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HOPEWELL HOLDINGS LIMITED
合和實業有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 54)



Hopewell Highway Infrastructure Limited
合和公路基建有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 737)

POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION

POSSIBLE AGREEMENTS IN RELATION TO PHASE III OF THE WESTERN DELTA ROUTE

DEFERRAL OF DESPATCH OF CIRCULAR IN RELATION TO PHASE II OF THE WESTERN DELTA ROUTE

Following the signing of the Amending Agreements on 14 July 2004, HHI is currently in the process of negotiating the terms of a possible co-operation with West Route PRC Partner for the investment in and the planning, design, construction and operation of Phase III West through West Route JV. The current estimated total investment for Phase III West is RMB3,600,000,000, 35% of which is expected to be funded by an increase in the registered capital of West Route JV by RMB1,260,000,000 in total to be contributed by HHI West HK Co and West Route PRC Partner in equal share (i.e. each to contribute RMB630,000,000). The concession period for Phase III West is expected to, subject to approval of the relevant PRC authorities, be 30 years commencing on the date on which the new business licence of West Route JV is issued. HHI West HK Co and West Route PRC Partner will each continue to be entitled to 50% of the distributable profits of West Route JV.

Despatch of the circular to the shareholders of HH and the shareholders and warrant holders of HHI in respect of the Amending Agreements will be deferred to no later than 26 August 2004 as additional time is required for inclusion of the information regarding the proposed Phase III Transactions in the circular.

BACKGROUND

As stated in the announcement dated 14 July 2004 jointly issued by HH and HHI, HHI West HK Co has entered into the Amending Agreements with West Route PRC Partner for the investment in and the planning, design, construction and operation of Phase II West through West Route JV. HHI is currently in the process of negotiating the terms of a possible co-operation with West Route PRC

Partner for the investment in and the planning, design, construction and operation of Phase III West through West Route JV.

PHASE III TRANSACTIONS

The Phase III Transactions may be implemented by way of further amendments to the JV Contract and JV Articles, the major terms of which currently being considered by HHI are summarised as follows:

1. The areas of co-operation under each of the JV Contract and JV Articles are expanded to include the investment in and the planning, design, construction and operation of Phase III West and related facilities in addition to Phase I West and Phase II West.
2. The total amount of investment in Phase III West is targeted to be RMB3,600,000,000 (excluding loan interest incurred during the construction period and future adjustments of government charges and fees (if any)).
3. Based on the targeted total amount of investment of RMB3,600,000,000 for Phase III West, the registered capital of West Route JV is planned to be increased by an amount of RMB1,260,000,000 in total to be contributed by West Route PRC Partner and HHI West HK Co in equal share (i.e. each to contribute RMB630,000,000). The balance of the total investment is planned to be borrowed by the West Route JV from banks.
4. The concession period for Phase III West will, subject to approval of the relevant PRC authorities, be targeted at 30 years commencing on the date on which the new business licence of West Route JV to facilitate the inclusion of Phase III West in the West Route JV is issued.
5. Upon expiry of the concession period for Phase III West, all fixed assets in relation to Phase III West will be transferred to the government department which regulates transportation at nil consideration and West Route JV will be dissolved, with any assets remaining after satisfaction of outstanding liabilities to be distributed to West Route PRC Partner and HHI West HK Co in equal share.
6. Any amendments to the JV Contract or JV Articles to reflect such terms will only become effective upon approval of the relevant amending agreements in relation thereto by (a) the supervising authority of West Route PRC Partner; and (b) the Department of Foreign Trade and Economic Cooperation of Guangdong Province and the relevant authorities.
7. HHI West HK Co and West Route PRC Partner will each continue to be entitled to 50% of the distributable profits from the operation of Phase I West, Phase II West and Phase III West in accordance with the terms of the JV Contract and JV Articles.

Apart from the above proposed amendments, the terms of the JV Contract and JV Articles will remain substantially the same as that before the further amendments, save for corresponding

drafting changes. The terms of the Phase III Transactions will be determined after arm's length negotiations between HHI and West Route PRC Partner by reference to the terms in relation to Phase I West and Phase II West. It should be noted that depending on the outcome of such negotiations, the Phase III Transactions may or may not be entered into, or may be entered into on terms or in forms different from that described above. If material amendments are made to the terms described above before the date of the Extraordinary General Meeting, a further announcement will be made (and, if a circular has already been issued, a revised or supplementary circular will be issued where appropriate) and sufficient advance notice will be given to the independent shareholders to consider such material amendments before the holding of the Extraordinary General Meeting.

INFORMATION ON WEST ROUTE JV

West Route JV is a Sino-foreign co-operative joint venture established pursuant to the JV Contract. Set out below is certain information regarding West Route JV as at the date of this announcement:

Date of establishment:	17 September 2003
Total investment:	RMB1,680 million
Registered capital:	RMB588 million, contributed by HHI West HK Co and West Route PRC Partner in equal share
Concession period for Phase I West:	30 years from 17 September 2003
Scope of business activities:	Invest, plan, design, construct and operate Phase I West
Share of distributable profits:	West Route PRC Partner 50% HHI West HK Co 50%

CONNECTED TRANSACTIONS

HH indirectly owns 2,160,000,000 shares in HHI (equivalent to approximately 74.98% of the issued share capital of HHI as at 3 August 2004). Pursuant to Clause 46 of the Listing Agreement between HHI and the Stock Exchange and the letter dated 7 August 2003 from HH to the Stock Exchange, West Route JV, being a Sino-foreign co-operative joint venture enterprise jointly controlled by the HHI group which operates a toll road project, is deemed to be a subsidiary of HHI and HH for the purposes of the then Chapter 14 of the Listing Rules (which has been subdivided into Chapters 14 and 14A since revisions of the Listing Rules came into effect on 31 March 2004). West Route JV has undertaken to provide access to relevant information to enable HHI to discharge its disclosure obligations. West Route PRC Partner is a state-owned enterprise wholly-owned by and under the administration of Guangdong Provincial Communication Group Company Limited. Guangdong Provincial Communication Group Company Limited is a

state-owned enterprise established by the Guangdong Provincial Government which primarily engages in the investment, construction, supervision and operation of major transportation and infrastructure projects in Guangdong Province. West Route PRC Partner currently has a 50% interest in each of West Route JV and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (which is a Sino-foreign co-operative joint venture between West Route PRC Partner and a subsidiary of HHI), and is accordingly deemed to be a connected person of HHI and HH for the purposes of Chapter 14A of the Listing Rules. Therefore, the Phase III Transactions, if and when entered into, are expected to constitute a connected transaction of both HH and HHI and subject to independent shareholders' approval. If the Phase III Transactions are aggregated with the Amending Agreements, they will also constitute a discloseable transaction. Independent shareholders' approval will be sought by each of HH and HHI on the basis that:

1. the total amount of investment for Phase III West as stated in the agreements in connection with Phase III West does not exceed RMB4,000,000,000 (excluding loan interest incurred during the construction period and future adjustments of government charges and fees (if any)) and any additional registered capital in West Route JV required to be contributed by the HHI group does not exceed RMB700,000,000, with the balance of the total amount of investment to be borrowed by West Route JV from banks;
2. the concession period for Phase III West shall be 30 years or such shorter period as may be approved by the relevant PRC authorities and acceptable to the HHI Directors;
3. upon expiry of the concession period for Phase III West, all fixed assets in relation to Phase III West will be transferred to the relevant PRC authority at nil consideration and West Route JV will be dissolved, with any assets remaining after satisfaction of outstanding liabilities to be distributed to West Route PRC Partner and HHI West HK Co in equal share;
4. any amendments to the JV Contract or JV Articles to reflect such terms will only become effective upon approval of the amending agreements in relation thereto by the relevant PRC authorities; and
5. the contribution of equity and the sharing of distributable profits from the operation of West Route JV between the joint venture partners of West Route JV is on a 50:50 basis.

If no agreement for Phase III West is entered into on or before the date which is one year after the date on which an ordinary resolution containing such approval is passed, such approval will be automatically revoked. Where the terms of the Phase III Transactions are materially different from that to be approved by the independent shareholders, independent shareholders' approval of the new terms will be sought where required by the Listing Rules.

Although the current targeted total amount of investment in Phase III West is RMB3,600,000,000, independent shareholders will be asked to approve a total amount of investment up to RMB4,000,000,000 to give directors of HHI flexibility in the negotiations with West Route PRC Partner.

The approval to be sought will also cover matters related to West Route JV in relation to the Phase III Transactions including, among others (a) any transactions pursuant to, for the purposes of implementing or in connection with any joint venture contract in relation to Phase III West or the West Route JV and (b) all transactions, arrangements or matters related, ancillary or incidental to (1) the investment in or the planning, design, construction, management or operation of any of the phases of the projects referred to in any joint venture contract referred to in (a) or (2) any properties, facilities, developments or investments under or in connection with such projects or which may be carried out, implemented or invested in by West Route JV.

An independent board committee of each of HH and HHI has been formed to advise its independent shareholders on the fairness and reasonableness of the Phase III Transactions and the related matters referred to above. An independent financial adviser has been appointed to advise each such independent board committee in respect of the same. HH will seek independent shareholders' approval at the Extraordinary General Meeting. Pursuant to Rule 14A.43 of the Listing Rules, a written independent shareholders' approval obtained from a shareholder holding more than 50% in nominal value of the securities giving the right to attend and vote at a general meeting convened to approve the connected transaction may be accepted in lieu of holding such a general meeting if no shareholder of the listed issuer is required to abstain from voting if the listed issuer were to convene such a general meeting. Anber Investments Limited, which owns 2,160,000,000 shares in HHI (equivalent to approximately 74.98% of the issued share capital of HHI as at 3 August 2004), has confirmed in writing that in the event that independent shareholders' approval of HHI in respect of the Transactions is required, it will vote in favour of them. Anber Investments Limited does not have any material interest in the Transactions which is different from those of the other shareholders of HHI. West Route PRC Partner has confirmed to HHI that neither it nor any of its associates holds any shares in HH or HHI, with "associates" (as defined in the Listing Rules) being confined to those companies which are associates of West Route PRC Partner by reason only of Guangdong Provincial Communication Group Company Limited's interest in such company. Therefore, as far as HHI is aware, no shareholder of HHI is required to abstain from voting if HHI were to convene a general meeting for the approval of the connected transactions. Accordingly, HHI has applied to the Stock Exchange for a waiver of the requirement to hold a general meeting to seek independent shareholders' approval of the Transactions.

REASONS FOR ENTERING INTO THE PHASE III TRANSACTIONS

As disclosed in the prospectus of HHI dated 28 July 2003, HHI had been actively pursuing the development of Phase II West. HHI had been negotiating the terms of co-operation with West Route PRC Partner in respect of the investment in and the planning, design, construction and operation of Phase II West, which negotiations resulted in the signing of the Amending Agreements. HHI is currently negotiating the terms of a possible co-operation with West Route PRC Partner for the investment in and the planning, design, construction and operation of Phase III West to complete the Western Delta Route.

Construction of Phase III West is currently expected to take approximately three years. On completion of Western Delta Route, an arterial expressway system directly linking Guangzhou, Shunde, Zhongshan and Zhuhai will be created. The board of directors of each of HH and HHI

believes that the three phases of the Western Delta Route will be a strategic route in that area.

The executive directors of HH and HHI consider that the terms of the Phase III Transactions are fair and reasonable and in the interests of the shareholders as a whole of HH and HHI respectively. The independent non-executive directors of each of HH and HHI have, subject to the advice of the independent financial adviser, concurred with such view. It should be noted that the independent non-executive directors may or may not have other views after receipt of the advice of the independent financial adviser.

DESPATCH OF CIRCULAR

Pursuant to Rules 14.38 and 14A.49 of the Listing Rules, HH and HHI are required to send to their respective shareholders a circular in respect of the Amending Agreements within 21 days after the publication of the announcement dated 14 July 2004, being on or before 5 August 2004. However, HH and HHI prefer that the circular also covers the proposed Phase III Transactions as Phase II West and Phase III West are part of the same expressway system. It will then provide shareholders with a more complete picture and allow them to better assess the Transactions. Further, the extra expenses of having to print and despatch two circulars and holding two extraordinary general meetings of HH can then be avoided. As additional time is required for inclusion of the information regarding the proposed Phase III Transactions in the circular, HH and HHI have applied to the Stock Exchange for an extension of the deadline for despatch of the circular in respect of the Amending Agreements to 26 August 2004.

GENERAL

HH group is principally engaged in the development, investment and operation of properties and hotels and through its subsidiary HHI, toll roads, bridges and tunnels and related infrastructure projects in Hong Kong and the PRC.

HHI group's primary business is to initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in the PRC, and in particular the PRD region bordering Hong Kong.

As at the date of this announcement, the directors of HH are Sir Gordon Ying Sheung WU, Mr. Eddie Ping Chang HO, Mr. Josiah Chin Lai KWOK, Mr. Thomas Jefferson WU, Mr. Henry Hin Moh LEE, Mr. Robert Van Jin NIEN, Mr. Guy Man Guy WU, Lady Ivy Sau Ping KWOK WU, Ms. Linda Lai Chuen LOKE, Mr. Albert Kam Yin YEUNG, Mr. Colin Henry WEIR, Mr. David Yau-gay LUI, Mr. Carmelo Ka Sze LEE, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Junior.

As at the date of this announcement, the directors of HHI are Sir Gordon Ying Sheung WU, Mr. Eddie Ping Chang HO, Mr. Thomas Jefferson WU, Mr. Alan Chi Hung CHAN, Ir. Leo Kwok Kee LEUNG, Mr. Li Jia HUANG, Mr. Cheng Hui JIA, Mr. Christopher Shih Ming IP, Mr. Kojiro NAKAHARA, Mr. Philip Tsung Cheng FEI, Mr. Lee Yick NAM and Mr. Gordon YEN.

DEFINITIONS

“Amending Agreements”	means the Contract Amending Agreement and the Articles Amending Agreement;
“Articles Amending Agreement”	means the conditional agreement dated 14 July 2004 entered into between HHI West HK Co and West Route PRC Partner under which the parties thereto agreed to amend the JV Articles;
“Contract Amending Agreement”	means the conditional agreement dated 14 July 2004 entered into between HHI West HK Co and West Route PRC Partner under which the parties thereto agreed to amend the JV Contract;
“Extraordinary General Meeting”	means the extraordinary general meeting of shareholders of HH to be held to consider and approve, among others, the Transactions;
“HH”	means Hopewell Holdings Limited;
“HHI”	means Hopewell Highway Infrastructure Limited;
“HHI West HK Co”	means Hopewell Guangzhou-Zhuhai Superhighway Development Limited, a wholly-owned subsidiary of HHI incorporated in Hong Kong with limited liability;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“JV Articles”	means the articles of association of West Route JV dated 5 January 2004 (as may be amended from time to time);
“JV Contract”	means the Sino-foreign co-operative joint venture contract dated 5 January 2004 between the West Route PRC Partner and HHI West HK Co (as may be amended from time to time);
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Phase I West”	means the approximately 14.7 km Guangzhou to Shunde section of the Western Delta Route;
“Phase III Transactions”	means proposed transactions with West Route PRC Partner in connection with the investment in and the planning, design, construction and operation of Phase III West, and all transactions contemplated thereunder;

“Phase III West”	means a proposed Zhongshan to Zhuhai section of the Western Delta Route;
“Phase II West”	means the proposed approximately 46 km Shunde to Zhongshan section of the Western Delta Route, referred to as Phases 2 and 3 of the then Western Delta Route in the prospectus of HHI dated 28 July 2003;
“PRC”	means the People’s Republic of China excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan;
“PRD”	means the region commonly referred to by that name, located at the mouth of the Pearl River in the southern part of Guangdong Province in the PRC, having an area of approximately 41,698 sq. km and excluding Hong Kong and Macau;
“Transactions”	means the entering into of the Amending Agreements, the Phase III Transactions and all other transactions contemplated thereunder;
“West Route PRC Partner”	means Guangdong Provincial Highway Construction Company Limited;
“West Route JV”	means Guangdong Guangzhou-Zhuhai West Superhighway Company Limited; and
“Western Delta Route”	means the route for a proposed network of dual three lane toll-expressways in the western PRD, linking Guangzhou, Zhongshan and Zhuhai.

By Order of the Board
Hopewell Holdings Limited
Peter Yip Wah LEE
Company Secretary

By Order of the Board
Hopewell Highway Infrastructure Limited
Peter Yip Wah LEE
Company Secretary

Hong Kong, 4 August 2004

** for identification only*

“Please also refer to the published version of this announcement in the South China Morning Post”