

PARTIAL OFFER BY

H&G LIMITED

to acquire ordinary shares in

RURAL EQUITIES LIMITED

To accept this Offer see page 1

IMPORTANT

If you are in any doubt as to any aspect of this Offer, you should consult a person authorised to undertake trading activities by New Zealand Exchange Limited or a financial or legal adviser.

If you have sold all your shares in Rural Equities Limited, you should immediately hand this Offer document and the accompanying acceptance form to the purchaser, or to the person authorised to undertake trading activities by New Zealand Exchange Limited or other agent through whom the sale was made, to be passed to the purchaser.

SUMMARY OF OFFER

On 26 April 2004 H&G Limited ("H&G") announced that it would make a partial offer ("Offer") under the Takeovers Code for ordinary shares ("REL Shares") in Rural Equities Limited ("REL") not already held by H&G. The key terms of the Offer are:

- the consideration is \$1.25 per REL Share.
- the Offer is conditional on receiving acceptances that, when taken together with the REL Shares already held by H&G, confer on H&G 40.827959% of the voting rights in REL. As at the date of this Offer the holding of voting rights in REL by H&G and certain interests associated with H&G is as set out below. If H&G acquires a further 15.538015% of the voting rights of REL pursuant to the Offer the combined holding of the voting rights of REL of H&G and those associates will be 50.099998%:

	Number of REL Shares	Percentage of the voting rights of REL
H&G	3,749,300	25.289944%
Certain associates of H&G	1,374,604	9.272040%
Aggregate	5,123,904	34.561984%
To be acquired by H&G pursuant to the Offer	2,303,551	15.538015%
Total	7,427,455	50.099998%

This 15.538015% is the percentage of all the voting rights of REL. When excluding the voting rights held by H&G as at the date of the Offer, the percentage of voting rights of REL sought pursuant to the Offer is 20.797755%.

- the Offer closes at 5.00pm on 24 June 2004 (unless extended).

The detailed terms of the Offer are set out at pages 3 to 6 and in the Acceptance and Transfer Form.

HOW TO ACCEPT THE OFFER

To accept the Offer by H&G, you should complete the Acceptance and Transfer Form enclosed with the Offer in accordance with the instructions set out on the Acceptance and Transfer Form. Then mail or deliver the Acceptance and Transfer Form and relevant REL Share certificate(s) in the enclosed reply paid envelope to:

H&G Limited
c/- Computershare Investor Services Limited
Private Bag 92119
Auckland

OR

H&G Limited
c/- Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna

If you have sold all or some of your REL Shares, please refer to the instructions on the Acceptance and Transfer Form.

APPROVAL OF A PARTIAL BID

Approval is sought under Rule 10 of the Takeovers Code to H&G making the Offer for 20.797755% of the REL Shares not already held by H&G (which represents, as at the date of this Offer, 2,303,551 REL Shares), which REL Shares, when aggregated with the REL Shares already held by H&G, confer on H&G 40.827959% of the voting rights of REL.

To approve or object to H&G making the Offer, you should complete the Approval Document enclosed with the Offer in accordance with the instructions set out on the Approval Document. Then deliver or mail the Approval Document to REL's agent, Computershare Investor Services Limited at the address specified on page 1 before the Offer closes.

IMPORTANT

**COMPLETED ACCEPTANCE AND TRANSFER FORMS AND THE APPROVAL DOCUMENT MUST BE RECEIVED
BY 5.00PM ON 24 JUNE 2004 (subject to paragraph 3.5 of the Offer)**

PARTIAL OFFER BY H&G LIMITED IN RELATION TO RURAL EQUITIES LIMITED

25 May 2004

To: The holders of ordinary shares in Rural Equities Limited

Dear Shareholder

1. The Offer

- 1.1 H&G Limited ("**H&G**") offers to purchase, on the terms and conditions set out in this document ("**Offer**"), such number of fully paid ordinary shares in the capital of Rural Equities Limited ("**REL**") that represent 20.797755% ("**Specified Percentage**") of the issued ordinary shares in the capital of REL which H&G does not already hold as at the date of this Offer.
- 1.2 This Offer is a partial offer for REL Shares. As H&G holds 3,749,300 REL Shares, the Offer is for the Specified Percentage of the REL Shares not already held by H&G at the date of this Offer. In accordance with the Takeovers Code, each holder of REL Shares is entitled to sell to H&G pursuant to the Offer, the Specified Percentage of the REL Shares they hold ("**Entitlement**").
- 1.3 Certain associates of H&G hold 1,374,604 REL Shares comprising 9.272040% of REL Shares. Those associates will not be accepting the Offer. Holders of REL Shares will therefore be entitled to sell to H&G pursuant to this Offer more than their Entitlement. To the extent holders of REL Shares do not accept the Offer for their full Entitlement, H&G is entitled to accept acceptances from holders of REL Shares who wish to sell more REL Shares than their Entitlement. Over-acceptances of this Offer will be dealt with as set out in paragraph 4.
- 1.4 This Offer remains open until 5.00pm on 24 June 2004 (unless extended as set out in paragraph 3.5 below).
- 1.5 Fully paid ordinary shares in REL are referred to in this Offer as "REL Shares".
- 1.6 This Offer is made subject to the following terms and conditions.

2. Consideration

- 2.1 The consideration offered for each REL Share is \$1.25 cash.

3. How to Accept this Offer

- 3.1 Holders of REL Shares who wish to accept this Offer ("Acceptors") need only:
 - (a) complete the enclosed Acceptance and Transfer Form in accordance with the instructions set out in that form; and
 - (b) forward the completed Acceptance and Transfer Form (and that Acceptor's REL Share certificate for at least the number of REL Shares in respect of which that Acceptor is accepting this Offer) in the enclosed reply paid envelope as soon as possible, but in any event so as to be received not later than 5.00pm on 24 June 2004 (subject to paragraph 3.5 below). If the reply paid envelope has been mislaid, please mail or deliver the Acceptance and Transfer Form and relevant REL Share certificate(s) to:

Mailing address:

H&G Limited
c/- Computershare Investor Services Limited
Private Bag 92119
Auckland

Delivery address:

H&G Limited
c/- Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland

- 3.2 No acknowledgment of the receipt of acceptances will be issued.
- 3.3 H&G may, in its discretion, treat any Acceptance and Transfer Form as valid whether or not it complies with paragraph 3.1 or is otherwise irregular. H&G may also, in its discretion, rectify any errors in, or omissions from, any Acceptance and Transfer Form to enable that form to constitute a valid acceptance of this Offer and to facilitate registration of the transfer of the relevant REL Shares to H&G, including inserting or correcting details of the REL Shares held by the Acceptor and filling in any blanks.

- 3.4 (a) Except as provided in paragraphs 3.4(b) and 3.6, acceptances are irrevocable and Acceptors are not entitled to withdraw their acceptance of this Offer, whether or not this Offer has been varied by H&G.
- (b) If the consideration for the relevant REL Shares is not sent within the period specified in paragraph 7 to any Acceptor, that Acceptor may withdraw acceptance of this Offer:
- (i) by notice in writing to H&G; but only
- (ii) after the expiration of seven days' written notice to H&G of that Acceptor's intention to do so.
- (c) The right to withdraw acceptance of this Offer under paragraph 3.4(b) does not apply if that Acceptor receives the consideration during the seven day period of notice referred to in paragraph 3.4(b)(ii).
- 3.5 Unless this Offer is withdrawn with the consent of the Takeovers Panel established under the Takeovers Act 1993, it will remain open for acceptance until 5.00pm on 24 June 2004 or such later closing date(s) as H&G may decide in accordance with the Takeovers Code ("**Closing Date**"). Any Acceptance and Transfer Forms received after the Closing Date which are post-marked before the Closing Date may be accepted by H&G in its discretion, subject to the requirements of the Takeovers Code.
- 3.6 Notwithstanding paragraph 3.4(a), H&G will be released from its obligations under this Offer and any contract arising from acceptance of this Offer, and every Acceptor will be released from its obligations under this Offer and any contract arising from acceptance of this Offer, if:
- (a) this Offer is withdrawn with the consent of the Takeovers Panel; or
- (b) this Offer lapses as a result of any condition contained in paragraph 6.1, 6.2 or 6.3 not being satisfied by the relevant date specified in paragraph 6 for satisfaction of that condition.
- 3.7 This Offer is open for acceptance by all persons who hold REL Shares whether acquired before or after the date of this Offer.

4. ACCEPTANCES

- 4.1 H&G will take up from each Acceptor of this Offer the lesser of:
- (a) the number of the Acceptor's REL Shares that represents the Specified Percentage of the REL Shares held by that Acceptor; or
- (b) the number of REL Shares in respect of which the Acceptor has accepted the Offer.
- 4.2 If:
- (a) the number of REL Shares that H&G takes up in accordance with paragraph 4.1 is less than the number of REL Shares sought by H&G under this Offer; and
- (b) H&G has received acceptances of the Offer from certain Acceptors (each a "Surplus Acceptor") for more than the Specified Percentage of the REL Shares held by that Acceptor (those REL Shares in excess being "Surplus Shares"), then:
- H&G will take up from each Surplus Acceptor the balance of the REL Shares required by H&G pursuant to this Offer to acquire the Specified Percentage of REL Shares not held by H&G as at the date of the Offer ("Remaining Required Shares"), with the proportion of Surplus Shares to be acquired from each Surplus Acceptor being equal to the proportion that the Remaining Required Shares bears to the total of all the Surplus Shares.
- 4.3 Without limiting paragraph 3.4(a) or 5.3, the number of REL Shares that may be disposed of by an Acceptor under this Offer will be determined by reference to the number of REL Shares held by the Acceptor at the Closing Date, as recorded in the securities register of REL.

5. TERMS OF THIS OFFER

- 5.1 All REL Shares acquired by H&G under this Offer, and all shares, options and other securities of the nature referred to in paragraph 5.3, must be free from all liens, charges, mortgages and encumbrances and other adverse interests of any kind when they are transferred to H&G and are to be acquired with the benefit of all rights, benefits and entitlements attached to them at 30 April 2004 (being the date on which H&G gave REL notice of its intention to make this Offer) or which arise subsequently.
- 5.2 If REL declares or pays any dividend or makes any other distribution in respect of REL Shares on or after 30 April 2004, and the condition contained in paragraph 6.1(a) is waived by H&G, then, at the option of H&G, either:
- (a) Acceptors will be bound to pay to H&G in respect of each REL Share for which they have accepted this Offer, an amount equivalent to the dividend or the value of such other distribution; or
- (b) the cash consideration for their REL Shares payable under paragraph 2.1 will be reduced by an amount equivalent to that dividend or the value of the other distribution and to the extent that the dividend or the value of the other distribution exceeds the cash consideration, the Acceptor will be bound to pay the excess to H&G.

- 5.3 If REL makes any issue of shares or convertible notes or voting securities or grants any other rights or interests in its shares to its shareholders by way of bonus issue on or after 30 April 2004 (and H&G waives the condition contained in paragraph 6.1(b)), Acceptors of this Offer will be bound to transfer such shares or convertible notes or voting securities or other rights and interests, to the extent they relate to REL Shares in respect of which this Offer has been accepted, to H&G without any additional consideration.
- 5.4 If REL consolidates or subdivides REL Shares on or after 30 April 2004 (and H&G waives the condition in paragraph 6.1(b)), the consideration per REL Share provided under paragraph 2.1 will be increased or reduced, as the case may require, in proportion to such consolidation or subdivision, and Acceptors must transfer the consolidated or subdivided shares to H&G on the basis of the consideration per REL Share so increased or reduced.
- 5.5 If REL issues any further REL Shares on a pro rata basis to all holders of REL Shares, on or after 30 April 2004 (and H&G waives the condition contained in paragraph 6.1(b)), then this Offer will be deemed to extend to and include those REL Shares (other than those held by H&G).

6. CONDITIONS

- 6.1 This Offer is subject to the following conditions (which are for the benefit of H&G and may accordingly be waived in whole or in part by H&G) that, during the period from and including 30 April 2004 until and including the date by which this Offer must become unconditional as described in paragraph 6.6:
- (a) no dividends, bonuses or other distributions of any nature have been, or will be, declared, paid, or made on, or in respect of, any of the REL Shares;
 - (b) none of the REL Shares has been, or will be, subdivided, consolidated or bought back by REL, no further shares, options or convertible notes or other voting securities of any description of REL or any of its subsidiaries has been or will be issued or agreed to be issued or made the subject of any option or agreement to issue and there has been or will be no alteration of rights, privileges or restrictions attaching to the REL Shares;
 - (c) there has been and will be no alteration to the constitution of REL.
- 6.2 This Offer is conditional upon H&G receiving acceptances of this Offer relating to REL Shares that, on registration of the transfer of the REL Shares to H&G, and when taken together with the REL Shares already held by H&G, confer on H&G 40.827959% of the voting rights in REL. H&G may not take up any REL Shares under this Offer unless this condition is satisfied by the Closing Date.
- 6.3 This Offer is conditional upon approval being obtained under Rule 10 of the Takeovers Code to H&G making an offer for 20.797755% of the REL Shares not already held by H&G, which REL Shares, when aggregated with the REL Shares already held by H&G, confer on H&G 40.827959% of the voting rights of REL. Such approval is required to be obtained before the expiration of the Offer period. To approve or object to H&G making this Offer, you should complete the Approval Document enclosed with this Offer in accordance with the instructions set out in the Approval Document. Approval under Rule 10 of the Takeovers Code is obtained if holders of REL Shares so approving hold more voting rights in REL than are held by the holders of REL Shares so objecting. Voting rights held by H&G and its associates are disregarded in this calculation.
- A holder of REL Shares need not accept this Offer to complete the Approval Document.
- 6.4 Each of the conditions set out in paragraphs 6.1, 6.2 and 6.3 are separate conditions subsequent, and acceptance of this Offer by each Acceptor will constitute a contract by that Acceptor with H&G subject to those conditions.
- 6.5 H&G may, in its absolute discretion, waive in whole or in part any or all of the conditions in paragraph 6.1 but not the conditions contained in paragraph 6.2 or 6.3 unless H&G has sought an exemption from the relevant condition in paragraph 6.2 or 6.3 and the Takeovers Panel grants H&G the exemption allowing H&G to waive that condition.
- 6.6 Subject to the conditions in paragraph 6.2 and 6.3 having been satisfied as set out in paragraph 6.2 and 6.3, the latest date by which this Offer can become unconditional is 5.00pm on 8 July 2004 (which is 14 days after the end of the Offer period referred to in paragraph 3.5, but this date may change if the Offer period is extended in accordance with paragraph 3.5, provided that this date may be no later than 6 September 2004). Should this Offer not become unconditional, it will lapse and all Acceptance and Transfer Forms and REL Share certificates will be returned to Acceptors.

7. SETTLEMENT

- 7.1 If the Acceptance and Transfer Form is in order and accompanied by a REL Share certificate for not less than the number of REL Shares in respect of which the Offer is accepted, then a cheque for the cash consideration to which the Acceptor will be entitled under this Offer will be despatched by H&G by ordinary post by the date that is seven days after the later of:
- (a) the date that this Offer has become unconditional or any outstanding conditions are waived by H&G; and
 - (b) 24 June 2004 being the date of the initial Offer period, as set out in paragraph 3.5.
- 7.2 As at the date of this Offer, the last date by which such consideration must be sent to Acceptors is 15 July 2004 (being seven days after last date on which the Offer can become unconditional as referred to in paragraph 6.6), but this date may change if the Closing Date is extended in accordance with paragraph 3.5, and therefore the latest date H&G can declare this Offer to have become unconditional similarly extends in accordance with paragraph 6.6.

8. NOTICES

- 8.1 Except where H&G is required by the Takeovers Code to give or send notice of any matter to holders of REL Shares, notice by H&G to REL of any matter relating to this Offer will constitute notice of that matter to holders of REL Shares and will be deemed to have been duly given on the day following the date on which that notice is given to REL.
- 8.2 Notice of any variation of this Offer will be sent to each offeree, REL and the Takeovers Panel in accordance with the Takeovers Code.

9. ADDITIONAL INFORMATION

The information required by Schedule 1 to the Takeovers Code is set out in the Appendix to, and forms part of, this Offer.

10. MISCELLANEOUS

- 10.1 By acceptance of this Offer, each Acceptor will be deemed to:
- (a) authorise H&G to advise REL and/or its share registrar of the details of that Acceptor's acceptance and to note the REL share register with those details; and
 - (b) represent and warrant to H&G that title to that Acceptor's REL Shares and to all other shares, options and other securities of the nature referred to in paragraph 5.3 will pass to H&G free of all liens, charges, mortgages, encumbrances and other adverse interests of any kind, and that the Acceptor has full power and capacity to sell and transfer all such securities.
- 10.2 All cheques, Acceptance and Transfer Forms, REL Share certificates and other documents to be delivered or sent by, or to, a holder of REL Shares will be delivered or sent to or from that holder at that holder's own risk.
- 10.3 The provisions set out in the Acceptance and Transfer Form are part of the terms of this Offer.
- 10.4 This Offer may be varied by H&G in accordance with the Takeovers Code.
- 10.5 All references in this Offer and in the Acceptance and Transfer Form to:
- (a) the Takeovers Code means the Takeovers Code recorded in the Takeovers Code Approval Order 2000 (SR2000/210);
 - (b) terms defined in the Takeovers Code will have the same meaning in this Offer, except if expressly defined in this Offer, or where the context otherwise requires;
 - (c) time are to New Zealand time, unless stated otherwise;
 - (d) currency are to New Zealand currency unless stated otherwise;
 - (e) the singular includes the plural and vice versa, unless the context otherwise requires.
- 10.6 This Offer and all contracts arising from acceptance of it, will be governed by and construed in accordance with the laws of New Zealand.
- 10.7 If there is any inconsistency between the terms and conditions of this Offer and the provisions of the Takeovers Act 1993 or the Takeovers Code, the provisions of the Takeovers Act 1993 or the Takeovers Code (as the case may be) shall prevail.



Sir Selwyn Cushing
H&G Limited



David Cushing
H&G Limited

APPENDIX

INFORMATION REQUIRED BY SCHEDULE 1 TO THE TAKEOVERS CODE

1. Date

The Offer is dated 25 May 2004.

2. Offeror and its Directors

The offeror is H&G Limited. H&G's address is 303 Karamu Road North, Hastings.

The names of every director of H&G are: Sir Selwyn John Cushing

Bevan David Cushing

Brian Joseph Martin

3. Target Company

The name of the target company is Rural Equities Limited.

4. Advice Statement

The advice statement required under clause 4 of Schedule 1 to the Takeovers Code is set out on the cover page of this Offer.

5. Offer Terms

The terms and conditions of this Offer are set out on pages 3 to 6 of this Offer and the Acceptance and Transfer Form.

6. Ownership of Equity Securities of Target Company

The number, designation and percentage of equity securities of REL held or controlled by:

- (a) H&G;
- (b) any related company of H&G;
- (c) any person acting jointly or in concert with H&G;
- (d) any director of any of the persons described in paragraphs (a) to (c); or
- (e) any other person holding or controlling more than 5% of the equity securities of REL, if within the knowledge of H&G, are as follows:

Name	Number of equity securities held or controlled	Type of equity security	Percentage of total number of equity securities
H&G	3,749,300	REL Shares	25.289944
Sir Selwyn John Cushing	203,876	REL Shares	1.375193
Sir Selwyn John Cushing and David Cushing	146,200	REL Shares	0.986155
Sir Selwyn John Cushing and Jeanette Mavis Jenkins	83,640	REL Shares	0.564172
Brian Joseph Martin	208,580	REL Shares	1.406923
Brian Joseph Martin and Sir Selwyn John Cushing	92,640	REL Shares	0.624879
Brian Joseph Martin and Sydney Herbert Deacon	47,596	REL Shares	0.321047
Brian Joseph Martin, Jan Arend Snijders and Joan Eleanor Snijders	110,000	REL Shares	0.741977
David Cushing	357,948	REL Shares	2.414447
Seajay Securities Limited	174,236	REL Shares	1.175264
Makowai Farm Limited	116,092	REL Shares	0.783069
Ashfield Properties Limited	99,200	REL Shares	0.669128
Ben Cushing	56,568	REL Shares	0.381565
Ashfield Farm Limited	45,748	REL Shares	0.308581
Fairway Finance Limited	34,500	REL Shares	0.232711

No person, other than as disclosed above, is, within the knowledge of H&G, after making proper enquiry, holding or controlling more than 5% of the equity securities of REL.

7. Trading in target company equity securities

Each of the persons referred to in paragraph 6 above acquired all the REL Shares held by them as set out above on 27 February 2004 pursuant to a Court approved Scheme Arrangement under Part XV of the Companies Act 1993. The scheme of arrangement comprised, among other things, the acquisition by Williams & Kettle Limited, on the terms provided in the Scheme of Arrangement, of 1 share in every 4 shares held by each Williams & Kettle Limited shareholder with the consideration being the transfer to that Williams & Kettle Limited shareholder of 4 shares in the capital of Rural Equities Limited for every Williams & Kettle Limited share so purchased.

8. Agreements to accept Offer

No person has agreed, conditionally or unconditionally, to accept the Offer.

9. Arrangements to pay Consideration

9.1 H&G confirms that resources will be available to it sufficient to meet the consideration to be provided on full acceptance of this Offer and to pay any debts incurred in connection with this Offer (including the debts arising under Rule 49 of the Takeovers Code).

9.2 A statement setting out the rights of each offeree under Rule 34 of the Takeovers Code, to withdraw its acceptance for non-payment by H&G of the consideration, is set out in paragraph 3.4(b) of this Offer.

10. No arrangement between Offeror and target company

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between H&G or any associates of H&G, and REL or any related company of REL, in connection with, in anticipation of, or in response to, this Offer.

11. Arrangements between Offeror, and directors and officers of target company

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between H&G or any associates of H&G, and any of the directors or senior officers of REL or of any related company of REL (including any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, this Offer.

Sir Selwyn John Cushing, David Cushing and Brian Joseph Martin are all of the directors of H&G and are also directors of REL.

12. Financial Assistance

No agreement or arrangement has been made, or is proposed to be made, under which REL or any related company of REL will give (directly or indirectly) financial assistance for the purpose of, or in connection with, this Offer.

13. Market acquisition of securities

H&G may not acquire securities during the Offer period under Rule 36 of the Takeovers Code.

14. Likelihood of changes in target company

H&G does not currently intend to make any material changes in respect of the business activities of REL and its subsidiaries.

15. Pre-emption clauses in target company's constitution

There are no restrictions in the constitution of REL on the right to transfer equity securities to which this Offer relates, which have the effect of requiring the holders of the securities to offer the securities for purchase to members of REL, or to any other person, before transferring those securities.

16. Escalation Clauses

There are no arrangements or agreements (whether legally enforceable or not) under which:

- (a) any existing holder of equity securities in REL will or may receive in relation to, or as a consequence of, the Offer any additional consideration or other benefit over and above the consideration set out in the Offer; or
- (b) any prior holder of equity securities in REL will or may receive any consideration or other benefit as a consequence of the Offer.

17. Independent adviser's report

An independent adviser's report is not required under Rule 22 of the Takeovers Code (which requires an independent adviser to report on fairness between different classes of securities, whether voting or non-voting) because REL does not have any non-voting equity securities or more than one class of voting securities on issue at the date of this Offer.

However, pursuant to Rule 21 of the Takeovers Code, the directors of REL must obtain a report from an independent adviser on the merits of the Offer.

18. Additional disclosures required if consideration includes securities

No securities have been offered by H&G as consideration under the Offer.

19. Certificate

To the best of our knowledge and belief, after making proper enquiry, the information contained in this Offer document is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by H&G under the Takeovers Code.



Sir Selwyn John Cushing
Director



David Cushing
Director (and the person fulfilling the roles of Chief Executive Officer and Chief Financial Officer of H&G Limited)



Brian Joseph Martin
Director

