i>	2001 <i>HK\$ million</i>
(a) Guarantees given in respect of banking facilities available to:				
Subsidiaries	<u>—</u>	<u>—</u>	<u>1,840.0</u>	<u>1,426.0</u>
Associates	<u>800.2</u>	<u>1,180.8</u>	<u>800.2</u>	<u>1,180.8</u>

Of the banking facilities available to associates which are guaranteed by the Company and the Group HK\$372.4 million (2001: HK\$251.0 million) had been drawn at the balance sheet date.

- (b) The Company, a fellow subsidiary and the ultimate holding company together with two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of the Sorrento project.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

24. COMMITMENTS

	Group	
	2002	2001
	HK\$ million	HK\$ million
Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	<u>379.0</u>	<u>356.7</u>

25. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the year ended 31st March, 2002.

(a) Sorrento project

- (i) Included in amounts due from associates as disclosed in note 13 to the accounts is an advance made by the Group to an associate of HK\$901.9 million (2001: HK\$1,181.4 million) involved in the Sorrento project. Details of the interest received by the Group in connection with this loan are set out in note 13.
- (ii) The Company, a fellow subsidiary and the ultimate holding company together with its two associates have severally guaranteed bank loan facilities granted to a subsidiary of an associate, Hopfield Holdings Limited, to finance the Sorrento project. The amount of guarantee given attributable to the Company was HK\$299.4 million (2001: HK\$680.0 million).
- (iii) As disclosed in note 23(b) to the accounts, the Company, a fellow subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms by the subsidiary of an associate under an agreement to develop the Sorrento project.

The above are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirement was granted by the Stock Exchange in 1997.

(b) The King's Park development

Included in amounts due from associates as disclosed in note 13 to the accounts is an advance made by the Group to an associate involved in a development project at King's Park, Ho Man Tin of HK\$284.3 million (2001: HK\$266.8 million). The loan bears interest, at such rate as may from time to time be agreed by the shareholders of the associate. At present, the interest rate of the loan has yet to be agreed.

The Group together with other shareholders have severally guaranteed bank loan facilities granted to an associate, Grace Sign Limited, to finance the King's Park development project. The amount of guarantee given attributable to the Group was HK\$500.8 million (2001: HK\$500.8 million). These transactions do not constitute connected transactions as defined under the Listing Rules.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

- (c) No General Managers' Commission (2001: HK\$4.1 million) was paid by the Group to a related party for the provision of management services to the Group during the year as the Group sustained a loss. The payment of amounts to the General Managers is governed by agreements dated 31st March, 1992 and 3rd March, 2000 respectively, which constitute connected transactions as defined under the Listing Rules, but are exempted from the requirements of the Listing Rules under paragraph 14.24(2) thereof relating to connected transactions.

26. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 8 to the accounts.

27. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for proposed dividends and segment reporting in order to comply with SSAPs 9 and 26 respectively, details of which are set out in note 10.

28. ULTIMATE HOLDING COMPANY

The ultimate holding company is Wheelock and Company Limited, incorporated in Hong Kong.

29. APPROVAL OF THE ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 7th June, 2002.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

AT 31ST MARCH, 2002

Subsidiaries	Place of incorporation/ operation	Issued share capital (all being ordinary shares and fully paid up)	Percentage of equity attributable to the Group	Principal activities
Grannis Limited	Hong Kong	2 HK\$10 shares	100	Property
Janeworth Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	100	Finance
Lynchpin Limited	British Virgin Islands/ International	500 US\$1 shares	100	Investment
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	100	Property
Pizzicato Limited	Hong Kong	2 HK\$10 shares	100	Property
Python Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Rusticana Limited	Hong Kong	2 HK\$10 shares	100	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Sandsprings Limited	Hong Kong	2 HK\$10 shares	100	Property
Titano Limited	Hong Kong	2 HK\$1 shares	100	Property
Warhol Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Whole Result Limited	Hong Kong	2 HK\$1 shares	100	Property
Zarow Limited	Hong Kong	2 HK\$10 shares	100	Property
Associates	Place of incorporation/ operation	Percentage of share capital (of the class of share stated below) held by subsidiaries of the Company	Percentage of equity attributable to the Group	Principal activities
Dramstar Company Limited (Note a)	Hong Kong	100 ("B" shares)	44	Property
Grace Sign Limited (Note a)	Hong Kong	20 (ordinary shares)	20	Property
Hopfield Holdings Limited	British Virgin Islands	20 (ordinary shares)	20	Holding company
Kowloon Properties Company Limited	Hong Kong	20 (ordinary shares)	20	Property

Notes:

- The accounts of these associates have been audited by a firm of accountants other than KPMG.
- The subsidiaries and associates were held indirectly by the Company.
- The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the profit and assets of the Group.
- The associates are unlisted corporate entities.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

3. UNAUDITED CONSOLIDATED ACCOUNTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

The information in this Section 3 has been extracted from the unaudited consolidated accounts of the RDC Group for the six months ended 30th September, 2002. For the purpose of this Section 3, the following expressions correspond with the definitions of this document respectively set opposite them:

“Company”	RDC
“Director(s)”	RDC Director(s)
“Group”	RDC Group
“shares” or “ordinary shares”	RDC Shares
“shareholders”	RDC Shareholders

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September, 2002

	Note	Unaudited 30/9/2002 HK\$ million	Unaudited 30/9/2001 HK\$ million
Turnover	3	505.9	334.6
Other net loss	4	(0.9)	(13.7)
		505.0	320.9
Direct costs and operating expenses		(384.5)	(187.9)
Selling and marketing expenses		(19.6)	(12.7)
Administrative and corporate expenses		(8.2)	(15.3)
Operating profit	3	92.7	105.0
Provision for impairment in value of properties	5	(434.5)	—
Borrowing costs	6	(7.0)	(25.5)
Share of profits less losses of associates		2.3	2.0
(Loss)/profit before taxation		(346.5)	81.5
Taxation	7	(6.3)	(3.5)
(Loss)/profit after taxation		(352.8)	78.0
Minority interests		(0.1)	(0.1)
(Loss)/profit attributable to shareholders		<u>(352.9)</u>	<u>77.9</u>
Interim dividend proposed after the balance sheet date	8	<u>34.5</u>	<u>34.5</u>
(Loss)/earnings per share	9	<u>(30.6) cents</u>	<u>6.8 cents</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP**CONSOLIDATED BALANCE SHEET**

At 30th September, 2002

	<i>Note</i>	Unaudited 30/9/2002 HK\$ million	Audited 31/3/2002 HK\$ million
Non-current assets			
Investment properties		1,737.9	2,059.0
Associates		1,326.9	1,278.9
Long-term investments		991.2	1,547.4
Deferred debtors		<u>106.5</u>	<u>43.9</u>
		4,162.5	4,929.2
Current assets			
Properties under development for sale		1,039.5	1,243.3
Properties held for sale		277.4	332.6
Trade and other receivables	10	184.0	61.6
Bank balances and deposits		<u>423.7</u>	<u>19.8</u>
		<u>1,924.6</u>	<u>1,657.3</u>
Current liabilities			
Trade and other payables	11	167.7	125.3
Deposits from sale of properties		457.3	—
Amounts due to fellow subsidiaries		1.6	1.1
Taxation		<u>8.5</u>	<u>4.0</u>
		<u>635.1</u>	<u>130.4</u>
Net current assets		<u>1,289.5</u>	<u>1,526.9</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,452.0</u>	<u>6,456.1</u>
Capital and reserves			
Share capital		230.3	230.3
Reserves	12	<u>4,740.1</u>	<u>5,744.3</u>
		4,970.4	5,974.6
Minority interests		5.6	5.5
Non-current liabilities			
Long-term bank loans		<u>476.0</u>	<u>476.0</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES		<u>5,452.0</u>	<u>6,456.1</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2002*

		Unaudited 30/9/2002	Unaudited 30/9/2001 (Restated)
	<i>Note</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash inflow from operating activities		282.8	278.2
Net cash inflow relating to investing activities		190.2	59.3
Net cash outflow relating to financing activities		<u>(69.1)</u>	<u>(329.7)</u>
Increase in cash and cash equivalents		403.9	7.8
Cash and cash equivalents at 1st April	1(c)	<u>19.8</u>	<u>19.0</u>
Cash and cash equivalents at 30th September		<u><u>423.7</u></u>	<u><u>26.8</u></u>
Analysis of the balance of cash and cash equivalents			
Deposits and cash		<u><u>423.7</u></u>	<u><u>26.8</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th September, 2002*

	Unaudited 30/9/2002 HK\$ million	Unaudited 30/9/2001 HK\$ million
Total equity at 1st April	5,974.6	6,471.3
Deficit on revaluation of:		
Investment properties	(316.7)	—
Non-trading securities	<u>(274.6)</u>	<u>(529.8)</u>
Net losses not recognised in the profit and loss account	(591.3)	(529.8)
(Loss)/profit attributable to shareholders	(352.9)	77.9
Final dividend approved in respect of previous year	(69.1)	(69.1)
Reserves transferred to the profit and loss account on disposal of:		
Investment properties	(7.5)	—
Non-trading securities	<u>16.6</u>	<u>—</u>
Total equity at 30th September	<u><u>4,970.4</u></u>	<u><u>5,950.3</u></u>

NOTES TO THE INTERIM ACCOUNTS**1. BASIS OF PREPARATION OF THE ACCOUNTS**

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2002 except for the changes in accounting policies as described below.

(a) SSAP 1 (Revised) “Presentation of financial statement”

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 11 (Revised) “Foreign currency translation”

The profit and loss accounts of foreign enterprises are translated into Hong Kong dollars at the weighted average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

(c) SSAP 15 (Revised) “Cash flow statements”

A revised classification of activities from which cash flows are derived has been made.

With effect from 1st April, 2002, with the introduction of the revised SSAP 15 “Cash flow statements”, the Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year’s figures, cash and cash equivalents as at 1st April, 2001 was restated and increased by HK\$133.0 million. In addition, certain presentational changes have been made on adoption of SSAP 15.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

2. SEGMENT INFORMATION

	Segment Revenue		Segment Results	
	30/9/2002	30/9/2001	30/9/2002	30/9/2001
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
(a) Business segments				
Property development	387.4	201.2	1.2	19.2
Property investment	72.7	68.0	53.4	44.9
Investment & others	<u>45.8</u>	<u>65.4</u>	<u>43.1</u>	<u>48.3</u>
	<u>505.9</u>	<u>334.6</u>	97.7	112.4
Unallocated expenses			<u>(5.0)</u>	<u>(7.4)</u>
Operating profit			92.7	105.0
Provision for impairment in value of properties			(434.5)	—
Borrowing costs			(7.0)	(25.5)
Associates				
Property development			1.6	1.3
Investment and others			<u>0.7</u>	<u>0.7</u>
(Loss)/profit before taxation			<u>(346.5)</u>	<u>81.5</u>
(b) Geographical segments				
Hong Kong	494.0	321.1	80.8	92.2
Singapore	<u>11.9</u>	<u>13.5</u>	<u>11.9</u>	<u>12.8</u>
	<u>505.9</u>	<u>334.6</u>	<u>92.7</u>	<u>105.0</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

3. TURNOVER AND OPERATING PROFIT

(a) Turnover

The principal activities of the Group are property development, property investment, treasury management and investment holding. An analysis of the Group's turnover is as follows:

	30/9/2002 <i>HK\$ million</i>	30/9/2001 <i>HK\$ million</i>
Property development	387.4	201.2
Property investment	72.7	68.0
Investment and others	<u>45.8</u>	<u>65.4</u>
	<u><u>505.9</u></u>	<u><u>334.6</u></u>

(b) Operating profit

	30/9/2002 <i>HK\$ million</i>	30/9/2001 <i>HK\$ million</i>
Operating profit is arrived at after charging:		
Cost of properties sold	<u>364.7</u>	<u>166.3</u>
and after crediting:		
Dividend income from listed securities	<u>30.4</u>	<u>35.5</u>

4. OTHER NET LOSS

	30/9/2002 <i>HK\$ million</i>	30/9/2001 <i>HK\$ million</i>
Net loss on disposal of non-trading securities	(2.1)	(13.7)
Others	<u>1.2</u>	<u>—</u>
	<u><u>(0.9)</u></u>	<u><u>(13.7)</u></u>

5. PROVISION FOR IMPAIRMENT IN VALUE OF PROPERTIES

In view of the depressed property market and following an internal review, the Group has made a provision of HK\$434.5 million mainly for the impairment in value of the Group's land bank reserved for development.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

6. BORROWING COSTS

	30/9/2002 <i>HK\$ million</i>	30/9/2001 <i>HK\$ million</i>
Interest payable on bank loans and overdrafts	5.8	20.5
Other borrowing costs	<u>1.2</u>	<u>5.0</u>
	<u>7.0</u>	<u>25.5</u>

The Group's average borrowing interest rate for the six months period was 2.4% (2001: 5.0%) per annum.

7. TAXATION

The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16% (2001: 16%). The taxation charge is made up as follows:

	30/9/2002 <i>HK\$ million</i>	30/9/2001 <i>HK\$ million</i>
Company and subsidiaries		
Hong Kong profits tax for the period	5.7	3.4
Associates		
Hong Kong profits tax for the period	<u>0.6</u>	<u>0.1</u>
	<u>6.3</u>	<u>3.5</u>

8. DIVIDENDS

(a) Dividends attributable to the period

	30/9/2002 <i>HK\$ million</i>	30/9/2001 <i>HK\$ million</i>
Interim dividend proposed after the balance sheet date of 3.0 cents (2001: 3.0 cents) per share	<u>34.5</u>	<u>34.5</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

(b) Dividends attributable to the previous financial year, approved and paid during the period

	30/9/2002 <i>HK\$ million</i>	30/9/2001 <i>HK\$ million</i>
Final dividend in respect of the previous financial year, approved and paid during the period, of 6.0 cents (2001: 6.0 cents) per share	<u>69.1</u>	<u>69.1</u>

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period of HK\$352.9 million (2001: profit of HK\$77.9 million) and 1,151.4 million ordinary shares in issue throughout the financial period ended 30th September, 2002 and the previous year's corresponding period.

10. TRADE AND OTHER RECEIVABLES

The Group maintains defined credit policies for its businesses and trade debtors are closely monitored in order to control credit risk associated with trade debtors.

Included in trade and other receivables are trade debtors with an ageing analysis as at 30th September, 2002 as follows:

	30/9/2002 <i>HK\$ million</i>	31/3/2002 <i>HK\$ million</i>
Current	16.4	13.1
31-60 days	2.3	0.2
61-90 days	0.4	0.2
Over 90 days	<u>0.7</u>	<u>0.9</u>
	<u>19.8</u>	<u>14.4</u>

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 30th September, 2002 as follows:

	30/9/2002 <i>HK\$ million</i>	31/3/2002 <i>HK\$ million</i>
Amounts payable in the next:		
0-30 days	17.3	18.8
31-60 days	0.3	0.9
61-90 days	17.3	15.4
Over 90 days	<u>44.4</u>	<u>30.9</u>
	<u>79.3</u>	<u>66.0</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

12. RESERVES

	Capital redemption reserve	Investment property revaluation reserves	Investment revaluation reserves	Other capital reserves	Revenue reserves	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Company and subsidiaries						
Balance at 1st April, 2002	0.5	793.0	(570.7)	392.0	5,104.6	5,719.4
Dividend approved in respect of the previous year (<i>Note 8b</i>)	—	—	—	—	(69.1)	(69.1)
Revaluation deficit	—	(316.7)	(269.4)	—	—	(586.1)
Realised on disposal	—	(7.5)	16.6	—	—	9.1
Loss for the period absorbed	—	—	—	—	(358.4)	(358.4)
Balance at 30th September, 2002	0.5	468.8	(823.5)	392.0	4,677.1	4,714.9
Associates						
Balance at 1st April, 2002	—	—	4.7	—	20.2	24.9
Revaluation deficit	—	—	(5.2)	—	—	(5.2)
Profit for the period retained	—	—	—	—	5.5	5.5
Balance at 30th September, 2002	—	—	(0.5)	—	25.7	25.2
Total reserves at 30th September, 2002	<u>0.5</u>	<u>468.8</u>	<u>(824.0)</u>	<u>392.0</u>	<u>4,702.8</u>	<u>4,740.1</u>
Total reserves at 31st March, 2002	<u>0.5</u>	<u>793.0</u>	<u>(566.0)</u>	<u>392.0</u>	<u>5,124.8</u>	<u>5,744.3</u>

13. CONTINGENT LIABILITIES

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$620.8 million (31/3/2002: HK\$800.2 million) of which HK\$263.2 million (31/3/2002: HK\$372.4 million) has been drawn at the balance sheet date.
- (b) The Company, a fellow subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of the Sorrento project.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

14. COMMITMENTS

	30/9/2002	31/3/2002
	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	<u>207.0</u>	<u>379.0</u>

15. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transaction during the period ended 30th September, 2002.

(a) The Sorrento project

- (i) Included in interest in associates is a loan of HK\$954.4 million (31/3/2002: HK\$901.9 million) made by the Group to an associate involved in the Sorrento project. The loan bears interest at rates determined by shareholders of the associate with reference to prevailing market rates which were between 3.0% and 3.5% (2001: 5.8% to 7.1%) per annum for the period. Interest income in respect of loans to the associate for the period ended 30th September, 2002 amounted to HK\$15.6 million (2001: HK\$33.3 million). The loan is unsecured and has no fixed terms of repayment.
- (ii) The Company, a fellow subsidiary and the ultimate holding company together with its two associates have severally guaranteed bank loan facilities granted to a subsidiary of an associate, Hopfield Holdings Limited, to finance the Sorrento project. The amount of guarantee given attributable to the Group was HK\$120.0 million (31/3/2002: HK\$299.4 million).
- (iii) As disclosed in note 13(b), the Company, a fellow subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms by the subsidiary of an associate under an agreement to develop the Sorrento project.

The above are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirement was granted by the Stock Exchange in 1997.

(b) The King's Park development

- (i) Included in interest in associates is an advance of HK\$289.0 million (31/3/2002: HK\$284.3 million) made by the Group to an associate involved in a development project at King's Park, Homantin. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. At present, the interest rate of the loan has yet to be agreed.
- (ii) The Group together with other shareholders have severally guaranteed bank loan facilities granted to an associate, Grace Sign Limited, to finance the King's Park development project. The amount of guarantee given attributable to the Group was HK\$500.8 million (31/3/2002: HK\$500.8 million). These transactions do not constitute connected transactions as defined under the Listing Rules.

- (c) No General Managers' Commission (2001: HK\$4.3 million) was paid by the Group to a related party for the provision of management services to the Group during the six month period as the Group sustained a loss. The payment of amounts to the General Managers is governed by agreements dated 31st March, 1992 and 3rd March, 2000 respectively, which constitute connected transactions as defined under the Listing Rules, but are exempted from the requirements of the Listing Rules under paragraph 14.24(2) thereof relating to connected transactions.

16. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for cash and cash equivalents in the condensed consolidated cash flow statement, and the condensed consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity, in order to comply with SSAPs 15 (Revised) and 1 (Revised) respectively, details of which are set out in note 1.

17. REVIEW OF UNAUDITED INTERIM ACCOUNTS

The unaudited interim accounts for the six months ended 30th September, 2002 have been reviewed by the audit committee of the Company.

4. SHARE CAPITAL

The authorised and issued share capital of RDC as at the Latest Practicable Date are as follows:

	Number of RDC Shares <i>million</i>	Nominal value <i>HK\$ million</i>
Authorised RDC Shares of HK\$0.2 each	<u>1,500.0</u>	<u>300.0</u>
Issued and fully paid RDC Shares of HK\$0.2 each	<u>1,151.4</u>	<u>230.3</u>

There was no movement in share capital during the period from 30th September, 2002 to the Latest Practicable Date.

Each of the RDC Shares ranks pari passu in all respects, including dividends, voting and capital.

Apart from the RDC Shares, RDC does not have any warrants, options, convertible securities or other securities in issue. None of the unissued RDC Shares are subject to any warrants, options or conversion rights and it has not been agreed, conditionally or unconditionally, to put any of the unissued RDC Shares under any warrants, options or conversion rights.

5. INDEBTEDNESS

As at the close of business on 30th November, 2002, being the latest practicable date for the purpose of this indebtedness statement, the RDC Group had outstanding secured bank loans of approximately HK\$276 million.

As at 30th November, 2002, banking facilities of the RDC Group totalling approximately HK\$460 million were secured by a pledge over certain investment properties of the RDC Group which had an aggregate carrying value of approximately HK\$860 million as at 30th November, 2002 based on valuations carried out by Chesterton Petty as set out in Appendix II to the Explanatory Statement contained in this document.

As at 30th November, 2002, the RDC Group had outstanding contingent liabilities of approximately HK\$621 million in connection with guarantees given in respect of banking facilities available to associates of the RDC Group. Of the banking facilities available to associates which are guaranteed by the RDC Group, approximately HK\$266 million had been drawn at 30th November, 2002.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

RDC, NART and Wheelock together with The Wharf (Holdings) Limited and Harbour Centre Development Limited (both of which are associates of Wheelock) have jointly and severally guaranteed the performance and observance of the terms of an agreement with the MTR Corporation Limited dated 30th October, 1997 in respect of the development of the Sorrento project.

As at 30th November, 2002, the RDC Group had commitments for the acquisition of and future development expenditure relating to properties of approximately HK\$87 million, all of which had been contracted but not provided for.

Save as aforesaid, apart from other intra RDC Group liabilities, as at the close of business on 30th November, 2002, neither RDC nor any of its subsidiaries had any outstanding mortgages or charges or debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptance or credits or any guarantees or material contingent liabilities.

6. MATERIAL CHANGES

Save as set out in the interim report of RDC for the six month period ended 30th September, 2002, the statement of indebtedness and the statement of the Adjusted NAV set out in Sections 3, 5 and 7 respectively of this Appendix, it is the view of the RDC Directors that there have been no material changes in the financial or trading position or prospects of the RDC Group since 31st March, 2002, the date to which the latest published audited consolidated accounts of the RDC Group were made up.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE RDC GROUP

7. STATEMENT OF ADJUSTED NAV

Set out below is a statement of the Adjusted NAV, which has been calculated based on the audited consolidated net asset value of the RDC Group as at 31st March, 2002 and adjusted as follows:

	<i>HK\$ million</i>
Audited consolidated net asset value of the RDC Group as at 31st March, 2002	5,974.6
Changes for the six month period ended 30th September, 2002	
Less: Deficit arising from revaluation of investment properties	(316.7)
Less: Change in fair value of listed equity investments	(274.6)
Less: Unaudited consolidated net loss for the six month period ended 30th September, 2002	(352.9)
Less: Final dividend paid for the year ended 31st March 2002	(69.1)
Add: Other reserve movements	<u>9.1</u>
Unaudited consolidated net asset value of the RDC Group as at 30th September, 2002 (NAV)	4,970.4
Add: Change in fair value of listed equity investments (<i>Note 1</i>)	69.6
Less: Deficit arising from the valuation of property interests attributable to the RDC Group as at 30th November, 2002 (<i>Notes 2 & 3</i>)	<u>(469.8)</u>
Pro forma unaudited adjusted NAV before interim dividend payment	4,570.2
Less: Interim dividend paid on 23rd January, 2003	<u>(34.5)</u>
Adjusted NAV	<u><u>4,535.7</u></u>
	<i>HK\$</i>
Adjusted NAV per RDC Share (based on 1,151,389,640 RDC Shares in issue as at the Latest Practicable Date)	<u><u>3.94</u></u>

Note 1: This represents a surplus arising from the change in fair value of listed equity investments held by the RDC Group as at the Latest Practicable Date.

Note 2: This represents a deficit arising from the change in value of the properties held by the RDC Group as at 30th November, 2002, as valued by Chesterton Petty (an extract of whose valuation report, which was prepared for the specific purpose of this document, is set out in Appendix II to the Explanatory Statement contained in this document).

Note 3: An estimated tax liability of approximately HK\$15 million will crystallise for the RDC Group on disposal of its properties held for sale, whilst it is anticipated that no tax liability will crystallise on the other properties held by the RDC Group, as at 30th November, 2002 as valued by Chesterton Petty (an extract of whose valuation report, which was prepared for the specific purpose of this document, is set out in Appendix II to the Explanatory Statement contained in this document).

The following is an extract of the property valuation report, prepared for the purpose of inclusion in this document in connection with Chesterton Petty's valuation of the property interests of the RDC Group as at 30th November, 2002, setting out the basis of their valuation:



International Property Consultants

Chesterton Petty Ltd
16/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

24th January, 2003

The Directors
Realty Development Corporation Limited
23rd Floor
Wheelock House
20 Pedder Street
Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Realty Development Corporation Limited ("RDC") or its subsidiaries (hereinafter together referred to as the "RDC Group"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of these property interests as at 30th November, 2002.

Our valuation is our opinion of the open market value which we would define as intended to mean "the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion”.

Our valuation has been made on the assumption that the owners sell the property interests on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuation.

Subject as stated below in this paragraph, the property interests in Groups I, II and IV are valued on an open market basis by reference to sales evidence as available in the market. Those portions of the property interests which are tenanted are valued by capitalisation of the net existing rental income shown on the summary schedules of the tenancy agreements handed to us by the RDC Group with due provisions made for the reversionary income potential.

We have valued the property interests in Group III which are held by the RDC Group in development projects with reference to sales evidence as available in the market and information provided by the RDC Group including development proposals, development programmes, estimated construction costs and other relevant information.

We have not been provided with extracts of title documents relating to the property interests but we have caused searches to be made at the relevant Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We are not in a position to advise you on the titles of the property interests, which is more properly the sphere of your legal advisers. For the purpose of our valuation, we have assumed that the property interests have proper titles.

In the course of our valuation, we have relied to a considerable extent on the information given by the RDC Group regarding the titles and other legal matters relating to the property interests, and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, development schemes and proposals, site and floor area and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the RDC Group and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of those property interests. We have assumed that the site and floor areas shown on the documents handed to us are correct.

We have inspected the exterior of the properties and, where possible, the interior of the premises. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defect. We are not, however, able to report that the properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on any property interest or for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

We enclose herewith our summary of values.

Yours faithfully
For and on behalf of
Chesterton Petty Limited
Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Executive Director

Note: Charles C K Chan, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer with Chesterton Petty Limited since June 1987 and has about 17 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People's Republic of China.

SUMMARY OF VALUES

Property	Capital value in existing state as at 30th November, 2002 (100% interest)	Interest attributable to the RDC Group	Capital value attributable to the RDC Group as at 30th November, 2002
Group I — Property Interests held by the RDC Group as Investments			
1. 3rd to 24th Floors, Wheelock House, 20 Pedder Street, Central, Hong Kong	HK\$860,000,000	100%	HK\$860,000,000
2. Shop C on Ground Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong	HK\$106,000,000	100%	HK\$106,000,000
3. Various portions of and in Kennedy Town Estate, 34-40 Forbes Street, 43A-51 Smithfield, 100-142 Belcher's Street, 7-9C Davis Street, Kennedy Town, Hong Kong	HK\$185,000,000	100%	HK\$185,000,000
4. The Basement, Lower and Upper Ground Floors, 2nd and 3rd Floors, Healthy Gardens, 560 King's Road, North Point, Hong Kong	HK\$470,000,000	100%	HK\$470,000,000
5. 7th Floor, Cheung Hing Industrial Building, 12P Smithfield, Kennedy Town, Hong Kong	HK\$3,300,000	100%	HK\$3,300,000
Sub-total:	<u>HK\$1,624,300,000</u>		<u>HK\$1,624,300,000</u>

Property	Capital value in existing state as at 30th November, 2002 (100% interest)	Interest attributable to the RDC Group	Capital value attributable to the RDC Group as at 30th November, 2002
Group II — Property Interests held by the RDC Group for Sales			
6. Various portions in The Astrid, 180 Argyle Street, Homantin, Kowloon	HK\$77,000,000	100%	HK\$77,000,000
7. Various portions in The Regalia, 33 King's Park Rise, Homantin, Kowloon	HK\$39,840,000	100% interest in five Residential Units and 36 Car Parking Spaces	HK\$38,440,000
		40% interest in four Car Parking Spaces	HK\$560,000
8. Various portions in Palm Cove, 168 Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories	HK\$203,500,000	100%	HK\$203,500,000
9. Various Car Parking Spaces in Parc Royale, 8 Hin Tai Street, Shatin, New Territories	HK\$54,000,000	44%	HK\$23,760,000
10. Various Car Parking Spaces in Parc Oasis I (Towers 1-20), 5 Parc Oasis Road, Yau Yat Chuen, Kowloon	HK\$82,000,000	100%	HK\$82,000,000

Property	Capital value in existing state as at 30th November, 2002 (100% interest)	Interest attributable to the RDC Group	Capital value attributable to the RDC Group as at 30th November, 2002
11. Various Car Parking Spaces in Parc Oasis II (Towers 21-25), 30 Grandeur Road, Yau Yat Chuen, Kowloon	HK\$27,000,000	50% interest in 128 Car Parking Spaces	HK\$13,500,000
12. Various Car Parking Spaces in Parc Oasis III (Towers 26-33), 31 Grandeur Road, Yau Yat Chuen, Kowloon	HK\$28,000,000	100%	HK\$28,000,000
13. Two Car Parking Spaces in Fortress Garden, 32 Fortress Hill Road, North Point Hong Kong	HK\$300,000	100%	HK\$300,000
14. Various portions in My Loft, 9 Hoi Wing Road, Tuen Mun, New Territories	HK\$33,800,000	100%	HK\$33,800,000
15. Various portions in Bailey Garden, 23 Bailey Street, Hung Hom, Kowloon	HK\$57,000,000	100%	HK\$57,000,000
16. Penthouse C on 19th and 20th Floors of Tower 2 and Car Parking Spaces Nos. 1032 and 1078 on 1st Level, Parc Regal, 19 Ho Man Tin Hill Road, Ho Man Tin, Kowloon	HK\$6,600,000	100%	HK\$6,600,000

Property	Capital value in existing state as at 30th November, 2002 (100% interest)	Interest attributable to the RDC Group	Capital value attributable to the RDC Group as at 30th November, 2002
17. Various portions in Forest Hill, 31 Lo Fai Road, Tai Po, New Territories	HK\$21,000,000	100%	HK\$21,000,000
Sub-total:	<u>HK\$630,040,000</u>		<u>HK\$585,460,000</u>
Group III — Property Interests held by the RDC Group in Development Projects			
18. 38 Kwai Hei Street, Kwai Chung, New Territories	HK\$120,000,000	100%	HK\$120,000,000
19. Sorrento, 1 Austin Road West, Tsim Sha Tsui, Kowloon	HK\$7,690,000,000	20%	HK\$1,538,000,000
20. A site at the junction of Princess Margaret Road and Wylie Road, Homantin, Kowloon	HK\$2,385,000,000	20%	HK\$477,000,000
Sub-total:	<u>HK\$10,195,000,000</u>		<u>HK\$2,135,000,000</u>
Group IV — Property Interests held by the RDC Group for Future Developments			
21. Lot No. 975 in Demarcation District No. 131, Tuen Mun, New Territories	HK\$7,000,000	100%	HK\$7,000,000
22. Ping Shan Inland Lot No. 6, Tuen Mun, New Territories	HK\$8,000,000	100%	HK\$8,000,000

Property	Capital value in existing state as at 30th November, 2002 (100% interest)	Interest attributable to the RDC Group	Capital value attributable to the RDC Group as at 30th November, 2002
23. 436 Lots in Demarcation District Nos. 18 and 19, Lam Kam Road, Tai Po, New Territories	HK\$28,500,000	100%	HK\$28,500,000
24. 141 Lots in Demarcation District Nos. 12 and 14, Ting Kok Road, Tai Po, New Territories	HK\$15,000,000	100%	HK\$15,000,000
25. 253 Lots in Demarcation District No. 26, Ting Kok Road, Tai Po, New Territories	HK\$23,105,000	100% interest in 252 Lots 50% interest in a Lot	HK\$22,895,000 HK\$105,000
26. 515 Lots in Demarcation District Nos. 23 and 26, Ting Kok Road, Tai Po, New Territories	HK\$39,118,000	100% interest in 509 Lots 75% interest in four Lots 50% interest in two Lots	HK\$38,765,000 HK\$175,000 HK\$60,000
27. 304 Lots in Demarcation District No. 17, Ting Kok Road, Tai Po, New Territories	HK\$17,000,000	100%	HK\$17,000,000
28. 47 Lots in Demarcation District No. 26, Ting Kok Road, Tai Po, New Territories	HK\$4,600,000	100%	HK\$4,600,000

Property	Capital value in existing state as at 30th November, 2002 (100% interest)	Interest attributable to the RDC Group	Capital value attributable to the RDC Group as at 30th November, 2002
29. 60 Lots in Demarcation District No. 19, Lam Kam Road, Tai Po, New Territories	HK\$4,500,000	100%	HK\$4,500,000
30. Lot Nos. 45, 46, 47, 48B and 303 in Demarcation District No. 376, Tuen Mun, New Territories	HK\$1,000,000	100%	HK\$1,000,000
Sub-total:	<u>HK\$147,823,000</u>		<u>HK\$147,600,000</u>
Grand Total:	<u>HK\$12,597,163,000</u>		<u>HK\$4,492,360,000</u>

The following are the particulars of the Trust Deed dated 23rd January, 2003 between NART and the Trustee, a copy of which is available for inspection as mentioned in Section 10 of Appendix IV to this document and will remain available for inspection at the registered office of NART and the registered office of the Trustee at Level 13, 1 Queen's Road, Central, Hong Kong for a period of 12 years from the Effective Date.

1 The Trustee

The Trustee is HSBC Trustee (Hong Kong) Limited.

2 Trust Assets

The Trust will come into effect upon NART effecting payments to the Trustee, in accordance with the Scheme, of the aggregate amount of the cash payments (the "Original Payments") due as consideration for the cancellation of the Scheme Shares held by the holders of Scheme Shares who are untraceable (as defined in the Scheme) as at the Record Time. As referred to herein the term "Trust Assets" includes the Original Payments and any securities, cash or property which may be received by the Trustee with respect to or derived from or upon investment of the Original Payments or any part thereof.

3 Payment of the Trust Assets

The Trustee will effect payments out of the Trust Assets to persons entitled in accordance with Clause 3(a) of the Scheme ("Outstanding Owners") who make application for the Original Payments in accordance with the terms of the Trust Deed. For this purpose, each Outstanding Owner will be required to deliver to the Trustee an appropriate form of application accompanied by the certificates for his Scheme Shares or other supporting documents. The Trustee will be required to pay to the Outstanding Owner the Original Payments or other Trust Assets to which he is entitled within 60 days of his application being accepted. If within 42 days of receipt of such supporting documents, the Trustee has not for any reason accepted an application, the Trustee will be required to notify the applicant of that fact. Payments of the Trust Assets effected under the Trust Deed will be at the risk of the applicant.

4 Lost or stolen Scheme Share certificates

The Trustee has power to effect payments out of the Trust Assets to the Outstanding Owners whose Scheme Shares certificates have been lost or destroyed if directed by NART to do so. NART may make such a direction if the loss or destruction is proved to its satisfaction.

5 Trustee Responsibilities

As from the Effective Date, the Original Payments which remain unclaimed or any part thereof may be invested by the Trustee in accordance with the terms of the Trust Deed in short

term securities including debt obligations, certificates of deposit and bank deposits until the expiry of 12 years after the Effective Date during which period all persons entitled thereto may claim such monies from the Trustee including interest less any costs, tax or other deductions required by law and expenses.

6 Transfer of Trust Assets to NART

On the twelfth anniversary of the Effective Date, the entitlement of the Outstanding Owners to the Trust Assets will cease, and the remaining Trust Assets will be transferred to NART or to its order.

7 Powers of Trustee with respect to investment of Trust Assets

Save as mentioned in the Trust Deed, the Trustee is required to invest all cash which may at any time be included in the Trust Assets (except cash required for current operating expenses) in (i) debt obligations of the Government of Hong Kong or Hong Kong dollar certificates of deposit issued by or Hong Kong dollar deposits with any specified bank in each case due not more than 12 months from the date of purchase or (ii) any debt obligations of or certificates of deposit denominated in Hong Kong dollars issued by any government, state, regional or local authority of an OECD country or of any international or quasi-governmental body, as agreed between the Trustee and NART, in each case due not more than 12 months from the date of purchase.

8 Expenses of the Trust

The remuneration of the Trustee and its expenses will be a charge against the Trust Assets but NART will remain liable therefor in certain circumstances mentioned in the Trust Deed.

9 Successor trustees

The Trustee may retire upon three months' written notice to NART and may be removed by NART upon three months' written notice to the Trustee to expire on or after the first anniversary of the Effective Date or on notice given at any time in the event of any material breach by the Trustee of its duties under the Trust Deed such that the interests of the Outstanding Owners would be materially prejudiced thereby. The power to appoint a new Trustee is vested in NART although, in certain circumstances, the retiring Trustee may exercise the power. The Trustee also has power, in certain circumstances, to appoint a person as a separate trustee.

10 Liability and indemnity of Trustee

The Trust Deed contains certain provisions relieving the Trustee and its agents from liability in the performance and execution of the trusts, powers, authorities and discretions vested in it under the Trust Deed. The Trust Deed also contains an indemnity from NART in favour of the Trustee and its agents against liabilities and expenses incurred in respect of such matters.

11 Amendment of Trust Deed

NART may concur with the Trustee in making any variation to the provisions of the Trust Deed which the Trustee determines it shall be expedient to make provided that the Trustee is satisfied that such variation will not be materially prejudicial to the interests of the Outstanding Owners.

12 Publication of notices

NART has agreed to publish notices semi-annually during the first six years following the Effective Date and annually during the next succeeding six year period, advising the Outstanding Owners of their right to claim a portion of the Trust Assets. The notices provided for in the Trust Deed are to be published in one English language daily newspaper and one Chinese language daily newspaper circulating in Hong Kong, or such other newspapers as the Trustee may agree.

13 Governing law

The Trust Deed is governed by and construed in accordance with the laws of Hong Kong and NART and the Trustee will submit to the non-exclusive jurisdiction of the courts of Hong Kong for all purposes of the Trust Deed.

1. RESPONSIBILITY STATEMENT

The information in this document relating to the RDC Group has been supplied by the RDC Directors. The issue of this document has been approved by the RDC Directors, who jointly and severally accept fully responsibility for the accuracy of the information contained in this document relating to the RDC Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document relating to the RDC Group have been arrived at after due and careful consideration and there are no other facts relating to the RDC Group not contained in this document the omission of which would make any statement in this document misleading.

The information in this document other than that relating to the RDC Group has been supplied by the NART Directors. The contents of this document other than the contents relating to the RDC Group have been approved by the NART Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document other than that relating to the RDC Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document other than those relating to the RDC Group have been arrived at after due and careful consideration and there are no facts other than that relating to the RDC Group not contained in this document the omission of which would make any statement in this document misleading.

2. MARKET PRICES

The RDC Shares are traded on the Stock Exchange.

The table below shows the respective closing prices of the RDC Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the date of the Announcement, (ii) on 6th December, 2002, being the last full trading day immediately preceding the date of the Announcement, and (iii) on the Latest Practicable Date.

Date	Price per RDC Share HK\$
28th June, 2002	2.200
31st July, 2002	2.050
30th August, 2002	1.950
30th September, 2002	1.880
31st October, 2002	1.950
29th November, 2002	2.400
6th December, 2002	2.500
Latest Practicable Date	3.125

The lowest and highest closing prices per RDC Share recorded on the Stock Exchange during the period from 7th June, 2002, being the date six months prior to the date of the Announcement, to the Latest Practicable Date were respectively HK\$1.810 on 7th October, 2002 and HK\$3.175 on 2nd January, 2003.

3. DISCLOSURE OF INTERESTS

For the purpose of this Section, the “Offer Period” means the period from 17th December, 2002, being the date of the Announcement, to the Latest Practicable Date, both dates inclusive, the “Disclosure Period” means the period beginning from the date six months prior to the beginning of the Offer Period and ending on the Latest Practicable Date, both dates inclusive, and “interested” and “interests” have the meanings respectively ascribed thereto in the SDI Ordinance.

(a) Holdings, interests and dealings in the RDC Shares

(i) As at the Latest Practicable Date:

(aa) NART was beneficially interested in 505,473,223 RDC Shares;

(bb) Pomeroy was beneficially interested in 328,400,050 RDC Shares; and

(cc) Frexon was beneficially interested in 20,067,506 RDC Shares.

(ii) As at the Latest Practicable Date, save as disclosed in (i) above:

(aa) NART had not dealt in any RDC Shares during the Disclosure Period;

(bb) none of the NART Directors was interested in any RDC Shares or had dealt in any RDC Shares during the Disclosure Period;

(cc) no person acting in concert with NART owned or controlled any RDC Shares or had dealt in any RDC Shares during the Disclosure Period;

(dd) no person had irrevocably committed themselves to accept or reject the Scheme;

(ee) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and NART or any person acting in concert with NART or any person who is an associate of NART by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code;

(ff) none of the RDC Directors was interested in any RDC Shares or had dealt in any RDC Shares during the Disclosure Period;

(gg) none of the subsidiaries of RDC or any advisers of RDC owned or controlled any RDC Shares or had dealt for value in any RDC Shares during the Disclosure Period and RDC had no pension funds as at the Latest Practicable Date;

- (hh) there was no interest in any RDC Shares which was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with RDC and no such fund manager had dealt for value in any RDC Shares during the Disclosure Period; and
- (ii) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and RDC or any person who is an associate of RDC by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code.

(b) Holdings, interests and dealings in the NART Shares

As at the Latest Practicable Date:

- (i) RDC did not hold any NART Shares and had not dealt in any NART Shares during the Disclosure Period; and
- (ii) none of the RDC Directors was interested in any NART Shares or had dealt in any NART Shares during the Disclosure Period.

(c) Miscellaneous

As at the Latest Practicable Date:

- (i) no benefit was or would have been paid to any RDC Director as compensation for loss of office or otherwise in connection with the Scheme;
- (ii) no agreement, arrangement or understanding, including any compensation arrangement, existed between NART or any person acting in concert with NART and any of the RDC Directors, recent RDC Directors, RDC Shareholders or recent RDC Shareholders having any connection with or dependence upon the Scheme;
- (iii) no agreement or arrangement existed between any RDC Director and any other person which was conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme;
- (iv) no material contract was entered into by NART in which any of the RDC Directors has a material personal interest; and
- (v) none of the RDC Directors had a service contract in force with any member of the RDC Group or associated companies of RDC which had more than twelve months to run or which was entered into or amended within six months before the Announcement.

4. MATERIAL CONTRACTS

In the two years immediately preceding the date of this document, the only contract, not being a contract entered into in the ordinary course of business, which was entered into by RDC and which is or may be material was an agreement dated 31st December, 2002 entered into between RDC and Wheelock Properties Limited (“Wheelock Properties”) whereby Wheelock Properties was appointed as the general manager of RDC for a period of three years commencing on 1st January, 2003. As consideration for acting as RDC’s general manager, Wheelock Properties is entitled to receive 5% of the net profits of RDC and its subsidiaries (excluding subsidiaries having management agreements with Wheelock Properties and Wheelock Properties’ own subsidiaries, fellow subsidiaries or holding company) and a monthly sum of HK\$20,000. Notwithstanding the above, the actual remuneration receivable by Wheelock Properties is subject to a maximum limit of less than 3% of the audited consolidated net tangible asset value of RDC as at the end of its immediately preceding fiscal year.

5. LITIGATION

As at the Latest Practicable Date, neither RDC nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to any of the RDC Directors to be pending or threatened by or against RDC or any of its subsidiaries.

6. MISCELLANEOUS

- (a) The registered office of NART is situate at 23rd Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.
- (b) The registered offices of Pomeroy and Frexon are situate at P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.
- (c) The ultimate controlling shareholder of NART, Pomeroy and Frexon is Wheelock. The directors of Wheelock are Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng, Mr. B. M. Chang, Sir S.Y. Chung, Mr. William W. Y. Lee, Mr. Paul Y. C. Tsui, Mr. Alexander S. K. Au and Mr. William Turnbull. The directors of NART are Mr. Gonzaga W. J. Li, Mr. C. C. Haung, Mr. T. Y. Ng and Mr. C. L. Pan.
- (d) The registered office of HSBC is 1 Queen’s Road Central, Hong Kong.
- (e) All costs, charges and expenses of and incidental to the Scheme and the costs of carrying the Scheme into effect will be borne by NART.
- (f) The English text of this document and the forms of proxy shall prevail over the Chinese text.
- (g) All announcements in relation to the Proposal will be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

7. EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
HSBC	Licensed bank and exempt dealer
Somerley	Registered investment adviser and exempt dealer
Chesterton Petty	Property valuer and a member of The Hong Kong Institute of Surveyors
KPMG	Certified Public Accountants

8. CONSENTS

HSBC, Somerley, Chesterton Petty and KPMG have given and have not withdrawn their respective written consents to the issue of this document with the inclusion therein of their opinions, letters or valuation reports, as the case may be, and the references to their names, opinions, letters or valuation reports in the form and context in which they respectively appear.

9. FINANCING ARRANGEMENTS

NART entered into an agreement with HSBC on 16th December, 2002 in respect of a HK\$1,017 million facility to finance the implementation of the Proposal (the "Facility"). Drawdown under the Facility is permitted up to 30th June, 2003 subject to the High Court sanctioning the Scheme. Any drawing may, with 48 hours advance written notice to HSBC, be repaid subject to HSBC's prior approval.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of the solicitors for RDC, Norton Rose, at 38th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours on any weekday (public holidays excepted) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earliest:

- (a) the memorandum and articles of association of NART;
- (b) the memorandum and articles of association of RDC;

- (c) the audited consolidated accounts of the RDC Group for each of the years ended 31st March, 2000, 2001 and 2002;
- (d) the unaudited consolidated accounts of the RDC Group for the six month period ended 30th September, 2002;
- (e) the letter from Somerley to the Independent Board Committee, the text of which is set out on pages 18 to 39 of this document;
- (f) the Trust Deed, a summary of which is set out in Appendix III to this Explanatory Statement;
- (g) the letter and summaries of valuations from Chesterton Petty, the texts of which are set out in Appendix II to this Explanatory Statement, and the valuation certificates from Chesterton Petty;
- (h) the material contract referred to in Section 4 of this Appendix;
- (i) the letters of consent referred to in Section 8 of this Appendix; and
- (j) a copy of the letter relating to the Facility referred to in Section 9 of this Appendix.

SCHEME OF ARRANGEMENT

HCMP No.184/03

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 184 OF 2003**

**In the Matter
of
REALTY DEVELOPMENT CORPORATION LIMITED
(聯邦地產有限公司)**

and

**In the Matter
of
the COMPANIES ORDINANCE,
Chapter 32 of the Laws of the Hong Kong Special Administrative Region**

SCHEME OF ARRANGEMENT

**(under Section 166 of the Companies Ordinance,
Chapter 32 of the Laws of the Hong Kong Special Administrative Region)**

between

**REALTY DEVELOPMENT CORPORATION LIMITED
(聯邦地產有限公司)**

and

**THE HOLDERS OF SCHEME SHARES
(as hereinafter defined)**

PRELIMINARY

SCHEME OF ARRANGEMENT

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Effective Date”	the date on which this Scheme becomes effective in accordance with Clause 6 of this Scheme
“Frexon”	Frexon Limited, a company incorporated in the British Virgin Islands with limited liability
“High Court”	High Court of the Hong Kong Special Administrative Region
“holder”	a registered holder and includes a person entitled by transmission to be registered as such and joint holders
“NART”	New Asia Realty and Trust Company, Limited, a company incorporated in Hong Kong with limited liability
“Pomeroy”	Pomeroy Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“RDC”	Realty Development Corporation Limited (聯邦地產有限公司), a company incorporated in Hong Kong with limited liability
“RDC Shares”	ordinary shares of HK\$0.20 each in the capital of RDC
“Record Time”	4:00 p.m. Hong Kong time on the day immediately preceding the Effective Date
“Register”	the register of members of RDC
“Registrar”	the registrar of RDC, Tengis Limited, whose address is situate at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Scheme”	this scheme of arrangement under Section 166 of the Companies Ordinance in its present form or with or subject to any modification thereof or addition thereto or conditions approved or imposed by the High Court
“Scheme Share(s)”	RDC Share(s) in issue at the Record Time other than those beneficially owned by NART and Pomeroy
“Trust Deed”	the trust deed referred to in sub-clause (a) of Clause 3 of this Scheme as the same may from time to time be modified by a supplemental trust deed or otherwise

SCHEME OF ARRANGEMENT

“Trustee”	HSBC Trustee (Hong Kong) Limited or other trustee for the time being of the Trust Deed
“untraceable”	in relation to a holder of Scheme Shares as at the Record Time means a holder (i) who has no registered address appearing on the Register at the Record Time or (ii) in respect of whose Scheme Shares on the last three consecutive occasions prior to the date of posting of this Scheme on which a dividend has been paid a cheque for the cash dividend payable to such holder (or other person entitled) either (a) has been sent to such holder (or other person entitled) and has been returned undelivered or, in the case of such a cheque, has not been cashed or (b) has not been sent to such holder (or other person entitled) because on an earlier occasion a cheque for a dividend so payable has been returned undelivered, and in such case no valid claim in respect thereof has been communicated in writing to the Registrar
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

- (B) The authorised share capital of RDC at the date of this Scheme is HK\$300,000,000 divided into 1,500,000,000 RDC Shares of which 1,151,389,640 have been issued and are fully paid.
- (C) The primary purpose of this Scheme is that all of the Scheme Shares will be cancelled as a result of which RDC will become an indirectly wholly owned subsidiary of NART.
- (D) RDC does not beneficially own any shares in NART or Pomeroy.
- (E) As at the date of this Scheme, NART is beneficially interested in an aggregate of 505,473,223 RDC Shares which are registered as follows:

Name of holder	Number of RDC Shares
NART	63,542,183
Wheelock Nominees Limited	124,760,279
Granville Trust, Limited	7,170,758
Andrea Limited	1
W.E. Lock Limited	1
M. Arden Limited	1
HKSCC Nominees Limited	310,000,000

SCHEME OF ARRANGEMENT

NART has undertaken that in relation to such RDC Shares in which it is beneficially interested, they will remain so beneficially interested and registered and NART will not sell, transfer or otherwise dispose of such RDC Shares until the date on which this Scheme becomes effective, is withdrawn or lapses.

- (F) As at the date of this Scheme, Pomeroy, being an indirectly wholly owned subsidiary of NART, is beneficially interested in an aggregate of 328,400,050 RDC Shares which are registered as follows:

Name of holder	Number of RDC Shares
Pomeroy	18,400,000
Granville Trust, Limited	10
Andrea Limited	10
W.E. Lock Limited	10
M. Arden Limited	10
Wharf (Nominees) Limited	10
HKSCC Nominees Limited	310,000,000

Pomeroy has undertaken that in relation to such RDC Shares in which it is beneficially interested, they will remain so beneficially interested and registered and Pomeroy will not sell, transfer or otherwise dispose of such RDC Shares until the date on which this Scheme becomes effective, is withdrawn or lapses.

- (G) As at the date of this Scheme, Frexon, being a fellow subsidiary of NART and Pomeroy, is beneficially interested in 20,067,506 RDC Shares all of which are registered in its name. Frexon, which is deemed to be acting in concert with NART and Pomeroy under the Code on Takeovers and Mergers, has undertaken that in relation to such RDC Shares in which it is beneficially interested, they will remain so beneficially interested and registered and Frexon will not sell, transfer or otherwise dispose of such RDC Shares until the date on which this Scheme becomes effective, is withdrawn or lapses and will procure that such RDC Shares will neither be represented nor voted at the meeting convened by direction of the High Court for the purpose of approving the Scheme.
- (H) NART and Pomeroy have agreed to appear by Counsel on the hearing of the Petition to sanction this Scheme and to undertake to the High Court to be bound thereby and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the authorised and issued share capital of RDC shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the authorised share capital of RDC shall be increased to its former amount of HK\$300,000,000 by the creation of such number of new RDC Shares as is equal to the number of the Scheme Shares cancelled; and
 - (c) RDC shall apply the credit arising in its books of account as a result of the reduction of its share capital referred to in sub-clause (a) of this Clause 1 in paying up in full at par the new RDC Shares to be created as aforesaid, which new RDC Shares shall be allotted and issued, credited as fully paid, to NART or as NART may direct.

PART II

Consideration for cancellation of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, NART shall pay or cause to be paid:
 - (a) in the case of those holders of Scheme Shares as appearing in the Register at the Record Time (other than those holders of Scheme Shares who are untraceable); and
 - (b) in the case of such holders of Scheme Shares who are untraceable, to the Trustee or his nominee(s),

HK\$3.20 for each Scheme Share held.

SCHEME OF ARRANGEMENT

PART III

General

3. (a) Not later than ten days after the Effective Date, NART shall send or cause to be sent the cheques in respect of the cash payments to be effected in accordance with Clause 2 of this Scheme to the persons respectively entitled thereto by sending such cheques through the post in pre-paid envelopes addressed to such persons:
- (i) subject to paragraph (iii) below and unless indicated in writing to the Registrar, in the case of each sole holder to the registered address of such holder as appearing on the Register at the Record Time; and
 - (ii) subject to paragraph (iii) below and unless indicated in writing to the Registrar, in the case of joint holders to the registered address as appearing on the Register at the Record Time of the joint holder whose name then stands first in the Register in respect of the relevant joint holding; and
 - (iii) in the case of the cash payments to be effected to the Trustee or its nominee(s) pursuant to sub-clause (b) of Clause 2 of this Scheme, to the Trustee at its registered office or, if the Trustee so requests, to its nominee(s) at such address as the Trustee may specify, such cash payments to be held by the Trustee on the terms of a Trust Deed dated 23rd January, 2003 between NART and the Trustee and a copy whereof is available for inspection at the registered office of NART and at the registered office of the Trustee at Level 13, 1 Queen's Road, Central, Hong Kong from the date of this Scheme until the expiration of 12 years from the Effective Date.
- (b) Cheques shall be posted at the risk of the addressees and neither RDC nor NART shall be responsible for any loss or delay in transmission.
- (c) Each such cheque shall be payable to the order of the person to whom, in accordance with the provisions of sub-clause (a) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to NART for the monies represented thereby.
- (d) On or after the day being six calendar months after the posting of the cheques pursuant to sub-clause (a) of this Clause 3, NART shall have the right to cancel or countermand payment of any such cheque which has not then been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in RDC's name with a licensed bank in Hong Kong selected by RDC. RDC shall hold such monies until the expiration of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy RDC that they are respectively entitled thereto and the cheques referred to in sub-clause (a) of this Clause 3 of which they are payees have not been cashed. Any payments made by RDC

SCHEME OF ARRANGEMENT

hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to Clause 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of any interest or withholding tax or any other deductions required by law. RDC shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of RDC to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (e) On the expiration of six years from the Effective Date, NART shall be released from any further obligation to make any payments under this Scheme and RDC shall transfer to NART the balance, if any, of the sums standing to the credit of the deposit account referred to in sub-clause (d) of this Clause 3 including accrued interest subject, if applicable, to the deduction of any interest or withholding tax or any other deductions required by law and any expenses incurred in effecting the transfer.

- (f) A holder of Scheme Shares in respect of whose Scheme Shares cash payments have been effected to the Trustee or its nominee(s) pursuant to paragraph (iii) of sub-clause (a) of this Clause 3 (or any other person entitled to the right of such holder under this Scheme by transmission or otherwise) shall, on written application to the Trustee accompanied by the certificates for or other documents of title to the relevant Scheme Shares delivered to the address which may from time to time be designated by the Trustee in accordance with the Trust Deed, be entitled (subject to the completion of such forms as the Trustee may require for the purpose) to the payment to him or to his nominee of:
 - (i) such cash payments as were effected to the Trustee or its nominee(s) in respect of the Scheme Shares held by such holder as at the Record Time, and
 - (ii) if applicable, such further monies as may have been paid or transferred to the Trustee or its nominee(s) in right (directly or indirectly) of or derived from the cash payment referred to in paragraph (i) of this sub-clause (f) provided that:
 - (1) the entitlement of a holder of Scheme Shares (or other person as aforesaid) under this sub-clause (f) shall be subject to the terms and provisions of the Trust Deed and in particular (but without prejudice to the generality of the foregoing) to the terms and provisions as to the payment out of property to which such holder would otherwise have been entitled of liabilities and expenses (including liability to taxation) incurred by the Trustee and in certain circumstances the remuneration of the Trustee; and
 - (2) all payments of cash which fall to be made to the holders of Scheme Shares under this sub-clause (f) shall be made in accordance with and subject to the terms and provisions of the Trust Deed.

SCHEME OF ARRANGEMENT

- (g) The preceding sub-clauses of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
- (h) Nothing in this Scheme shall preclude any subsequent modification of the Trust Deed made in accordance with the terms of the Trust Deed for the time being in force.
4. Subject to sub-clause (f) of Clause 3 of this Scheme, each certificate existing at the Record Time in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of RDC to deliver up the same to RDC for the cancellation thereof.
5. All mandates or relevant instructions in force at the Record Time relating to any of the Scheme Shares shall cease to be valid and effective mandates or instructions.
6. This Scheme shall become effective as soon as an office copy of the Order of the High Court sanctioning this Scheme under Section 166 of the Companies Ordinance, Chapter 32 of the Laws of the Hong Kong Special Administrative Region, and confirming, under Section 60 of the same Ordinance, the reduction of share capital provided for in this Scheme, together with a minute relating to the share capital of RDC and containing the particulars required by Section 61 of such Ordinance, shall have been duly registered by the Registrar of Companies.
7. Unless this Scheme shall have become effective on or before 30th April, 2003 or such later date, if any, as the Court may allow, this Scheme shall lapse.
8. RDC and NART may jointly consent for and on behalf of all concerned to any modification of or addition to the Scheme or to any condition which the High Court may think fit to approve or impose.
9. All costs, charges and expenses of and incidental to this Scheme and the costs of carrying this Scheme into effect will be borne by NART.

Dated 24th January, 2003

NOTICE OF COURT MEETING

HCMP No.184/03

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 184 OF 2003**

**In the Matter
of
REALTY DEVELOPMENT CORPORATION LIMITED
(聯邦地產有限公司)**

and

**In the Matter
of
the COMPANIES ORDINANCE,
Chapter 32 of the Laws of the Hong Kong Special Administrative Region**

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 21st January, 2003 made in the above matters, the High Court has directed a Meeting to be convened of the holders of the ordinary shares of HK\$0.20 each in the capital of Realty Development Corporation Limited (聯邦地產有限公司) (hereinafter called "the Company") other than those of such shares beneficially owned by New Asia Realty and Trust Company, Limited and Pomeroy Investments Limited for the purpose of considering and, if thought fit, approving, with or without modification, a Scheme of Arrangement proposed to be made between the Company and such holders of its ordinary shares of HK\$0.20 each and that the Meeting will be held in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, on Friday, 21st February, 2003 at 9:15 a.m. at which place and time all such holders of the ordinary shares of HK\$0.20 each in the capital of the Company other than those shares which are beneficially owned by New Asia Realty and Trust Company, Limited and Pomeroy Investments Limited are requested to attend.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Section 166A of the above-mentioned Ordinance are incorporated in the composite document of which this Notice forms part.

NOTICE OF COURT MEETING

The aforementioned holders of the ordinary shares of HK\$0.20 each in the capital of the Company may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

It is requested that forms appointing proxies be deposited with the Registrar of the Company, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the Chairman of the Meeting at the Meeting.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.

By the same Order, the Court has appointed Glenn Sekkern Yee or, failing him, Martin Nevil Sabine or, failing him, Leung Mei Han to act as Chairman of the Meeting and has directed the Chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated 24th January, 2003

NORTON ROSE
38th Floor, Jardine House
1 Connaught Place
Central
Hong Kong
Solicitors for
Realty Development Corporation Limited



REALTY DEVELOPMENT CORPORATION LIMITED

(聯邦地產有限公司)

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above-named Company will be held in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, on Friday, 21st February, 2003 at 9:30 a.m. (or so soon thereafter as the meeting of certain holders of the ordinary shares of HK\$0.20 each in the capital of the Company convened by direction of the High Court of the Hong Kong Special Administrative Region for the same place and day shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the Scheme of Arrangement dated 24th January, 2003 (the “Scheme”) between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of the print which has been produced to this Meeting and, for the purposes of identification, signed by the Chairman hereof, with any modification thereof or addition thereto or condition approved or imposed by the Court, be and is hereby approved; and
- (B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme),
 - (i) the authorised and issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the authorised share capital of the Company be increased to its former amount of HK\$300,000,000 by the creation of such number of new ordinary shares of HK\$0.20 each in the capital of the Company as is equal to the number of the Scheme Shares cancelled; and
 - (iii) the Company shall apply the credit arising in its books of account as a result of such reduction of capital in paying up in full at par the new ordinary shares of HK\$0.20 each in the capital of the Company to be created as aforesaid, which new shares shall be allotted and issued, credited as fully paid, to New Asia Realty and Trust Company, Limited or as it may direct and the Directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly.”

By Order of the Board
Wilson W.S. Chan
Secretary

Dated 24th January, 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

23rd Floor
Wheelock House
20 Pedder Street
Central
Hong Kong

Notes:

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company, but must attend the Meeting in person to represent him.
- (ii) A white form of proxy for use at the Meeting is enclosed herewith.
- (iii) In order to be valid, the white 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 deposited with the Registrar of the Company, Tengis Limited at Ground Floor, 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 adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending the Meeting and voting in person if he so wishes. In the event that a member attends the Meeting after having deposited his form of proxy, his form of proxy will be deemed to have been revoked.
- (iv) In the case of joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the holders so present whose name stands first on the Register of Members in respect of such share shall alone be entitled to vote in respect thereof.