

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Quality HealthCare Asia Limited, you should at once hand this offer document and the Form(s) of Acceptance in respect of the Share Offer and/or the Warrant Offer to the purchaser or transferee, or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Hong Kong Securities Clearing Company Limited takes no responsibility for the contents of this offer document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offer document.

**UNCONDITIONAL MANDATORY CASH OFFERS BY
SUN HUNG KAI INTERNATIONAL LIMITED**

for and on behalf of

WAH CHEONG DEVELOPMENT (B.V.I.) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

a direct wholly-owned subsidiary of



新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

**for all the issued shares and outstanding warrants of,
and for cancellation of all outstanding share options granted by,
QUALITY HEALTHCARE ASIA LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 593)

**(other than shares and warrants already owned or agreed to be acquired by
WAH CHEONG DEVELOPMENT (B.V.I.) LIMITED
or parties acting in concert with it)**

The procedures for acceptances of the Offers and other related information are set out in Appendix I to this offer document and in the Forms of Acceptance. Acceptances of the Share Offer and the Warrant Offer should be received by the receiving agent, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 23rd November, 2006 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).

Acceptance of the Share Option Offer should be received by the company secretary of the Company at 6th Floor, China Merchants Steam Navigation Building, 303 – 307 Des Voeux Road Central, Sheung Wan, Hong Kong, marked "QHA Share Option Offer" on the envelope by no later than 4:00 p.m. on Thursday, 23rd November, 2006 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).

26th October, 2006

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EXPECTED TIMETABLE

Opening date of the Offers	Thursday, 26th October, 2006
Latest date for posting of the response document by the Company (<i>Note 1</i>)	Thursday, 9th November, 2006
Latest time for acceptances of the Offers	4:00 p.m. on Thursday, 23rd November, 2006
Closing Date (<i>Note 2</i>)	Thursday, 23rd November, 2006
Announcement of the results of the Offers to be published on the website of the Stock Exchange	7:00 p.m. on Thursday, 23rd November, 2006
Announcement of the results of the Offers to be published in the newspapers in Hong Kong	Friday, 24th November, 2006
Latest date for despatch of remittances in respect of the consideration for valid acceptances received under the Offers at or before the latest time for acceptances (<i>Note 3</i>)	Monday, 4th December, 2006

Notes:

1. Unless the Offers have previously been revised or extended with the consent of the Executive, all Forms of Acceptance must be received by 4:00 p.m. on Thursday, 23rd November, 2006, being the Closing Date. The Offeror has no intention to extend the Offers under all circumstances including the situation when the response document fails to be despatched by the Company on or before 9th November, 2006.
2. The latest time for acceptances of the Offers is 4:00 p.m. on Thursday, 23rd November, 2006. The Offers, which is unconditional, will close on Thursday, 23rd November, 2006.

Beneficial owners of Shares and Warrants who hold their Shares and Warrants 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 Offers will be posted to Shareholders, Warrantholders and Share Option Holders accepting the Offers 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 Offers 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.

DEFINITIONS

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 shares listed on the Main Board of the Stock Exchange
“AGL Directors”	directors of AGL
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“APL Directors”	directors of APL
“A\$”	Australian dollars, the lawful currency of the Commonwealth of Australia
“CCASS”	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	23rd November, 2006
“CLSA”	CLSA Capital Limited, a company incorporated in Hong Kong with limited liability
“Company”	Quality HealthCare Asia Limited, a company incorporated in Bermuda 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
“Forms of Acceptance”	the accompanying WHITE form of acceptance and transfer of Shares in respect of the Share Offer, the accompanying PINK form of acceptance and transfer of Warrants in respect of the Warrant Offer and the accompanying YELLOW form of acceptance and cancellation in respect of the Share Option Offer or each of them as the context requires
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	23rd October, 2006, 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
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offeror”	Wah Cheong Development (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of SHK
“Offers”	the Share Offer, the Warrant Offer and the Share Option Offer
“Offer Shares”	Shares in respect of which the Share Offer is made, being Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it
“Offer Warrants”	Warrants in respect of which the Warrant Offer is made, being the Warrants not held or agreed to be acquired by the Offeror or parties acting in concert with it
“Option”	the option granted by CLSA to the Offeror under the Option Agreement
“Option Agreement”	the call option agreement dated 3rd April, 2006 (as supplemented by a letter dated 18th May, 2006) made between CLSA and the Offeror, pursuant to which the Option is granted
“Option Shares”	the 34,156,666 Shares, over which the Option is granted under the Option Agreement
“Option Warrants”	the number of Warrants, which, if exercised, would lead to the subscription of 7,056,232 Shares at the adjusted subscription price of HK\$2.46 per Share prevailing as at the Latest Practicable Date, over which the Option is granted under the Option Agreement

DEFINITIONS

“Overseas Shareholders”	Shareholders whose addresses, as known in the register of members of the Company at the close of the Offers, which is currently expected to be 4:00 p.m. on Thursday, 23rd November, 2006, are outside Hong Kong
“Receiving Agent”	Tengis Limited, the receiving agent of the Offers and the branch share registrar of the Company, the office of which is at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares, except, for the purpose of the Offers, the Offeror and parties acting in concert with it
“Share Offer”	unconditional mandatory cash offer for all Offer Shares
“Share Option Holders”	holders of the Share Options
“Share Option Offer”	unconditional mandatory cash offer for all Share Options
“Share Options”	share options granted by the Company, pursuant to its share incentive plan, to certain employees to subscribe for the Shares, exercisable from 16th October, 2003 up to and including 15th October, 2007, at an initial exercise price of HK\$1.50 per Share and an existing adjusted exercise price of HK\$1.47 per Share (subject to further adjustments)
“Shares”	ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“SHK Directors”	directors of SHK

DEFINITIONS

“SHKIL”	Sun Hung Kai International Limited, a corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and an indirect wholly-owned subsidiary of SHK and the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Code on Takeovers and Mergers
“Warrantholders”	holders of the Warrants, except, for the purpose of the Offers, the Offeror and parties acting in concert with it
“Warrant Offer”	unconditional mandatory cash offer for all Offer Warrants
“Warrants”	listed warrants issued by the Company on 12th January, 2004, with subscription period from 14th January, 2004 to 13th January, 2007, at an initial subscription price of HK\$2.50 per Share and an adjusted subscription price of HK\$2.46 per Share prevailing as at the Latest Practicable Date (subject to further adjustments)

LETTER FROM SHKIL



新鴻基國際有限公司

SUN HUNG KAI INTERNATIONAL LIMITED

Level 12, One Pacific Place
88 Queensway
Hong Kong

26th October, 2006

*To the Shareholders, Warrantholders and
Share Option Holders, and for information only,
the Shareholder with registered address in Japan*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
SUN HUNG KAI INTERNATIONAL LIMITED**

for and on behalf of

WAH CHEONG DEVELOPMENT (B.V.I.) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

a direct wholly-owned subsidiary of



新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

**for all the issued shares and outstanding warrants of,
and for cancellation of all outstanding share options granted by,**

QUALITY HEALTHCARE ASIA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 593)

(other than shares and warrants already owned or agreed to be acquired by

WAH CHEONG DEVELOPMENT (B.V.I.) LIMITED

or parties acting in concert with it)

INTRODUCTION

Reference is made to the joint announcements of AGL, APL and SHK dated 7th April, 2006 and 18th May, 2006 in connection with the grant of the Option over the Option Shares (being 34,156,666 Shares) and the Option Warrants (being such number of Warrants as would, if exercised, lead to the subscription of 7,056,232 Shares, at the adjusted

LETTER FROM SHKIL

subscription price of HK\$2.46 per Share prevailing as at the Latest Practicable Date) by CLSA to the Offeror (a direct wholly-owned subsidiary of SHK), and the respective circulars of AGL, APL and SHK dated 29th June, 2006. Reference is also made to the joint announcement of AGL, APL, SHK and the Offeror dated 5th October, 2006 in connection with the exercise of the Option over the Option Shares by the Offeror and the Offers.

On 21st July, 2006, both the taking and the exercise of the Option over the Option Shares and the Option Warrants were approved by the shareholders of AGL in accordance with all applicable requirements under the Listing Rules. As stated in the joint announcement of AGL, APL and SHK dated 7th April, 2006 and the respective circulars of APL and SHK dated 29th June, 2006, written approvals have already been obtained from AGL (as a shareholder holding over 50 per cent. of the issued share capital of APL) and from APL (through its wholly-owned subsidiary, AP Emerald Limited, as a shareholder holding over 50 per cent. of the issued share capital of SHK), in each case in accordance with all applicable requirements under the Listing Rules.

On 29th September, 2006, the Offeror gave notice to CLSA to exercise the Option over the Option Shares. Pursuant to the Option Agreement, the Offeror has paid CLSA, in respect of the exercise by the Offeror of the Option over the Option Shares, an aggregate exercise price of HK\$99,908,248.05 (i.e. HK\$2.925 per Option Share) for the purchase of the Option Shares.

Completion of the purchase of the Option Shares took place on 6th October, 2006 in accordance with the provisions of the Option Agreement.

Completion of the purchase of the Option Shares was not subject to the passing of resolution at general meetings of shareholders of AGL, APL, SHK and the Offeror.

At the same time, to simplify the mechanisms for the exercise of the Option over the Option Warrants, CLSA consented to transfer all the Option Warrants to the Offeror, so that the Offeror will be able to exercise the Option Warrants as and when it sees fit at any time before the expiry of the term of the Warrants, without any further involvement from CLSA. Completion of the transfer of the Option Warrants took place on 6th October, 2006.

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

Pursuant to the Takeovers Code, the Company has appointed AMS Corporate Finance Limited as the independent financial adviser to advise its independent board committee in connection with the Offers. The Company is required under the Takeovers Code to despatch to the Shareholders, the Warrantholders and the Share Option Holders, a response document containing, among other things, the advice from the independent financial adviser in connection with the Offers, within 14 days from the posting of this offer document. Shareholders, Warrantholders and Share Option Holders are strongly encouraged to wait for such response document before deciding whether to accept the Offers.

LETTER FROM SHKIL

UNCONDITIONAL MANDATORY CASH OFFERS

Immediately prior to the completion of the purchase of the Option Shares and the transfer of the Option Warrants, the Offeror was the beneficial owner of 68,298,357 Shares, representing approximately 34.05 per cent. of the then issued share capital of the Company, and held such number of Warrants as would, if exercised, lead to the subscription of 12,544,632 Shares. Exercise of such Warrants in full would result in the Offeror holding 80,842,989 Shares, representing approximately 37.93 per cent. of the then issued share capital of the Company as enlarged by issue of the new Shares following exercise of such Warrants in full.

Immediately following completion of the purchase of the Option Shares and the transfer of the Option Warrants, the Offeror and the parties acting in concert with it became the beneficial owner of 102,557,023 Shares (including 102,000 Shares owned by a corporation wholly-owned by Mr. Steven Samuel Zoellner, an APL Director), representing approximately 50.95 per cent. of the issued share capital of the Company as at the Latest Practicable Date, and the beneficial owner of Warrants which would, if exercised, lead to the subscription of 19,600,864 Shares. If the Offeror exercises such Warrants, the Offeror and the parties acting in concert with it will become the beneficial owner of 122,157,887 Shares, i.e. 102,557,023 Shares and 19,600,864 new Shares to be issued as a result of the exercise of the Warrants, representing approximately 55.30 per cent. of the issued share capital of the Company as at the Latest Practicable Date (as enlarged by the issue of the new Shares following exercise of such Warrants). Under Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer (being an unconditional mandatory cash offer) for all Offer Shares (being Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it). The Offeror is also required under Rule 13.1 of the Takeovers Code to make the Warrant Offer (being an unconditional mandatory cash offer) for all Offer Warrants (being Warrants not held or agreed to be acquired by the Offeror or parties acting in concert with it) and to make the Share Option Offer (being an unconditional mandatory cash offer) for all Share Options.

Immediately following completion of the purchase of the Option Shares and the transfer of the Option Warrants, CLSA did not hold any Shares and Warrants.

As at the Latest Practicable Date, 201,291,503 Shares and outstanding Warrants, which would, if exercised, lead to the subscription of 38,067,823 Shares at the adjusted subscription price of HK\$2.46 per Share, were in issue. 98,734,480 Shares were subject to the Share Offer, 18,466,959 Warrants which, upon exercise in full, would result in the issue of 18,466,959 new Shares, were subject to the Warrant Offer, and 846,900 Share Options which, upon exercise in full, would result in the issue of 846,900 new Shares, were subject to the Share Option Offer.

Terms of the Share Offer

SHKIL, for and on behalf of the Offeror, will make the Share Offer for all Offer Shares on the following basis:

For each Offer Share HK\$3.25 in cash

LETTER FROM SHKIL

The offer price per Offer Share is subject to a downward adjustment to HK\$3.2175 due to the payment of interim dividend of the Company. Please refer to the paragraph headed "Payment of Interim Dividend" under the section headed "Unconditional Mandatory Cash Offers" in this offer document.

The cash offer price per Offer Share is equal to the aggregate consideration paid by the Offeror for each Option Share, calculated on the basis of the aggregate payment for the grant of the Option and for the exercise of the Option over the Option Shares of HK\$111,009,164.50 (i.e. HK\$3.25 per Option Share). It is the highest price paid by the Offeror and the parties acting in concert with it for the acquisition of Shares in the six month period preceding 5th October, 2006 and up to the Latest Practicable Date, and represents:

- a discount of approximately 16.67 per cent. to the closing price of HK\$3.90 per Share as quoted on the Stock Exchange on 29th September, 2006, being the last trading day prior to 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers);
- a discount of approximately 14.11 per cent. to the average closing price of HK\$3.784 per Share, based on the daily closing prices as quoted on the Stock Exchange over the ten trading days up to and including 29th September, 2006;
- a discount of approximately 14.60 per cent. to the average closing price of HK\$3.8056 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 20 trading days up to and including 29th September, 2006;
- a discount of approximately 13.38 per cent. to the average closing price of HK\$3.752083 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including 29th September, 2006;
- a discount of approximately 12.63 per cent. to the closing price of HK\$3.72 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- a premium of approximately 322.63 per cent. over the audited consolidated net asset value per Share of approximately HK\$0.769 as at 31st December, 2005 (being the date up to which the latest published audited consolidated accounts of the Group were prepared), on the basis of 195,327,814 Shares in issue as at 31st December, 2005.

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 the joint announcement of AGL, APL, SHK and the Offeror dated 5th October, 2006 are HK\$4.19 per Share on 15th August, 2006 and HK\$2.7 per Share on 29th March, 2006, respectively.

LETTER FROM SHKIL

The Share Offer will be extended on identical terms to all new Shares issued at any time before the closing of the Offers, upon the exercise of the subscription rights attaching to any of the outstanding Warrants or upon the exercise of any of the outstanding Share Options.

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

Terms of the Warrant Offer and the Share Option Offer

In so far as the AGL Directors, the APL Directors and the SHK Directors are aware, as at the Latest Practicable Date:

- (i) there were outstanding Warrants which would, if exercised, lead to the subscription of 38,067,823 Shares, at the adjusted subscription price of HK\$2.46 per Share prevailing as at the Latest Practicable Date;
- (ii) there were outstanding Share Options granted by the Company, pursuant to its share incentive plan, to certain employees to subscribe for Shares, exercisable from 16th October, 2003 up to and including 15th October, 2007, at the adjusted exercise price of HK\$1.47 per Share prevailing as at the Latest Practicable Date; and
- (iii) other than the Warrants and Share Options mentioned in (i) and (ii) above, there were no outstanding warrants, options or other convertible securities of the Company.

Accordingly, as required under Rule 13.1 of the Takeovers Code, SHKIL, for and on behalf of the Offeror, will make the Warrant Offer for all Offer Warrants and the Share Option Offer for all Share Options on the following basis:

For each Offer Warrant HK\$0.79 in cash

For each Share Option HK\$1.78 in cash

The cash offer price per Offer Warrant represents the difference between the cash offer price per Offer Share of HK\$3.25 and the adjusted subscription price of the Warrants of HK\$2.46 per Share prevailing as at the Latest Practicable Date.

The cash offer price per Share Option represents the difference between the cash offer price per Offer Share of HK\$3.25 and the adjusted exercise price of the Share Options of HK\$1.47 per Share prevailing as at the Latest Practicable Date.

If the Warrantholders and the Share Option Holders exercise their respective Warrants or Share Options and become Shareholders, such Shareholders may or may not be entitled to the payment of interim dividend declared by the Company in respect of the six months ended 30th June, 2006, depending on whether their respective names appear on the register of members of the Company as at the close of business on 3rd November, 2006. Please refer to the paragraph headed "Payment of Interim Dividend" under the section headed "Unconditional Mandatory Cash Offers" in this offer document.

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The Offeror has no intention to increase the cash offer price per Offer Warrant or the cash offer price per Share Option.

Conditions

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

Payment of Interim Dividend

The board of directors of the Company has declared the payment of an interim dividend of HK3.25 cents per Share in respect of the six months ended 30th June, 2006 payable to Shareholders whose names appear on the register of members of the Company as at the close of business on 3rd November, 2006. Dividends are expected to be despatched on 8th November, 2006.

Under the terms of the Share Offer, by accepting the Share Offer, the Shareholders will sell their Shares and all rights attaching to them as at 5th October, 2006, including the right to receive all dividends and distributions declared, paid or made on or after 5th October, 2006. As the record date for ascertaining the entitlement to the interim dividend of the Shareholders, i.e. 3rd November, 2006, falls within the offer period of the Offers, the Shareholders whose names appear on the register of members of the Company as at the close of business on 3rd November, 2006 will be entitled to the payment of such interim dividend. In order to maintain fair treatment towards all the Shareholders who accept the Share Offer, the following adjustments will be made:

- (i) Any Shareholder who accepts the Share Offer but whose name appears on the register of members of the Company as at the close of business on 3rd November, 2006 will be entitled to the payment of such interim dividend. The offer price per Offer Share to be received by such Shareholder under the Share Offer, however, will be deducted by HK3.25 cents per Offer Share, i.e. HK\$3.2175.
- (ii) Any Shareholder who accepts the Share Offer but whose name does not appear on the register of members of the Company as at the close of business on 3rd November, 2006 will not be entitled to the payment of such interim dividend. Such Shareholder, however, will receive the full offer price per Offer Share, i.e. HK\$3.25.

Total Consideration

As at the Latest Practicable Date, there were 201,291,503 Shares in issue. Assuming the exercise of all the outstanding Warrants and all the outstanding Share Options, there will be 240,206,226 Shares in issue.

At a cash offer price of HK\$3.25 per Offer Share, the Share Offer values the entire issued share capital of the Company at approximately HK\$654.2 million (or approximately HK\$780.7 million, assuming the exercise of all the outstanding Warrants and all the outstanding Share Options). Full acceptance of the Share Offer would require the Offeror

LETTER FROM SHKIL

to pay an aggregate amount of approximately HK\$320.9 million (or approximately HK\$383.7 million, assuming the exercise of all the outstanding Warrants (other than the Option Warrants and the Warrants held by the Offeror) and all the outstanding Share Options).

The Offers will be entirely financed by a loan facility granted by Standard Chartered Bank (Hong Kong) Limited to the Offeror. SHKIL is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers. The Offeror has no intention that the payment of interest on, repayment of or security for any liability will depend on any significant extent on the business of the Company.

Effects of Accepting the Offers

By accepting the Share Offer, Shareholders will sell their Shares and all rights attaching to them as at 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers), including the right to receive all dividends and distributions declared, paid or made on or after 5th October, 2006.

By accepting the Warrant Offer, Warrantheolders will sell their Warrants and all rights attaching to them as at 5th October, 2006.

By accepting the Share Option Offer, the Share Option Holders will surrender their Share Options and all rights attaching to them as at 5th October, 2006 for cancellation.

The Share Option Holders are reminded to refer carefully to the terms of the share incentive plan of the Company pursuant to which the Share Options were granted.

Stamp Duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer or the Warrant Offer, amounting to 0.1 per cent. of the consideration payable in respect of the relevant acceptance by Shareholders or Warrantheolders, will be deducted from the consideration due to such person on acceptance of the Share Offer or the Warrant Offer (as the case may be). 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 Offers will be made as soon as possible, but in any event within ten days after the Closing Date upon 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 Act 1981 of Bermuda (as amended from time to time) to acquire compulsorily the outstanding issued Shares that are not acquired under the Offers.

LETTER FROM SHKIL

Arrangements in connection with the Offers

Other than the taking of the Option over the Option Shares and the Option Warrants, the exercise of the Option over the Option Shares, the transfer of the Option Warrants to the Offeror and the intention to maintain the public float of the Company, there are 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, recent directors of the Company, Shareholders or recent Shareholders having any connection with or dependence upon the Offers or in relation to the shares of the Offeror, and there is no intention to enter into any such agreement, arrangement or understanding.

OVERSEAS SHAREHOLDERS

Having reviewed the register of members of the Company as at the Latest Practicable Date, the Offeror noted that two Shareholders have maintained addresses overseas, located in Australia and in Japan respectively. As it is unduly burdensome to extend the Offers to the Shareholder with a registered address in Japan, an application has been made to the SFC under Note 3 to Rule 8 of the Takeovers Code, such that the Offers will not be offered to such Shareholder in Japan. The Offeror will send this offer document to such Shareholder in Japan for his or her information only but will not send the Forms of Acceptance to him or her.

The Shareholder with a registered address in Australia will not be affected. The Offers will be made to such Shareholder in Australia.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities or legal requirements.

The Company shall give notice of any matter in relation to the Offers to the Shareholders in accordance with its bye-laws and if so given it shall be deemed to have been sufficient for all effective purposes, despite any failure by any Overseas Shareholder to receive the same.

INFORMATION ABOUT THE GROUP

The Company is a company incorporated in Bermuda with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

The principal business activities of the Group comprise health administration, medical scheme administration, and the provision of healthcare services. The latest audited net asset value of the Group as at 31st December, 2005 is approximately HK\$150,287,000.

LETTER FROM SHKIL

INFORMATION ABOUT AGL, APL, SHK AND THE OFFEROR

AGL

AGL is a company incorporated in Hong Kong with limited liability. Its shares are listed on the Main Board of the Stock Exchange.

The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, and the provision of financial services.

APL

APL is a company incorporated in Hong Kong with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

The principal business activity of APL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, and the provision of financial services.

As at the Latest Practicable Date, APL was beneficially owned as to approximately 74.92 per cent. by AGL.

SHK

SHK is a company incorporated in Hong Kong with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are securities, leveraged forex, bullion, commodities, futures and options broking, provision of online financial services and online financial information, share margin and structured financing, financial planning and wealth management, asset management, corporate finance, strategic investment, and insurance broking.

As at the Latest Practicable Date, SHK was beneficially owned as to approximately 62.53 per cent. by APL.

The Offeror

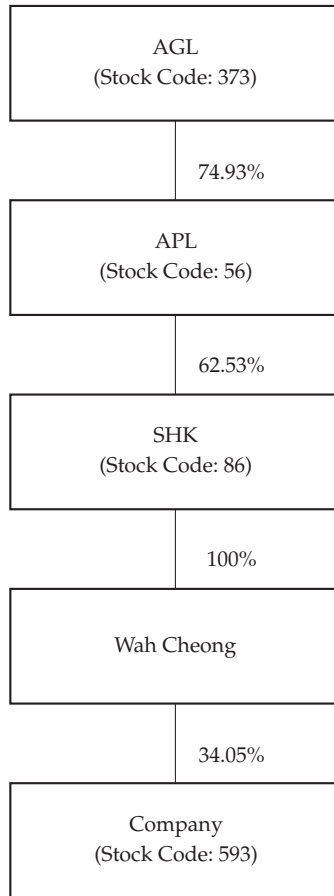
The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of SHK.

As at the Latest Practicable Date, it was the beneficial owner of 102,455,023 Shares, representing approximately 50.90 per cent. of the issued share capital of the Company. It also held Warrants which, if exercised, would lead to the subscription of 19,600,864 Shares. Exercise of all such Warrants would result in the Offeror holding 122,055,887 Shares, representing approximately 55.26 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the new Shares following the exercise of all such Warrants.

LETTER FROM SHKIL

Group Chart

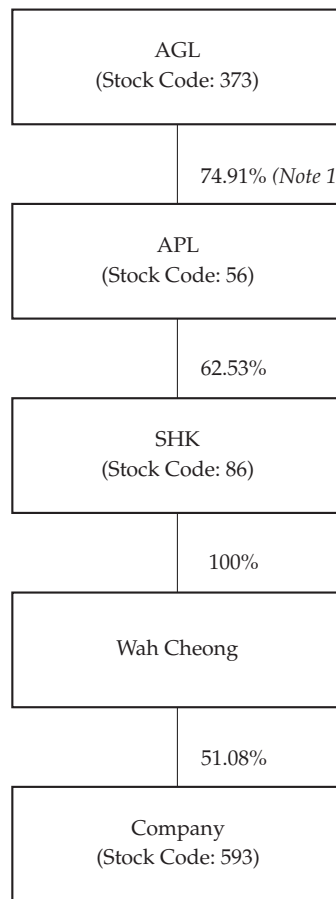
An overview of the shareholding structure of AGL, APL, SHK, the Offeror and the Company before the exercise of the Option over the Option Shares is set out below:



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

LETTER FROM SHKIL

An overview of the shareholding structure of AGL, APL, SHK, the Offeror and the Company immediately following the exercise of the Option over the Option Shares is set out below:

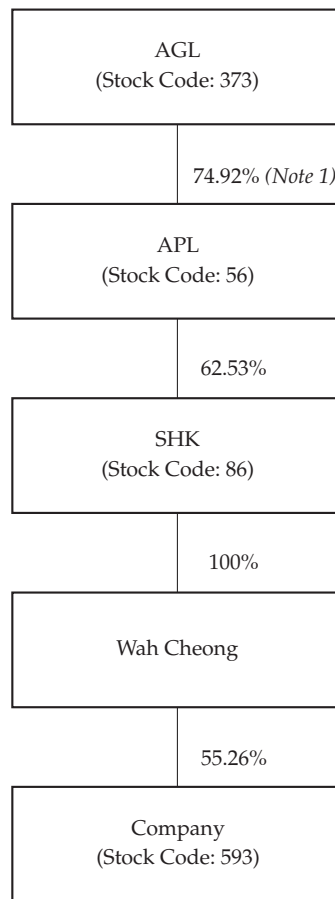


Notes:

1. Shareholding in APL held by AGL decreased from 74.93% to 74.91% due to the issue of new shares of APL as a result of the exercise of warrants by the warrant holders of APL.
2. Wholly-owned intermediate holding companies are not shown in the above group chart.

LETTER FROM SHKIL

An overview of the shareholding structure of AGL, APL, SHK, the Offeror and the Company following the exercise of the Option over the Option Shares, the exercise of the Warrants held by the Offeror and the Option Warrants is set out below:



Notes:

1. Shareholding in APL held by AGL decreased from 74.93% to 74.92% due to (i) the issue of new shares of APL as a result of the exercise of warrants by the warrant holders of APL; and (ii) the acquisition of a total of 34,000 shares in APL on 17th October, 2006 and 19th October, 2006 by a wholly-owned subsidiary of AGL.
2. Wholly-owned intermediate holding companies are not shown in the above group chart.

LETTER FROM SHKIL

REASONS FOR AND BENEFITS OF THE OFFERS

As stated in the joint announcement of AGL, APL and SHK dated 7th April, 2006 and the respective circulars of AGL, APL and SHK dated 29th June, 2006, the SHK Directors considered the taking of the Option a good opportunity, with sufficient flexibility, for SHK to increase its investments in the Company significantly, as and when the SHK Directors saw fit at any time within the period of one year in which the Option might be exercised.

It is also stated in the respective circulars of AGL, APL and SHK dated 29th June, 2006 that as a result of the exercise of the Option by the Offeror, the Offeror was expected to obtain or consolidate control of the Company and would be obliged to make a mandatory offer for Shares in accordance with the Takeovers Code.

The Shares have been traded on the Stock Exchange at prices above the offer price per Offer Share of HK\$3.25 for a consecutive period of 51 trading days prior to the date of the joint announcement of AGL, APL, SHK and the Offeror on 5th October, 2006. The SHK Directors considered it appropriate to exercise the Option over the Option Shares, and the obligation to make a mandatory offer therefore arises.

As at 31st December, 2005 (being the date up to which the latest published audited consolidated accounts of the Group were prepared), the Group maintained a strong financial position. For the year ended 31st December, 2005, the Group recorded a total turnover of approximately HK\$822,844,000 and a profit after tax of approximately HK\$56,140,000. The earnings per Share attributable to ordinary equity holders of the Company was HK\$0.279.

Having regard to the prevailing market prices of the Shares and the financial position and business operation of the Group, the AGL Directors, the APL Directors and the SHK Directors believe that the Offers are fair and reasonable and in the interests of the shareholders of each of AGL, APL and SHK taken as a whole.

It is the present intention of AGL, APL, SHK and the Offeror to maintain, following closing of the Offers, the existing business activities of the Group and continue the employment of the employees of the Group. There is no current plan to inject any business into the Group nor dispose of any major assets of the Group.

Audited net profits of the Group for the two financial years ended 31st December, 2005 were:

- (i) approximately HK\$53.9 million (before taxation) or approximately HK\$45 million (after taxation) for the financial year ended 31st December, 2004; and
- (ii) approximately HK\$66.4 million (before taxation) or approximately HK\$56.1 million (after taxation) for the financial year ended 31st December, 2005.

As at 31st December, 2005 (being the date up to which the latest published audited consolidated accounts of the Group was made), the audited net asset value of the Group was approximately HK\$150.3 million and the audited net asset value attributable to the Offer Shares was approximately HK\$73.7 million.

LETTER FROM SHKIL

Unaudited net profits of the Group for the six months ended 30th June, 2006 was approximately HK\$37.8 million (before taxation) or approximately HK\$31.8 million (after taxation).

As at 30th June, 2006, the unaudited net asset value of the Group was approximately HK\$172.7 million and the unaudited net asset value attributable to the Offer Shares was approximately HK\$84.7 million.

Based on the closing price of HK\$3.72 per Share as at the Latest Practicable Date, the market value of the Offer Shares was approximately HK\$367.3 million.

INTENTION OF AGL, APL, SHK AND THE OFFEROR

It is the intention of the AGL Directors, the APL Directors, the SHK Directors and the directors 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 Offers 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 Offers, 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 the 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.

It is the present intention of AGL, APL, SHK and the Offeror to maintain, following closing of the Offers, the existing business activities of the Group and continue the employment of the employees of the Group. There is no current plan to inject any business into the Group nor dispose of any major assets of the Group.

The Offeror has undertaken to the Stock Exchange to place out its shareholding interest in the Company or to procure the Company to do any other acts (subject to compliance with the Listing Rules) which are considered appropriate to maintain at all times the public float of 25 per cent. of the Shares in issue following closing of the Offers. The board of directors of the Company has also undertaken to the Stock Exchange to do

LETTER FROM SHKIL

or to procure the Company to do any other acts (subject to compliance with the Listing Rules) which are considered appropriate to maintain at all times the public float of 25 per cent. of the Shares in issue following closing of the Offers.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Mr. Richard Owen Pyvis, a non-executive director and the current Deputy Chairman of the board of directors of the Company, is expected to resign as a non-executive director of the Company after the closing of the Offers in compliance with Rule 7 of the Takeovers Code. It is the intention of the board of directors of the Company to elect a new Deputy Chairman.

TAXATION

You are recommended to consult your own professional advisers if in any doubt as to the taxation implications of accepting the Offers. 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 Offers accepts responsibility for any taxation effect on, or liabilities of, any person as a result of acceptance of the Offers.

FURTHER TERMS OF THE OFFERS

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

GENERAL INFORMATION

Your attention is 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) The Share Offer**

- (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 Share Offer, you must send the relevant **WHITE** 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 Share 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 Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Acceptance duly completed, together with the relevant share certificates or transfer receipts and, where applicable, other documents of the 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 **WHITE** 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
 - (iii) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing of the processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (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 Share Offer, you should nevertheless complete the relevant **WHITE** Form of Acceptance and deliver it 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 Share Offer, as if it was or they were delivered to the Receiving Agent with the relevant **WHITE** 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 Share Offer, the relevant **WHITE** 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 Share Offer. Such remittances will be posted to Shareholders accepting the Share Offer as soon as possible, but in any event within ten days after the Closing Date upon receipt by the Receiving Agent of all the relevant documents to render the acceptances complete and valid.
- (f) No acknowledgment of receipt of any **WHITE** Form of Acceptance, share certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Shares will be given.

(B) The Warrant Offer

- (a) If the warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants are in your name, and you wish to accept the Warrant Offer, you must send the relevant **PINK** Form of Acceptance duly completed together with the relevant warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants to the Receiving Agent.

- (b) If the warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants are in the name of a nominee company or any name other than your own, and you wish to accept the Warrant Offer, you must either:
 - (i) lodge the warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants with the nominee company, or other nominees, with instructions authorising it to accept the Warrant Offer on your behalf and requesting it to deliver the **PINK** Form of Acceptance duly completed, together with the relevant warrant certificates or transfer receipts and, where applicable, other documents of the title (and any satisfactory indemnity or indemnities required) in respect of your Warrants to the Receiving Agent; or
 - (ii) arrange for the Warrants to be registered in your name by the Company through the Receiving Agent and send the relevant **PINK** Form of Acceptance duly completed, together with the relevant warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants to the Receiving Agent; or
 - (iii) if your Warrants have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Warrant Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing on the processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or

- (iv) if your Warrants have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (c) If you have lodged a transfer of Warrants for registration in your name and have not yet received your warrant certificates, and you wish to accept the Warrant Offer, you should nevertheless complete the relevant **PINK** Form of Acceptance and deliver it 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 warrant 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 Warrant Offer, as if it was or they were delivered to the Receiving Agent with the relevant **PINK** Form of Acceptance.
- (d) If the warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants are not readily available or are lost, and you wish to accept the Warrant Offer, the relevant **PINK** Form of Acceptance should nevertheless be completed and delivered to the Receiving Agent and the relevant warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants should be forwarded to the Receiving Agent as soon as possible afterwards. If you have lost your warrant 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 Warrant Offer. Such remittances will be posted to Warrantholders accepting the Warrant Offer as soon as possible, but in any event within ten days after the Closing Date upon receipt by the Receiving Agent of all the relevant documents to render the acceptances complete and valid.
- (f) No acknowledgment of receipt of any **PINK** Form of Acceptance, warrant certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of your Warrants will be given.

(C) The Share Option Offer

- (a) If you accept the Share Option Offer, you should complete the **YELLOW** Form of Acceptance obtainable from the head office and principal place of business of the Company at 6th Floor, China Merchants Steam Navigation Building, 303–307 Des Voeux Road Central, Sheung Wan, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Share Option Offer.
- (b) The completed **YELLOW** Form of Acceptance should be forwarded, together with the relevant share option certificates or documents of title (and any satisfactory indemnity or indemnities required in respect thereof) stating the number of the Share Options for not less than the number of the Share Options in respect of which you intend to accept the Share Option Offer, by post or by hand to the company secretary of the Company at 6th Floor, China Merchants Steam Navigation Building, 303–307 Des Voeux Road Central, Sheung Wan, Hong Kong, marked “QHA Share Option Offer” on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at the aforesaid address by no later than 4:00 p.m. on Thursday, 23rd November, 2006 (or such later time or date as the Offeror may determine and announce with the consent of the Executive).
- (c) If the share option certificates in respect of your Share Options are lost or they are not readily available and you wish to accept the Share Option Offer, the **YELLOW** Form of Acceptance should nevertheless be completed and delivered to the Company Secretary of the Company at 6th Floor, China Merchants Steam Navigation Building, 303–307 Des Voeux Road Central, Sheung Wan, Hong Kong together with a letter stating that you have lost one or more of your share option certificates or that they are not readily available. If you subsequently find such certificates or if they become available, the relevant share option certificates should be forwarded to the Company Secretary of the Company at 6th Floor, China Merchants Steam Navigation Building, 303–307 Des Voeux Road Central, Sheung Wan, Hong Kong as soon as possible thereafter.
- (d) Remittances will be posted to the Share Option Holders accepting the Share Option Offer as soon as possible, but in any event within ten days after the Closing Date upon receipt by the company secretary of the Company of all the relevant documents to render the acceptances complete and valid.
- (e) No acknowledgment of receipt of any **YELLOW** Form of Acceptance, share option certificates or any other documents of title (and any satisfactory indemnity or indemnities required in respect thereof) will be given.

- (f) The Share Option Holders are reminded to refer carefully to the terms of the share incentive plan of the Company pursuant to which the Share Options were granted.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been revised or extended with the consent of the Executive, all Forms of Acceptance must be received by 4:00 p.m. on Thursday, 23rd November, 2006, being the Closing Date. The Offeror has no intention to extend the Offers under all circumstances including the situation when the response document fails to be despatched by the Company on or before 9th November, 2006.
- (b) The Offers will close at 4:00 p.m. on Thursday, 23rd November, 2006.
- (c) In order to be valid, acceptances must be received by the Receiving Agent or the company secretary of the Company (as the case may be) in accordance with the instructions printed on the Forms of Acceptance by 4:00 p.m. on Thursday, 23rd November, 2006.

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 following:
 - (i) the total number of Shares and rights over Shares for which acceptances of the Share Offer have been received;
 - (ii) the total number of outstanding Warrants for which acceptances of the Warrant Offer have been received;
 - (iii) the total number of Share Options for which acceptances of the Share Option Offer have been received;
 - (iv) the total number of Shares, Warrants and Share Options held, controlled or directed by the Offeror before the period of the Offers; and
 - (v) the total number of Shares, Warrants and Share Options acquired or agreed to be acquired during the period of the Offers 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 of the Company, and the percentages of voting rights, represented by these numbers.

- (b) The announcement will state the respective number of Shares, Warrants and Share Options representing valid acceptances of the Offers and acceptances which are not in all aspects in order.
- (c) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers 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 Offers are unconditional, acceptances of the Offers will be irrevocable and may not be withdrawn, except as permitted under the Takeovers Code.

5. GENERAL

- (a) All communications, notices, Forms of Acceptance, share certificates, warrant certificates, share option 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, Warranholders and Share Option Holders should be delivered by or sent to or from them, or their designated agents, at their own risk. None of the Offeror, SHKIL 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 Forms of Acceptance to any person to whom the Offers is made will not invalidate the Offers in any way.
- (c) Notwithstanding any other provision in this Appendix I, the Offeror and SHKIL 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 Forms of Acceptance.
- (d) The Offers and all acceptances of it, the Forms of Acceptance, all contracts made in accordance with the Offers, and all actions taken or made or deemed to be taken or made pursuant to the terms of the Offers will be governed by and construed in all aspects in accordance with the laws of Hong Kong. Execution of the Forms of Acceptance by or on behalf of a Shareholder, Warranholder or Share Option Holder will constitute:
 - (i) the submission by such Shareholder, Warranholder or Share Option Holder in relation to all matters arising out of or in connection with the Offers and the Forms of Acceptance to the non-exclusive jurisdiction of the courts of Hong Kong; and

- (ii) the agreement of such Shareholder, Warrantholder or Share Option Holder that nothing shall limit the right of the Offeror or SHKIL to bring an action, suit or proceeding arising out of or in connection with the Offers and the Forms 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 Forms of Acceptance. The terms, provisions, instructions and authorities contained in or deemed to be contained in the Forms of Acceptance constitute part of the terms of the Offers. The provisions of this Appendix I are deemed to have been incorporated into the Forms of Acceptance.
- (f) Due execution of the Forms of Acceptance in respect of the Offers will constitute an authority to the Offeror, any director of the Offeror or of SHKIL or their respective agents to complete and execute on behalf of the Shareholders, the Warrantholders and the Share Option Holders who accept the Offers, the Forms of Acceptance and any other documents and to do any other acts 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, the Warrants and the Share Options which are the subject of such acceptances.
- (g) Each Shareholder, Warrantholder and Share Option Holder by whom, or on whose behalf, the relevant Forms of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror and SHKIL, 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 Forms of Acceptance, whether or not any box is completed, will constitute:
 - (1) an acceptance of the Share Offer, the Warrant Offer and the Share Option Offer (as the case may be); 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 to the Offeror of the Shares in respect of which he or she has accepted or is deemed to have accepted the Share Offer and the benefit of all dividends and distributions declared, paid or made on or after 5th October, 2006 (the day on which the AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers), the transfer of the Warrants to the Offeror in respect of which he or she has accepted or is deemed to have accepted the Warrant Offer and all rights attaching to them as at 5th October, 2006, and the surrender of the Share Options in respect of which he or she has accepted or is deemed to have accepted the Share Option Offer and all rights attaching to them as at 5th October, 2006 for cancellation, in each

case on and subject to the terms and conditions set out or referred to in this offer document and in the relevant Forms of Acceptance, and the acceptances of the Offers are irrevocable;

- (ii) that the Shares, Warrants and Share Options acquired under the Offers 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 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers), including (without limitation) the right to receive all dividends and distributions declared, paid or made on or after 5th October, 2006;
- (iii) that such Shareholder, Warrantholder and Share Option Holder 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, Warrantholder and Share Option Holder to satisfy himself or herself as to his or her full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental, exchange control or other consent which may be required for him or her and his or her compliance with other necessary formalities or legal requirements;
- (iv) such Shareholder, Warrantholder and Share Option Holder will deliver or procure the delivery to the Receiving Agent of his or her share certificates or warrant certificates or share option certificates or transfer receipts and, where applicable, other documents of title (and any satisfactory indemnity or indemnities required) in respect of all Shares or Warrants or Share Options held by him or her in respect of which the Offers have been accepted or are deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to the Offeror in lieu of them, as soon as possible and in any event within six months of the Closing Date;
- (v) the terms and conditions of the Offers contained in this offer document will be incorporated in and form part of the Forms of Acceptance, which should be read and construed accordingly;
- (vi) such Shareholder, Warrantholder and Share Option Holder 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, the Warrants or the Share Options to which such acceptance and transfer relates; and

- (vii) such Shareholder, Warrantholder and Share Option Holder submits, in relation to all matters arising out of or in connection with the Offers and the Forms of Acceptance, to the non-exclusive jurisdiction of the courts of Hong Kong.
- (h) Acceptance of the Share Offer or the Warrant Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Warrants indicated in the relevant Forms of Acceptance is the aggregate number of Shares or Warrants held by such nominee for such beneficial owner or owners who is or are accepting the Share Offer or the Warrant Offer.
- (i) Payment of the consideration under the Offers 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, Warrantholders and Share Option Holders.
- (j) Under the Takeovers Code, if the Offers are extended or revised, the announcement of such extension or revision will state the next closing date and the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Shareholders, the Warrantholders and the Share Option Holders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Share Offer, the Warrant Offer or the Share Option Offer, all Shareholders, Warrantholders and Share Option Holders, whether or not they have already accepted the Share Offer, the Warrant Offer or the Share Option Offer (as the case may be), will be entitled to the revised terms. The benefit of any revision of the Offers will be available to any Shareholder or any Warrantholder or any Share Option Holder who have previously accepted the Share Offer, the Warrant Offer or the Share Option Offer (as the case may be). The execution by or on behalf of any Shareholder who has previously accepted the Share Offer or any Warrantholder who has previously accepted the Warrant Offer or any Share Option Holder who has previously accepted the Share Option Offer (as the case may be) of any **WHITE** Form of Acceptance, or any **PINK** Form of Acceptance (as the case may be) or any **YELLOW** Form of Acceptance (as the case may be) shall be deemed to constitute acceptance of the revised Share Offer, Warrant Offer or Share Option Offer (as the case may be) unless such holder becomes entitled to withdraw his or her acceptance and duly does so. It is to be noted however that the Offeror has no intention to extend the offer period beyond the Closing Date of the Offers.

6. THE OFFERS

- (a) The Offers open on 26th October, 2006 and are capable of acceptances from and after that day. The Offers are being made by the issue and despatch of this offer document on 26th October, 2006 and by means of an announcement in English in The Standard and in Chinese in the Sing Tao Daily to be published on 27th October, 2006.
- (b) The Offers are made in accordance with the Takeovers Code.
- (c) The English text of this offer document and the Forms of Acceptance shall prevail over the Chinese text.
- (d) Following the closure of the Offers at 4:00 p.m. on Thursday, 23rd November, 2006, the Offers shall cease to be capable of further acceptances.

1. RESPONSIBILITY STATEMENT

The AGL Directors, APL Directors, SHK Directors and 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 period commencing six months preceding the last trading day prior to 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers) and up to the Latest Practicable Date are HK\$4.19 per Share on 15th August, 2006 and HK\$2.70 per Share on 29th March, 2006, respectively.
- (b) 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 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers):

Date	Closing price per Share HK\$
28th April, 2006	2.90
30th May, 2006	2.775
30th June, 2006	3.175
31st July, 2006	3.73
31st August, 2006	3.98
29th September, 2006	3.90

- (c) The closing price of the Shares as quoted on the Stock Exchange on 29th September, 2006, being the last trading day prior to 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers) was HK\$3.90 per Share.
- (d) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date was HK\$3.72 per Share.

3. DISCLOSURE OF INTERESTS

(a) As a result of completion of the exercise of the Option over the Option Shares by and the transfer of the Option Warrants to the Offeror, as at the Latest Practicable Date, the Offeror and the parties acting in concert with it beneficially owned 102,557,023 Shares (including 102,000 Shares owned by a corporation wholly owned by Mr. Steven Samuel Zoellner, an APL Director), representing approximately 50.95 per cent. of the issued share capital of the Company as at the Latest Practicable Date, and 19,600,864 Warrants which would, if exercised, lead to the subscription of 19,600,864 Shares. Save as disclosed above, the Offeror and the parties acting in concert with it have no other interests in the securities of the Company. As at the Latest Practicable Date, the Company did not have any other securities in issue other than the Shares, the Warrants and the Share Options. During the period commencing six months preceding 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers) and up to the Latest Practicable Date, other than:

- (i) the acquisition by the Offeror of 724,000 Shares on 29th May, 2006 and 386,000 Shares on 30th May, 2006, in each case at a price of HK\$2.775 per Share;
- (ii) the acquisition by a corporation wholly owned by Mr. Steven Samuel Zoellner, an APL Director of 50,000 Shares on 27th April, 2006 at a price of A\$0.4928 (equivalent to approximately HK\$2.8750, calculated on the basis of A\$1 to HK\$5.834 as at 27th April, 2006) per Share and 52,000 Shares on 4th May, 2006 at a price of A\$0.4833 (equivalent to approximately HK\$2.8793, calculated on the basis of A\$1 to HK\$5.9575 as at 4th May, 2006) per Share;
- (iii) the taking of the Option by the Offeror on 3rd April, 2006;
- (iv) the exercise of the Option over the Option Shares by the Offeror on 29th September, 2006;
- (v) the granting of consent by CLSA to the transfer of the Option Warrants to the Offeror on 5th October, 2006; and
- (vi) the completion of the purchase of the Option Shares by the Offeror and the transfer of the Option Warrants to the Offeror both on 6th October, 2006,

there were no dealings in the Shares or other securities of the Company by the Offeror or any person acting in concert with it.

- (b) SHKIL 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 period commencing six months preceding 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers) 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, and had not dealt in any securities of the Company during the period commencing six months preceding 5th October, 2006 (the day on which AGL, APL, SHK and the Offeror jointly announced the exercise of the Option over the Option Shares and the Offers) 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 Offers.
- (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 Offers, 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 Offers;
 - (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;
 - (iv) there were no agreements, arrangements or understandings between the Offeror and any other persons for the transfer, charge or pledge of the beneficial interests in Shares acquired by the Offeror under the Share Offer; and
 - (v) there were no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers and the consequences of its doing so, including details of the any break fees payable as a result.

4. CONSENT AND QUALIFICATION

- (a) SHKIL 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) SHKIL is a licensed corporation for Types 1 and 6 regulated activities under the SFO.

5. GENERAL

- (a) The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of SHK.

As at the Latest Practicable Date, it was the beneficial owner of 102,455,023 Shares, representing approximately 50.90 per cent. of the issued share capital of the Company. It also held Warrants, which, if exercised, would lead to the subscription of 19,600,864 Shares.

- (b) The registered office of the Offeror is at the office of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its correspondence address in Hong Kong is at Level 12, One Pacific Place, 88 Queensway, Hong Kong.
- (c) The directors of the Offeror are Mr. Joseph Tong Tang and Mr. Leung King Yuen.
- (d) The AGL Directors are:

Executive Directors:

Mr. Lee Seng Hui (*Chief Executive*), Mr. Edwin Lo King Yau, Mr. Mak Pak Hung

Non-executive Directors:

Ms. Lee Su Hwei, Mr. Arthur George Dew

Independent non-executive Directors:

Mr. Wong Po Yan, Mr. David Craig Bartlett, Mr. John Douglas Mackie, Mr. Alan Stephen Jones

The APL Directors are:

Executive Directors:

Mr. Patrick Lee Seng Wei (*Chief Executive*), Mr. Li Chi Kong

Non-executive Directors:

Mr. Henry Lai Hin Wing, Mr. Steven Lee Siu Chung

Independent non-executive Directors:

Mr. John Douglas Mackie, Mr. Steven Samuel Zoellner, Mr. Alan Stephen Jones

The SHK Directors are:

Executive Directors:

Mr. Patrick Lee Seng Wei, Mr. Joseph Tong Tang

Non-executive Director:

Mr. Arthur George Dew (*Chairman*)

Independent non-executive Directors:

Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Mr. Carlisle Caldwell Procter, Mr. Peter Wong Man Kong

- (e) The registered office of SHKIL is at Level 12, One Pacific Place, 88 Queensway, Hong Kong.
- (f) The registered office of AGL is at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (g) The registered office of APL is at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (h) The registered office of SHK is at Level 12, One Pacific Place, 88 Queensway, Hong Kong.
- (i) 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 between 9:00 a.m. and 5:00 p.m. from Monday to Friday (except for public holidays) at the office of P. C. Woo & Co. at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong so long as the Offers remain open for acceptances:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the letter from SHKIL set out on pages 5 to 19 of this offer document; and
- (iii) the letter of consent from SHKIL referred to in paragraph 4(a) of this Appendix II.

Copies of these documents will be available for inspection on the website of SHK at www.shkco.com and on the website of the SFC at www.sfc.hk so long as the Offers remain open for acceptances.