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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)

CONTINUING CONNECTED TRANSACTION
MATERIAL-SUPPLY MANAGEMENT AGREEMENT
IN RELATION TO
PHASE II OF THE WESTERN DELTA ROUTE

On 1st June, 2007, West Route JV entered into the Management Agreement with Nan Yue.

Since Nan Yue is a subsidiary of the ultimate holding company of West Route PRC Partner and West Route JV 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 31st March, 2004), Nan Yue is deemed to be a connected person of HH and HHI and the transaction contemplated under the Management Agreement constitutes a continuing connected transaction of HH and HHI.

THE MANAGEMENT AGREEMENT

Date of the Management Agreement

1st June, 2007

Parties :

West Route JV
Nan Yue

Major terms :

The major terms of the Management Agreement are summarized as follows :

1. Subject : Provision of material logistics services, consisting of the planning, procurement and logistics management of the main construction materials for the Phase II West Project, by Nan Yue to West Route JV. The "Phase II West Project" refers to the planning, design, construction and operation of Phase II West and related facilities by the West Route JV.

2. Term : The appointment of Nan Yue under the Management Agreement is effective from the date of execution of such agreement and continues (a) for three years; or (b) until the completion of the supply of the materials, payment of all material fees and after audit by the relevant departments of West Route JV, whichever is earlier. The appointment may be extended by mutual agreement if the matters referred to in (b) above are not completed within three years. The Management Agreement will terminate after the end of the term of appointment of Nan Yue and the expiry of the warranty period (which is 24 months after the completion of the Phase II West Project).
3. Service Fee : 2.5% of the fee for the materials supplied for the Phase II West Project.
4. Payment : The service fee shall be paid on a quarterly basis after deduction of the 5% assurance fee and such assurance fee shall be repayable without interest to Nan Yue upon completion of the term of the Management Agreement.
5. Material Fee :
 - a. The material shall be purchased by Nan Yue from the relevant material suppliers and supplied to the Construction Contractors according to the relevant contracts and subject to regulations approved by West Route JV.
 - b. West Route JV shall act as supervisor of the relevant material supply contracts between the Construction Contractors and Nan Yue and the relevant material purchase contracts between Nan Yue and the relevant material suppliers and shall be a party to such contracts accordingly.
 - c. The material fee shall be payable by the Construction Contractors to Nan Yue. Nan Yue shall then pay such material fee to the relevant suppliers. In accordance with the instructions of the Construction Contractors, West Route JV shall deduct such material fee from the sum otherwise payable to such Construction Contractors under the construction contracts and pay the same directly to Nan Yue on a monthly basis for payment by Nan Yue to the material suppliers in accordance with the purchase contracts.
 - d. In the event that Nan Yue has to pay the material fee to the suppliers before receipt of the material fee from West Route JV, Nan Yue may, with the consent of West Route JV and the relevant Construction Contractor, make payment of the material fee to the suppliers itself. If Nan Yue is not reimbursed, it shall be entitled to charge interest at the interest rate of loans for the relevant period quoted by People's Bank of China. Such interest shall be borne by West Route JV or the Construction Contractor, depending on who causes the failure to pay Nan Yue on time.
6. Default of the Material Suppliers : In the event that the relevant material supplier shall fail to supply the materials on time, upon approval by West Route JV, Nan Yue shall take such actions as may be required (including using its own material stock or making purchase separately) to resume the supply of materials for the Phase II West Project. Settlement in respect of such materials shall be made in accordance with the purchase contract with the material supplier in default.

CONTINUING CONNECTED TRANSACTION

As at the date of this announcement, HH is the holding company of HHI (the HH group holds approximately 73% of the issued share capital of HHI) and the HHI group holds a 50% interest in the West Route JV.

Pursuant to the Listing Agreement between HHI and the Stock Exchange and the letter dated 7th 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 31st March, 2004).

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). West Route PRC Partner is a state-owned enterprise wholly owned by and under the administration of Guangdong Provincial Communication Group Company Limited, which is in turn a state-owned enterprise established by the Guangdong Provincial Government. Nan Yue is a company incorporated in the PRC and listed on the Stock Exchange and is a subsidiary of Guangdong Provincial Communication Group Company Limited and is accordingly deemed to be a connected person of HH and HHI for the purposes of Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Management Agreement constitutes a continuing connected transaction of HH and HHI under the Listing Rules.

According to the estimate of the boards of directors of HH and HHI based on the current estimate of materials required to be supplied under the Management Agreement for the Phase II West Project as planned presently, in the normal course of event, it is unlikely that the service fee payable under the Management Agreement in any financial year concerned will exceed RMB22,000,000, being the annual cap set by HH and HHI for the purpose of Chapter 14A of the Listing Rules. Since the cap represents more than 0.1% but less than 2.5% of the applicable percentage ratios for HH and HHI, the transaction under the Management Agreement is subject to the announcement and reporting requirements, but is exempt from the independent shareholders' approval requirement, of Chapter 14A of the Listing Rules.

REASONS FOR ENTERING INTO THE MANAGEMENT AGREEMENT

The board of the West Route JV has selected Nan Yue as the supplier since Nan Yue and its subsidiaries are major logistics management companies in Guangdong Province with specialization in construction materials for expressway and infrastructure projects. The Nan Yue group has established years of business relationships with suppliers and project owners with proven track record in the material logistics business.

The transaction is entered into after arm's length negotiation and having regard to the scope of services to be offered and the responsibilities to be undertaken by Nan Yue. The boards of directors of HH and HHI (including the independent non-executive directors) consider that the terms of the Management Agreement are in line with the market, fair and reasonable and in the interests of the shareholders of HH and HHI (each as a whole) respectively, and would be beneficial to the operation of West Route JV in terms of the logistics management of the main construction materials for the Phase II West Project.

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.

DEFINITIONS

“Construction Contractors”	means the contractors appointed by West Route JV for the construction of the Phase II West Project;
“HH”	means Hopewell Holdings Limited;
“HHI”	means Hopewell Highway Infrastructure Limited;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Agreement”	means the agreement dated 1st June, 2007 entered into between West Route JV and Nan Yue in relation to the management of the material-supply for the Phase II West Project;
“Nan Yue”	means 廣東南粵物流股份有限公司 (Guangdong Nan Yue Logistics Company Limited);
“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 28th July, 2003;
“PRC”	means 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;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“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, 1st June, 2007

As at the date of this announcement, the board of directors of HH comprises eleven executive directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman and Managing Director), Mr. Thomas Jefferson WU (Deputy Managing Director), Mr. Josiah Chin Lai KWOK (Deputy Managing Director), Mr. Robert Van Jin NIEN, Mr. Albert Kam Yin YEUNG, Mr. David Yau-gay LUI, Mr. Andy Lee Ming CHEUNG, Mr. Eddie Wing Chuen HO Junior, Mr. Barry Chung Tat MOK and Mr. William Wing Lam WONG, three non-executive directors namely, Mr. Henry Hin Moh LEE, Lady Ivy Sau Ping KWOK WU and Mr. Carmelo Ka Sze LEE and three independent non-executive directors namely, Mr. Guy Man Guy WU, Ms. Linda Lai Chuen LOKE and Mr. Lee Yick NAM.

As at the date of this announcement, the board of directors of HHI comprises eight executive directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director), Mr. Alan Chi Hung CHAN (Deputy Managing Director), Mr. Leo Kwok Kee LEUNG, Mr. Lijia HUANG, Mr. Cheng Hui JIA and Mr. Barry Chung Tat MOK and four independent non-executive directors namely, Mr. Philip Tsung Cheng FEI, Mr. Lee Yick NAM, Mr. Kojiro NAKAHARA and Dr. Gordon YEN.

** For identification only.*

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