

# H&G LIMITED

Dear Shareholder

## **OFFER FROM H&G LIMITED**

On 3 May 2004 Rural Equities Limited (REL) wrote to you advising that a takeover notice had been received from H&G Limited (H&G). The takeover notice indicated that H&G intended to make an offer to purchase 2,303,551 shares in REL, being sufficient shares for H&G and certain of its associates to hold 50.1% of REL's shares.

This letter is being sent to you together with:

- The offer from H&G (Offer);
- An acceptance and transfer form (coloured blue) to be completed if you decide to accept the Offer; and
- An approval document (coloured yellow) to be completed if you wish to approve, or object to, the making of the Offer.

H&G is offering to purchase 2,303,551 shares in REL at a purchase price of \$1.25 per share. This price represents a 19% premium over the share price of REL before H&G announced its intention to make this Offer.

The Offer is a partial offer made under the Takeovers Code. That is, every shareholder other than H&G has the right to sell a portion of their shares to H&G. To the extent that shareholders do not accept this Offer, or do not accept it for their full entitlement, then other shareholders may sell more shares than their entitlement. As certain associates of H&G have advised that they will not be accepting the Offer, you will be able to sell more shares than your entitlement. You are urged to accept the Offer for all of your shares.

To accept the Offer you need to complete the blue acceptance form and return it, together with your share certificate, in the envelope provided, to arrive at Computershare Investor Services Limited, Private Bag 92119, Auckland no later than 24 June 2004 or such later date as H&G may specify.

If the Offer is successful, H&G and certain of its associates will hold 50.1% of REL's shares but H&G alone will hold only 40.83%. Because H&G will hold less than 50%, the Takeovers Code requires the Offer to be conditional on the making of the Offer to be approved by the shareholders of REL, excluding H&G and its associates. This approval requires the majority of votes cast to be in favour. If you accept the Offer please also complete the approval document indicating your approval to the making of the Offer. Even if you decide not to accept the Offer, you are still requested to complete the approval document indicating your approval to the making of the Offer.

The yellow form should be used to indicate whether or not you approve of the making of the Offer and should be returned (together with acceptance documents if you elect to accept the Offer) to arrive at Computershare Investor Services Limited, Private Bag 92119, Auckland no later than 24 June 2004 or such later date as H&G may specify.

Shareholders will be aware that St Laurence Equities Limited has given notice to REL that it intends to make an offer for all the shares of REL at a price of \$1.50 per share. That offer is required by the Takeovers Code to be conditional upon acceptances being received in respect of more than 50% of REL's shares. H&G has advised St Laurence that neither it, nor certain interests associated with H&G, will accept St Laurence's offer. H&G and those associates hold 34.56% of REL. It is believed that as at the date of this letter, St Laurence does not have any REL shares. In addition, given H&G's knowledge of REL's share register, H&G believes that it is highly unlikely that St Laurence will achieve the 50% level for its offer to be successful. Shareholders are therefore urged to not accept St Laurence's offer in the event that it is made.

H&G may make a further response to shareholders in the event that St Laurence makes its offer. Should H&G increase the \$1.25 per REL share it is offering for the 2,303,551 shares in REL that it is seeking pursuant to the Offer, then all shareholders who have accepted the Offer prior to the time of that increase will also be entitled to receive that increased price.

I recommend that shareholders accept the Offer from H&G and complete the approval form approving the making of the Offer. Even if you do not wish to accept the Offer, please complete the approval form approving the making of the Offer.

Yours sincerely



David Cushing  
*Director*  
*H&G Limited*