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**THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this offer document or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in The Hong Kong Building and Loan Agency Limited, you should at once hand this offer document and the Form of Acceptance to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**MANDATORY UNCONDITIONAL CASH OFFER BY**



**SUN HUNG KAI INTERNATIONAL LIMITED**

**for and on behalf of**

**ISLAND NEW FINANCE LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

**an indirect non wholly-owned subsidiary of**



**ALLIED GROUP LIMITED**

**(聯合集團有限公司)**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 373)**

**for all the issued shares of**

**THE HONG KONG BUILDING AND LOAN AGENCY LIMITED**

**(香港建屋貸款有限公司)**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 145)**

**(other than shares already owned or agreed to be acquired by  
ISLAND NEW FINANCE LIMITED)**

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The procedures for acceptance of the Offer and other related information are set out in Appendix I to this offer document and in the Form of Acceptance. Acceptances should be received by the receiving agent, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Wednesday, 12th October, 2005 or such time or date as the Offeror may determine and announce in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code).

14th September, 2005

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## EXPECTED TIMETABLE

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Opening date of the Offer . . . . .	Wednesday, 14th September, 2005
Latest date for posting of the response document by the Company ( <i>Note 1</i> ) . . . . .	Wednesday, 28th September, 2005
Latest time for acceptance of the Offer . . . . .	4:00 p.m. on Wednesday, 12th October, 2005
Closing Date ( <i>Note 2</i> ) . . . . .	Wednesday, 12th October, 2005
Announcement of the results of the Offer to be published on the website of the Stock Exchange . . . . .	7:00 p.m. on Wednesday, 12th October, 2005
Announcement of the results of the Offer to be published in the newspapers in Hong Kong . . . . .	Thursday, 13th October, 2005
Latest date for despatch of remittances in respect of the consideration for valid acceptances received under the Offer at or before the latest time for acceptance ( <i>Note 3</i> ) . . . . .	Saturday, 22nd October, 2005

*Notes:*

1. The Offeror has no intention to extend the Offer under any circumstance, including the situation where the response document is not despatched by the Company on or before 28th September, 2005.
2. The latest time for acceptance of the Offer is 4:00 p.m. on Wednesday, 12th October, 2005. The Offer, which is unconditional, will close on Wednesday, 12th October, 2005.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this offer document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

3. Remittances in respect of the consideration for valid acceptances received under the Offer will be posted to Shareholders accepting the Offer as soon as possible, but in any event within ten days after the receipt by the Receiving Agent of all the relevant documents to render the acceptances complete and valid.
4. Acceptances of the Offer will be irrevocable and may not be withdrawn, except as permitted under the Takeovers Code.

**All references in this offer document to time are references to Hong Kong time.**

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## DEFINITIONS

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*In this offer document, unless the context otherwise requires, the following expressions have the following meanings:*

“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“AGL Group”	AGL and its subsidiaries
“CCASS”	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	12th October, 2005
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“Executive”	Executive Director of the Corporate Finance Division of the Securities and Futures Commission, or any delegate of the Executive Director
“Form of Acceptance”	the accompanying form of acceptance and transfer of Shares in respect of the Offer
“Group”	the Company and its subsidiary
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKCB”	HKCB Corporation Limited, a company incorporated in the British Virgin Islands with limited liability which, up to completion of the acquisition of the Sale Shares, was the beneficial owner of the Sale Shares
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	12th September, 2005, being the latest practicable date prior to the printing of this offer document for the purpose of ascertaining certain information contained in this offer document

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## DEFINITIONS

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“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer”	mandatory unconditional cash offer for all Offer Shares
“Offer Shares”	Shares in respect of which the Offer is made, being Shares not already owned or agreed to be acquired by the Offeror
“Offeror”	Island New Finance Limited, a company incorporated in the British Virgin Islands with limited liability and (through Onspeed Investments Limited) an indirect wholly-owned subsidiary of UAF
“Receiving Agent”	Tengis Limited, the receiving agent of the Offer and the share registrar of the Company, the office of which is at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Sale Shares”	168,313,038 Shares acquired by the Offeror from HKCB
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares, except, for the purposes of the Offer, the Offeror
“Shares”	ordinary shares of nominal value of HK\$1.00 each in the issued share capital of the Company
“SHK”	Sun Hung Kai International Limited, a licensed person registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to engage in dealing in securities and advising on corporate finance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Code on Takeovers and Mergers
“UAF”	United Asia Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of AGL

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## LETTER FROM SHK

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SUN HUNG KAI INTERNATIONAL LIMITED

14th September, 2005

*To the Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
SUN HUNG KAI INTERNATIONAL LIMITED  
FOR AND ON BEHALF OF  
ISLAND NEW FINANCE LIMITED  
AN INDIRECT NON WHOLLY-OWNED SUBSIDIARY OF  
ALLIED GROUP LIMITED  
FOR ALL THE ISSUED SHARES OF  
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED  
(OTHER THAN SHARES ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
ISLAND NEW FINANCE LIMITED)**

### INTRODUCTION

On 6th July, 2005, the Offeror announced that it entered into an agreement for sale and purchase with HKCB on 18th June, 2005, pursuant to which the Offeror agreed to acquire the Sale Shares from HKCB and that SHK would make the Offer for and on its behalf after completion of the acquisition of the Sale Shares. On 7th September, 2005, the Offeror announced that all the conditions of such agreement had been fulfilled. Completion of the acquisition of the Sale Shares took place on 12th September, 2005.

There were a total of 225,000,000 Shares in issue as at the Latest Practicable Date. As a result of completion of the acquisition of the Sale Shares, the Offeror has become the beneficial owner of 168,313,038 Shares, representing approximately 74.8 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, under Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer (being a mandatory unconditional cash offer) for all Offer Shares (being Shares not already owned or agreed to be acquired by the Offeror).

As at the date of the Latest Practicable Date, there were no outstanding warrants, options or other convertible securities of the Company.

This letter, together with Appendix I to this offer document and the Form of Acceptance, sets out the terms and other details of the Offer, and certain other information.

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## LETTER FROM SHK

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Pursuant to the Takeovers Code, the Company will appoint an independent financial adviser to advise its independent board committee in connection with the Offer. The Company is required under the Takeovers Code to despatch to the Shareholders a response document containing, among other things, the advice from the independent financial adviser in connection with the Offer, within 14 days from the posting of this offer document. Shareholders are strongly encouraged to wait for such response document before deciding whether to accept the Offer.

### THE OFFER

#### Terms

SHK, for and on behalf of the Offeror, now makes the Offer for all Offer Shares on the following basis:

For each Offer Share . . . . . HK\$1.0933 in cash

The cash offer price per Offer Share is the nearest rounded up figure (with four decimals) above the price of approximately HK\$1.0932 per Share at which the Sale Shares were acquired by the Offeror (being the highest price paid by the Offeror for the acquisition of Shares in the six month period preceding the Latest Practicable Date). It represents:

- a premium of approximately 7.19 per cent. over the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on 17th June, 2005, being the last trading day prior to 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares)
- a premium of approximately 43.48 per cent. over the average closing price of HK\$0.762 per Share, based on the daily closing prices as quoted on the Stock Exchange over the ten trading days up to and including 17th June, 2005
- a premium of approximately 52.27 per cent. over the average closing price of HK\$0.718 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 20 trading days up to and including 17th June, 2005
- a premium of approximately 65.90 per cent. over the average closing price of approximately HK\$0.659 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including 17th June, 2005
- a premium of approximately 0.30 per cent. over the closing price of HK\$1.09 per Share as quoted on the Stock Exchange as at the Latest Practicable Date
- a premium of approximately 12.13 per cent. over the audited consolidated net asset value per Share of approximately HK\$0.975 as at 31st December, 2004 (being the date up to which the latest published audited consolidated accounts of the Group were prepared)

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## LETTER FROM SHK

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- a premium of approximately 13.18 per cent. over the unaudited consolidated net asset value per Share of approximately HK\$0.966 as at 30th June, 2005 (being the date up to which the latest unaudited interim results of the Group were prepared)

### **The Offeror has no intention to increase the cash offer price per Share.**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six month period preceding the last trading day prior to 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares) are HK\$1.02 per Share on 17th June, 2005 and HK\$0.52 per Share on 3rd February, 2005, respectively.

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six month period preceding the Latest Practicable Date are HK\$1.09 per Share from 17th August, 2005 to 26th August, 2005 and from 8th September, 2005 to 9th September, 2005 and HK\$0.59 per Share from 16th March, 2005 to 7th April, 2005, respectively.

### **Conditions**

The Offer is unconditional in all respects and is not conditional upon valid acceptances being received in respect of a minimum number of Shares or any other condition.

### **Total consideration**

As at the Latest Practicable Date, there were 225,000,000 Shares in issue. At a cash offer price of HK\$1.0933 per Share, the Offer values the entire issued share capital of the Company at HK\$245,992,500. Full acceptance of the Offer would require the Offeror to pay an aggregate amount of approximately HK\$61,976,000.

AG Capital Limited, an indirect wholly-owned subsidiary of AGL, has been granted a committed revolving loan facility by Bank of China (Hong Kong) Limited in the sum of HK\$120 million. It has, in turn, granted a standby facility to UAF and has undertaken to earmark up to HK\$62 million within such standby facility for the sole purpose of the Offer. The payment of interest on, repayment of or security for any liability under such standby facility will not depend on the business of the Group. SHK is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

### **Effects of accepting the Offer**

By accepting the Offer, Shareholders will sell their Shares and all rights attaching to them as at 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares and the possible mandatory cash offer for the Offer Shares), including the right to receive all dividends and distributions declared, paid or made on or after 6th July, 2005.

### **Stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer, at the rate of HK\$1.00 for every HK\$1,000.00 (or part thereof) of the greater of (i) the consideration



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## LETTER FROM SHK

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payable in respect of the relevant acceptance by Shareholders and (ii) the market value of the relevant Shares, will be deducted from the consideration due to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the stamp duty in connection with such sale.

### **Payment**

Payment in cash by way of banker's cheques in respect of valid acceptances of the Offer will be made as soon as possible, but in any event within ten days after the receipt by the Receiving Agent of all the relevant documents to render the acceptances complete and valid.

### **Compulsory acquisition**

The Offeror does not intend, but reserves the right, to exercise any right which may be available under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to acquire compulsorily the outstanding issued Shares that are not acquired under the Offer.

### **INFORMATION ABOUT THE GROUP**

The Company is a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange.

The principal business activities of the Group comprise investment holding, treasury investments and the provision of mortgage finance and other related services.

### **INFORMATION ABOUT THE OFFEROR**

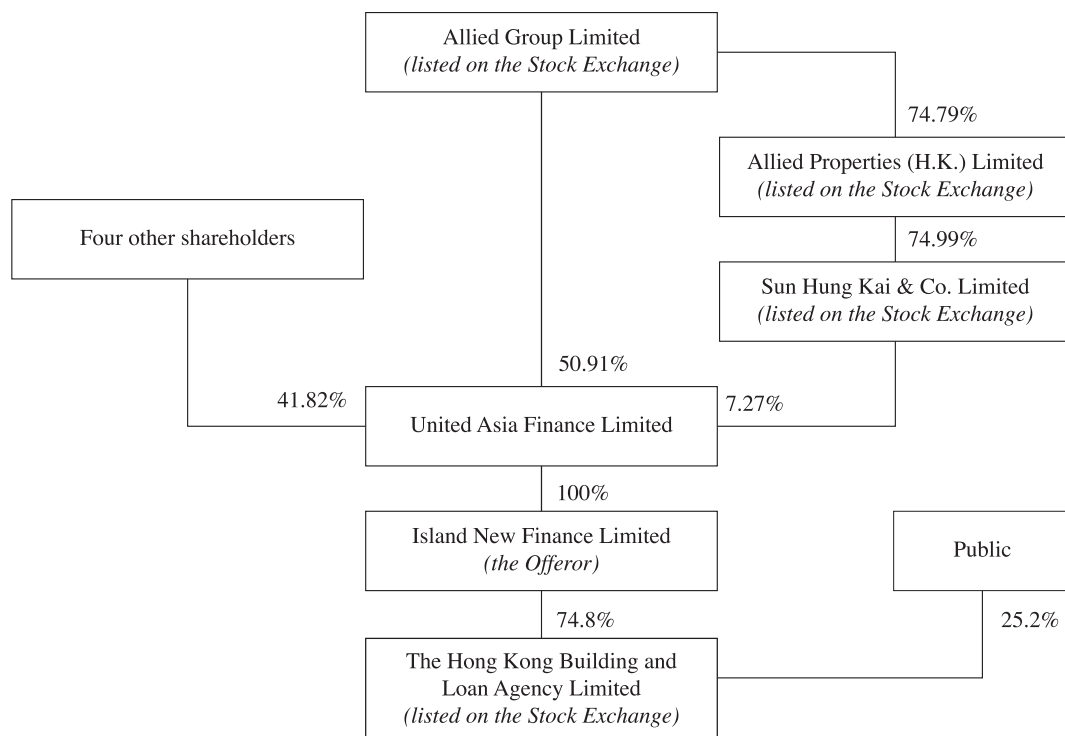
The Offeror is an indirect wholly-owned subsidiary of UAF. As at the Latest Practicable Date, UAF was owned:

- indirectly, as to approximately 50.91 per cent. by AGL;
- indirectly, as to approximately 7.27 per cent. by Sun Hung Kai & Co. Limited, the securities of which were listed on the Stock Exchange and was indirectly owned as to approximately 74.99 per cent. by AGL; and
- by four other shareholders, none of whom had a controlling interest in UAF.

The four other shareholders and their respective ultimate owners are all independent third parties who are, other than at the level of UAF, not connected with AGL, any of its subsidiaries or any of their respective associates, or any of the connected persons of AGL, any of its subsidiaries or any of their respective associates. As at the Latest Practicable Date, none of such four shareholders or their respective ultimate owners owned any Share.

## LETTER FROM SHK

An overview of the shareholding structure of the Offeror as at the Latest Practicable Date is set out below:



*Note: Wholly-owned intermediate holding companies are not shown in the above chart.*

The principal business activities of the AGL Group comprise property development and investment, hospitality related activities, and the provision of financial services (including consumer financing).

### INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror has no intention to introduce any major change to the business of the Group. It is the intention of the Offeror to maintain the existing business activities of the Group, in particular its mortgage finance business, through the use of the Company's brand name. There is no plan to inject any business of the AGL Group into the Group. Nor is there any intention to re-deploy the employees or the fixed assets of the Group other than as required in its ordinary course of business.

Following completion of the acquisition of the Sale Shares, the AGL Group is in a position to streamline its loan and finance business into two arms, with the AGL Group continuing its business of the provision of consumer finance and the Group continuing to focus on the provision of mortgage finance and other secured finance, thereby expanding its overall market share with the ability to provide a wide range of financial products and other related services. The Offeror is optimistic about the business of the Group. It is believed that the Group will continue to strive to develop its business in relation to the provision of mortgage finance and other secured finance.

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## LETTER FROM SHK

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No agreement, arrangement or understanding has been made, or is intended to be made, to transfer any of the Shares to be acquired by the Offeror under the Offer to any other person, except, if required, for the possible placing of Shares to restore the public float of the Company.

It is the intention of the Offeror to maintain listing of the Shares on the Stock Exchange. Appropriate steps will be taken as soon as possible following closing of the Offer to ensure that not less than 25 per cent. of the Shares will be held in public hands.

**The Stock Exchange has stated that it will closely monitor trading in the Shares. If, immediately following closing of the Offer, less than 25 per cent. of the Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading in the Shares or there are too few Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a sufficient public float is attained.**

The Stock Exchange has also stated that, if the Company remains a listed company, any future injection of assets into or disposal of assets of the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of the Company. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

### PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

The existing executive directors of the Company (namely, Mr. David T. Yeh, Mr. Jark Pui Lee, Mr. Jonathan Miles Foxall and Mr. Tai Chiu Ng), the existing non-executive directors of the Company (namely, Mr. Ning Gaoning, Mr. Leon Nim Leung Chan and Mr. Wai Lam Chan) and the existing independent non-executive directors of the Company (namely, Dr. Nai Kong Leung, Mr. Victor Ha Kuk Yung and Mr. King Fai Tsui) are expected to resign as directors with effect from the Closing Date in full compliance with Rule 7 of the Takeovers Code.

The Offeror has nominated Mr. Edwin Lo King Yau, Mr. Akihiro Nagahara and Mr. Stephen Lo Kam Fai as executive directors of the Company. Such appointments will not take effect earlier than the date of posting of the response document of the Company, subject to the requirements under the Takeovers Code. In addition, independent non-executive directors of the Company will be nominated by the Offeror and further announcements will be made upon the appointment of such directors.

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## LETTER FROM SHK

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Set out below are the biographical details of the proposed executive directors to be nominated by the Offeror:

### **Edwin Lo King Yau**

Mr. Edwin Lo King Yau, aged 44, a chartered company secretary and holder of a Master's degree in Applied Finance from Macquarie University, Australia. He had served various executive roles in several companies in Hong Kong including as company secretary for public listed companies. He is also an executive director of AGL and Tian An China Investments Company Limited. Mr. Lo will be responsible for the general management of the Company.

Save as disclosed above, Mr. Lo did not hold any other directorship in listed companies during the past three years. No service contract will be entered into between the Company and Mr. Lo. He will have no designated length of service with the Company but will be subject to retirement and eligible for re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lo did not have any other relationship with any director, senior management or substantial or controlling shareholder of the Company or any interest in Shares within the meaning of Part XV of the SFO. He is not aware of any other matter that needs to be brought to the attention of the Shareholders.

### **Akihiro Nagahara**

Mr. Akihiro Nagahara, aged 65, is the managing director of UAF. He holds a law degree from the National Taiwan University and a master's degree from the Graduate School in Law of the National Hitotsubashi University of Japan, where he also completed his doctorate courses. He is an acknowledged expert in the consumer finance business in Hong Kong and is credited with the successful establishment of JCG Finance Company, Limited. Mr. Nagahara will be responsible for the development of the mortgage finance business of the Company.

Save as disclosed above, Mr. Nagahara did not hold any other directorship in listed companies during the past three years. No service contract will be entered into between the Company and Mr. Nagahara. He will have no designated length of service with the Company but will be subject to retirement and eligible for re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Nagahara did not have any other relationship with any director, senior management or substantial or controlling shareholder of the Company or any interest in Shares within the meaning of Part XV of the SFO. He is not aware of any other matter that needs to be brought to the attention of the Shareholders.

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## LETTER FROM SHK

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### **Stephen Lo Kam Fai**

Mr. Stephen Lo Kam Fai, aged 44, is a member of the Institute of Chartered Accountants of England and Wales and a fellow member of both The Chartered Association of Certified Accountants in the United Kingdom and The Hong Kong Institute of Certified Public Accountants. He holds a Master of Business Administration degree from the Hong Kong Polytechnic and a Bachelor of Science degree in Economics with First Honours from the University of London. He has over 20 years of experience in the auditing and accounting profession. He started his career in one of the big four international auditing firms and subsequently joined and worked for a sizable listed company for a number of years in various postings including internal audit, acquisition advisory, financial controller, management and budgetary controller, etc. He is currently a director of UAF and has worked for UAF as financial controller for 10 years. Mr. Lo will be responsible for the general management of the Company.

Save as disclosed above, Mr. Lo did not hold any other directorship in listed companies during the past three years. No service contract will be entered into between the Company and Mr. Lo. He will have no designated length of service with the Company but will be subject to retirement and eligible for re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lo did not have any other relationship with any director, senior management or substantial or controlling shareholder of the Company or any interest in Shares within the meaning of Part XV of the SFO. He is not aware of any other matter that needs to be brought to the attention of the Shareholders.

### **TAXATION**

Shareholders are recommended to consult their own professional advisers if in any doubt as to the taxation implications of accepting the Offer. None of the Offeror, any party acting in concert with it or SHK or any of their respective directors or officers, or any other party involved in the Offer accepts responsibility for any taxation effect on, or liabilities of, any person as a result of acceptance of the Offer.

### **FURTHER TERMS OF THE OFFER**

Further terms of the Offer, including procedures for acceptance and the acceptance period, are set out in Appendix I to this offer document and the Form of Acceptance.

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## LETTER FROM SHK

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### GENERAL INFORMATION

The attention of the Shareholders are also drawn to the general information set out in Appendix II to this offer document.

Yours faithfully,  
For and on behalf of  
**Sun Hung Kai International Limited**  
**Eric Shum**  
*Director*

**1. FURTHER PROCEDURES FOR ACCEPTANCE**

- (a) If the share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares are in your name, and you wish to accept the Offer, you must send the relevant Form of Acceptance duly completed together with the relevant share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares to the Receiving Agent.
- (b) If the share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares are in the name of a nominee company or any name other than your own, and you wish to accept the Offer, you must either:
  - (i) lodge the share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares with the nominee company, or other nominees, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed, together with the relevant share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares to the Receiving Agent; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Receiving Agent and send the relevant Form of Acceptance duly completed, together with the relevant share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares to the Receiving Agent.
- (c) If you have lodged a transfer of Shares for registration in your name and have not yet received your share certificates, and you wish to accept the Offer, you should nevertheless complete the relevant Form of Acceptance and deliver it or them to the Receiving Agent, together with the transfer receipts duly signed by yourself. Such action will be deemed to be an authority to the Offeror or its agent to collect from the Company or the Receiving Agent, on your behalf, the relevant share certificates when issued and to deliver such certificates to the Receiving Agent and to authorise and instruct the Receiving Agent to hold such certificates, subject to the terms of the Offer, as if it was or they were delivered to the Receiving Agent with the relevant Form of Acceptance.
- (d) If the share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares are not readily available or are lost, and you wish to accept the Offer, the relevant Form of Acceptance should nevertheless be completed and delivered to the

Receiving Agent and the relevant share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares should be forwarded to the Receiving Agent as soon as possible afterwards. If you have lost your share certificates, you should also write to the Receiving Agent for a form of letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Receiving Agent.

- (e) Acceptances will be subject to validation and stamping before remittances in respect of the consideration for acceptances received under the Offer. Such remittances will be posted to Shareholders accepting the Offer as soon as possible, but in any event within ten days after the receipt by the Receiving Agent of all the relevant documents to render the acceptances complete and valid.
- (f) No acknowledge of receipt of any Form of Acceptance, share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect your Shares will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) The Offeror has no intention to extend the Offer under any circumstance, including the situation where the response document is not despatched by the Company on or before 28th September, 2005.
- (b) The Offer will close at 4:00 p.m. on Wednesday, 12th October, 2005.
- (c) In order to be valid, acceptances must be received by the Receiving Agent in accordance with the instructions printed on the Form of Acceptance by 4:00 p.m. on Wednesday, 12th October, 2005.

## **3. ANNOUNCEMENTS**

- (a) The Offeror will publish an announcement on the website of the Stock Exchange by 7:00 p.m. on the Closing Date. The announcement will state the total number of Shares:
  - (i) in respect of which acceptances of the Offer have been received;
  - (ii) held, controlled or directed by the Offeror before the period of the Offer; and
  - (iii) acquired or agreed to be acquired during the period of the Offer by the Offeror or any person acting in concert with it.

The announcement will include details of voting rights, rights over Shares, derivatives and arrangements as required by Rules 3.5(c), (d) and (f) of the Takeovers Code. The announcement will also specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.



- (b) The announcement will state the respective number of Shares representing valid acceptances of the Offer and acceptances which are not in all aspects in order or are subject to verification.
- (c) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offer in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments, must 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 circulated generally in Hong Kong.

#### **4. RIGHT OF WITHDRAWAL**

As the Offer is unconditional, acceptances of the Offer will be irrevocable and may not be withdrawn, except as permitted under the Takeovers Code.

#### **5. OFFER SHARES**

The Shares will be acquired free from all mortgages, charges, liens and other encumbrances and third party rights and together with all rights attaching thereto as at 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares and the possible mandatory cash offer for the Offer Shares), including (without limitation) the right to receive all dividends and distributions declared, paid or made on or after 6th July, 2005.

#### **6. GENERAL**

- (a) All communications, notices, Forms of Acceptance, share certificates, transfer receipts and other documents of title or indemnities or otherwise of any other nature to be delivered by or sent to or from Shareholders should be delivered by or sent to or from them, or their designated agents, at their own risk. None of the Offeror, SHK or the Receiving Agent accepts any liability for any loss or any other liabilities whatsoever which may arise as a result of it.
- (b) The accidental omission to despatch this offer document or the Form of Acceptance to any person to whom the Offer is made will not invalidate the Offer in any way.
- (c) Notwithstanding any other provision in this Appendix I, the Offeror and SHK reserve the right to treat acceptances as valid if received by or on behalf of either of them at any place or places or in any manner determined by either of them otherwise than as set forth in this offer document or in the Form of Acceptance.

- (d) The Offer and all acceptances of it, the Form of Acceptance, all contracts made in accordance with the Offer, and all actions taken or made or deemed to be taken or made pursuant to the terms of the Offer will be governed by and construed in all aspects in accordance with the laws of Hong Kong. Execution of the Form of Acceptance by or on behalf of a Shareholder will constitute:
- (i) the submission by such Shareholder in relation to all matters arising out of or in connection with the Offer and the Forms of Acceptance to the non-exclusive jurisdiction of the courts of Hong Kong; and
  - (ii) the agreement of such Shareholder that nothing shall limit the right of the Offeror or SHK to bring an action, suit or proceeding arising out of or in connection with the Offer and the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.
- (e) Unless the context requires otherwise, words and expressions defined in this offer document have the same meanings when used in the Form of Acceptance. The terms, provision, instructions and authorities contained in or deemed to be contained in the Form of Acceptance constitute part of the terms of the Offer. The provisions of this Appendix I are deemed to have been incorporated into the Form of Acceptance.
- (f) Due execution of the Form of Acceptance in respect of the Offer will constitute an authority to the Offeror, any director of the Offeror or of SHK or their respective agents to complete and execute on behalf of the Shareholders who accept the Offer, the Form of Acceptance and any other document and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as the Offeror may direct, the Shares which are the subject of such acceptance.
- (g) Each Shareholder by whom, or on whose behalf, the relevant Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror and SHK, so as to bind him or her and his or her personal representatives, heirs, successors and assigns, to the following effect:
- (i) that the execution of the relevant Form of Acceptance, whether or not any box is completed, will constitute:
    - (1) an acceptance of the Offer; and
    - (2) an undertaking to execute all further documents, take all further action and give all further assurances as may be required in connection with the foregoing, including (without limitation) to secure the transfer of the Shares in respect of which he or she has accepted or is deemed to have accepted the Offer to the Offeror and the benefit of all dividends and distributions declared, paid or made on or after 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares and the possible mandatory cash offer for the Offer Shares),

in each case on and subject to the terms and conditions set out or referred to in this offer document and in the relevant Form of Acceptance, and the acceptance of the Offer is irrevocable;

- (ii) that the Shares acquired under the Offer are sold by such person or persons free from all mortgages, charges, liens and other encumbrances and third party rights and together with all rights attaching thereto as at 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares and the possible mandatory cash offer for the Offer Shares), including (without limitation) the right to receive all dividends and distributions declared, paid or made on or after 6th July, 2005;
  - (iii) that such Shareholder will provide to the Offeror such additional written representations as the Offeror in its sole discretion determines to be necessary or advisable in order to comply with any applicable law, provided that nothing in this paragraph should constitute a waiver of the responsibility of such Shareholder to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental, exchange control or other consent which may be required and compliance with other necessary formalities or legal requirements;
  - (iv) such Shareholder will deliver or procure the delivery to the Receiving Agent of his or her share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of all Shares held by him or her in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to the Offeror in lieu of it, as soon as possible and in any event within six months of the Closing Date;
  - (v) the terms and conditions of the Offer contained in this offer document will be incorporated in and form part of the Form of Acceptance, which should be read and construed accordingly;
  - (vi) such Shareholder will do all such acts and things as will be necessary or expedient to vest in the Offeror, its nominees or such other persons as it may decide, the Shares to which such acceptance and transfer relates; and
  - (vii) such Shareholder submits, in relation to all matters arising out of or in connection with the Offer and the Forms of Acceptance, to the non-exclusive jurisdiction of the courts of Hong Kong.
- (h) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares indicated in the relevant Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner or owners who is or are accepting the Offer.

- (i) Payment of the consideration under the Offer will be implemented in full in accordance with the Takeovers Code without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against the accepting Shareholders.

## **7. THE OFFER**

- (a) The Offer opens on 14th September, 2005 and is capable of acceptance from and after that day. The Offer is being made by the issue and despatch of this offer document on 14th September, 2005 and by means of an announcement in English in The Standard and in Chinese in the Hong Kong Economic Times to be published on 15th September, 2005.
- (b) The Offer is made in accordance with the Takeovers Code.
- (c) The English text of this offer document and the Form of Acceptance shall prevail over the Chinese text.
- (d) Following its closure at 4:00 p.m. on Wednesday, 12th October, 2005, the Offer will cease to be capable of further acceptances.

## 1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this offer document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this offer document have been arrived at after due and careful consideration, and there are no other facts not contained in this offer document, the omission of which would make any statement in this offer document misleading.

## 2. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six month period preceding the last trading day prior to 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares) are HK\$1.02 per Share on 17th June, 2005 and HK\$0.52 per Share on 3rd February, 2005, respectively.
- (b) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six month period preceding the Latest Practicable Date are HK\$1.09 per Share from 17th August, 2005 to 26th August, 2005 and from 8th September, 2005 to 9th September, 2005 and HK\$0.59 per Share from 16th March, 2005 to 7th April, 2005, respectively.
- (c) The table below shows the closing prices of the Shares quoted on the Stock Exchange on the last trading day of each of the six calendar months immediately preceding 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares) and each of the calendar months after 6th July, 2005 up to the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
31st January, 2005	0.61
28th February, 2005	0.65
31st March, 2005	0.59
29th April, 2005	0.65
31st May, 2005	0.71
17th June, 2005 (being the last trading day in June 2005)	1.02
30th June, 2005	suspended
29th July, 2005	1.08
31st August, 2005	1.08

- (d) The closing price of the Shares as quoted on the Stock Exchange on 17th June, 2005, being the last trading day prior to 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares) is HK\$1.02 per Share.

- (e) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date is HK\$1.09 per Share.

### 3. DISCLOSURE OF INTERESTS

- (a) As a result of completion of the acquisition of the Sale Shares, the Offeror has become the beneficial owner of 168,313,038 Shares, representing approximately 74.8 per cent. of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the Company did not have any other securities other than the Shares. During the six month period preceding 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares) and up to the Latest Practicable Date, other than the conditional acquisition of the Sale Shares, there were no dealings in Shares by the Offeror or any person acting in concert with it.
- (b) SHK did not have any beneficial interest in any of the securities of the Company as at the Latest Practicable Date, and had not dealt in any securities of the Company during the six month period preceding 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares) and up to the Latest Practicable Date.
- (c) None of the directors of the Offeror had any beneficial interest in any of the securities of the Company as at the Latest Practicable Date, or had dealt in any securities of the Company during the six month period preceding 6th July, 2005 (the day on which the Offeror announced the conditional acquisition of the Offer Shares) and up to the Latest Practicable Date.
- (d) As at the Latest Practicable Date, no persons had irrevocably committed themselves to accept or reject the Offer.
- (e) As at the Latest Practicable Date:
  - (i) there were no agreements, arrangements or understandings (including compensation arrangements) existing between the Offeror, its beneficial owners or any person acting in concert with any of them and any of the directors of the Company, recent directors of the Company, Shareholders or recent Shareholders having any connection with or dependence upon the Offer, and there is no intention to enter into any such agreement, arrangement or understanding;
  - (ii) no benefits had been given or were intended to be given to any director of the Company or any of its subsidiaries as compensation for loss of office or otherwise in connection with the Offer; and
  - (iii) there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, or any person acting in concert with the Offeror, and any other person.

**4. CONSENT AND QUALIFICATION**

- (a) SHK has given and has not withdrawn its written consent to the issue of this offer document with the inclusion of its letter and references to its name in the form and context in which they respectively appear.
- (b) SHK is a licensed corporation for types 1 and 6 regulated activities under the SFO.

**5. GENERAL**

- (a) The Offeror is an indirect wholly-owned subsidiary of UAF. As at the Latest Practicable Date, UAF was owned:
  - (i) indirectly, as to approximately 50.91 per cent. by AGL;
  - (ii) indirectly, as to approximately 7.27 per cent. by Sun Hung Kai & Co. Limited, the shares of which were listed on the Stock Exchange and was indirectly owned as to approximately 74.99 per cent. by AGL; and
  - (iii) by four other shareholders, none of whom had a controlling interest in UAF.
- (b) The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its correspondence address in Hong Kong is at 21st Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (c) The directors of the Offeror are Mr. Akihiro Nagahara, Mr. Li Kwong Yan and Mr. Stephen Lo Kam Fai.
- (d) The directors of AGL are:

Executive directors:	Mr. Lee Seng Hui (Chief Executive) and Mr. Edwin Lo King Yau
Non-executive directors:	Ms. Lee Su Hwei and Mr. Arthur George Dew
Independent non-executive directors:	Sir Gordon Macwhinnie (Non-executive Chairman), Mr. Wong Po Yan, Mr. David Craig Bartlett and Mr. John Douglas Mackie
- (e) The registered office of SHK is at Level 12, One Pacific Place, 88 Queensway, Hong Kong.
- (f) This offer document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours for so long as the Offer remains open for acceptance:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the letter from SHK set out on pages 3 to 11 of this offer document; and
- (iii) the letter of consent from SHK referred to in paragraph 4(a) of this Appendix II.