

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") takes no responsibilities for the contents of this announcement, 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 announcement.



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)

DISCLOSEABLE AND CONNECTED TRANSACTION

AGREEMENTS IN RELATION TO PHASE II OF THE WESTERN DELTA ROUTE

On 14 July 2004, HHI West HK Co 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. The estimated total investment for Phase II West is RMB4,900,000,000, 35% of which is to be funded by an increase in the registered capital of West Route JV by RMB1,715,00,000 in total to be contributed by HHI West HK Co and West Route PRC Partner in equal share (i.e. each to contribute RMB857,500,000). The concession period for Phase II West will, 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.

BACKGROUND

Phase I West is constructed and operated by West Route JV and was open to traffic on 30 April 2004. HHI has retained the concession rights for the development of the Shunde to Zhongshan section of the Western Delta Route, as disclosed and described in HHI's prospectus dated 28 July 2003. On 14 July 2004, HHI West HK Co 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.

THE AMENDING AGREEMENTS

Date of the Amending Agreements

14 July 2004

Parties:

HHI West HK Co
West Route PRC Partner

Major terms:

The terms of the two Amending Agreements are substantially the same, the major ones of which are summarised as follows:

1. The areas of co-operation under each of the JV Contract and JV Articles, which previously covered only Phase I West, are expanded to include the investment in and the planning, design, construction and operation of Phase II West and related facilities in addition to Phase I West.
2. The estimated total amount of investment in Phase II West is RMB4,900,000,000 (excluding loan interest incurred during the construction period and future adjustments of government charges and fees (if any) in accordance with the application for approval to the PRC authority).
3. The registered capital of West Route JV is increased from RMB588,000,000 (which has been fully paid up) to RMB2,303,000,000, with the increased amount of RMB1,715,000,000 in total to be contributed in cash by West Route PRC Partner and HHI West HK Co in equal share (i.e. each to contribute RMB857,500,000). The timing of such contribution will be determined by West Route JV in accordance with the progress of construction of Phase II West (which are expected to be made in stages by instalments). Before the contribution of the increased registered capital, West Route PRC Partner agrees to make advances to meet the project expenses. West Route JV will pay interest at the lending rate announced by The People's Bank of China or the rate at which West Route JV actually obtains loans (whichever is lower) on any project expenses advanced by West Route PRC Partner until the date of repayment, compounded quarterly.
4. The concession period for Phase II West will, subject to approval of the relevant PRC authorities (which are expected to be departments of the Guangdong Provincial Government), be 30 years commencing on the date on which the new business licence of West Route JV is issued. The concession period may be extended if unanimously approved by the board of directors of West Route JV and regulatory authorities which granted the original approval within six months before the expiry of the concession period.
5. Upon expiry of the concession period for Phase I West, all fixed assets in relation to Phase I West will be transferred to the government department which regulates transportation at nil consideration (which arrangement remained unchanged by the Amending Agreements). Upon expiry of the concession period for Phase II West, all fixed assets in relation to Phase II 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.

It is specified in the JV Contract that the joint venture partners' liability is limited to their contribution to registered capital and the terms of co-operation provided by them. It is also specified that the difference between the total investment amount and the registered capital is to be borrowed by the West Route JV from PRC banks.

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 both Phase I West and Phase II West in accordance with the terms of the JV Contract and JV Articles. Apart from the above, the terms of the JV Contract and JV Articles remain substantially the same as that before the execution of the Amending Agreements.

The terms of the Amending Agreements were determined after arm's length negotiations between HHI and West Route PRC Partner by reference to the terms in relation to Phase I West.

Event to take place prior to the Amending Agreements becoming effective

Each of the Amending Agreements will become effective upon:

1. approval of the Amending Agreements by the shareholders of HH and HHI respectively;
2. approval of the Amending Agreements by the supervising authority of West Route PRC Partner; and
3. approval of the Amending Agreements by the Department of Foreign Trade and Economic Cooperation of Guangdong Province and the relevant authorities (which are expected to be departments of the Guangdong Provincial Government).

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 13 July 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 Amending Agreements constitute a discloseable and connected transaction and, pursuant to the Listing Rules, are subject to independent shareholders' approval. The independent shareholders' approval to be sought by each of HH and HHI will also cover matters related to the Amending Agreements and the implementation of the projects by West Route JV including, among others (a) any amendment of the terms of the Amending Agreements required by relevant PRC authorities or for the purposes of obtaining the approval of relevant PRC authorities and (b) any transactions pursuant to, for the purposes of implementing or in connection with the joint venture contract in relation to the West Route JV and (c) all transactions, arrangements or matters related, ancillary or incidental to (1) the investment in or the planning, design, construction, management or operation of the Phase I West or Phase II West project or (2) any properties, facilities, developments or investments under or in connection with the Phase I West or Phase II West project or which may be carried out, implemented or invested in by West Route JV.

An independent board committee of each of HH and HHI will be formed to advise its independent shareholders on the fairness and reasonableness of the Amending Agreements and the related matters referred to above. An independent financial advisor will be 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 13 July 2004), has confirmed in writing that in the event that independent shareholders' approval of HHI in respect of the Amending Agreements is required, it will vote in favour of them. Anber Investments Limited does not have any material interest in the Amending Agreements 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 Amending Agreements.

REASONS FOR ENTERING INTO THE AMENDING AGREEMENTS

As disclosed in the prospectus of HHI dated 28 July 2003, HHI had been actively pursuing the development of Phase II West and 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 their agreement to co-operate on a 50:50 basis, being the same basis as that in respect of Phase I West. Accordingly, HHI West HK Co and West Route PRC Partner agreed to enter into the Amending Agreements.

Construction of Phase II West, which may start only after approval of the Amending Agreements by the relevant PRC authorities has been obtained, is currently expected to take approximately three years. On completion of Phase II West, an arterial expressway system directly linking Guangzhou, Shunde and Zhongshan will be created. The board of directors of each of HH and HHI believes that the two 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 Amending Agreements 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 advisor, 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 advisor.

FURTHER INFORMATION

A circular containing, amongst other things, further information of the Amending Agreements will be despatched by each of HH and HHI to its shareholders.

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 Amending Agreements;
“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 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;
“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, 14 July 2004

** for identification only*

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