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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 III OF THE WESTERN DELTA ROUTE**

Reference is made to the 2007 Joint Announcement. West Route JV entered into the Phase II Management Agreement with Nan Yue in relation to Phase II West.

On 24 May 2010, West Route JV entered into the Phase III Management Agreement with Nan Yue.

Since Nan Yue is a subsidiary of the holding company of West Route PRC Partner and West Route JV is a deemed subsidiary of both HH and HHI, Nan Yue is deemed to be a connected person of both HH and HHI, and the transaction contemplated under the Phase III Management Agreement therefore constitutes a continuing connected transaction for both HH and HHI.

Pursuant to Rule 14A.25 of the Listing Rules, the Phase III Management Agreement will be aggregated with the Phase II Management Agreement and treated as if they were one transaction. As the current estimate of the annual service fees payable under the Phase III Management Agreement (when aggregated with the service fees paid/payable under the Phase II Management Agreement in respect of the same financial year), exceeds 0.1% but does not exceed 2.5% of each of the applicable percentage ratios under the Listing Rules for both HH and HHI, the transaction under the Phase III Management Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules in respect of both HH and HHI.

BACKGROUND

As disclosed in the 2007 Joint Announcement, West Route JV entered into the Phase II Management Agreement with Nan Yue in relation to Phase II West. Phase II West is currently planned to be completed by the end of June 2010 and the Phase II Management Agreement will expire on 31 May 2010.

As the groundbreaking ceremony of Phase III West was held in December 2009 in relation to the construction of Phase III West, West Route JV had on 24 May 2010 entered into the Phase III Management Agreement with Nan Yue in relation to Phase III West. The principal terms of the Phase III Management Agreement are set out below.

THE PHASE III MANAGEMENT AGREEMENT

Date

24 May 2010

Parties

West Route JV

Nan Yue

Major Terms

The major terms of the Phase III 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 III West Project, by Nan Yue to West Route JV.

2. Term

The appointment of Nan Yue under the Phase III 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 Phase III 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 III West Project).

3. Service Fee

Nan Yue shall be entitled to 2.5% of the fee for the materials supplied for the Phase III 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 Phase III 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 supplier 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 III West Project. Settlement in respect of such materials shall be made in accordance with the purchase contract with the material supplier in default.

LISTING RULES IMPLICATIONS

As at the date of this announcement, HH is the holding company of HHI (the HH group holds approximately 70% 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 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 and West Route PRC Partner, is deemed to be a subsidiary of HH and HHI 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 PRC Partner currently has a 50% interest in West Route JV and a 52% interest in 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 its H shares are listed on the Stock Exchange. It 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 Phase III 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 Phase III Management Agreement for the Phase III West Project as planned presently, in the normal course of event, it is unlikely that the service fee payable under the Phase III Management Agreement will, in respect of the financial year ending 30 June 2010, exceed RMB5,000,000 (equivalent to approximately HK\$5,685,000), being the annual cap set by HH and HHI for the purpose of Chapter 14A of the Listing Rules for the financial year ending 30 June 2010, or will, in respect of each of the financial years ending 30 June 2011, 30 June 2012 and 30 June 2013, exceed RMB15,000,000 (equivalent to approximately HK\$17,055,000), being the annual cap set by HH and HHI for each of the financial years ending 30 June 2011, 30 June 2012 and 30 June 2013.

According to current estimation, the annual service fee paid/payable under the Phase II Management Agreement for the financial year ending 30 June 2010 is unlikely to exceed RMB9,000,000 (equivalent to approximately HK\$10,200,000), and that the Phase II Management Agreement will expire on 31 May 2010.

The estimated aggregate annual service fee paid/payable under the Phase II Management Agreement and the Phase III Management Agreement is set out below:-

Financial year end	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Phase II Management Agreement	RMB9,000,000	—	—	—
Phase III Management Agreement	RMB5,000,000	RMB15,000,000	RMB15,000,000	RMB15,000,000
Total	RMB14,000,000	RMB15,000,000	RMB15,000,000	RMB15,000,000

Since the estimated aggregate annual service fee stated above represent more than 0.1% but less than 2.5% of the applicable percentage ratios for both HH and HHI, the transaction under the Phase III Management Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTION

The board of West Route JV has selected Nan Yue as the supplier because 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 Phase III 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 III 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, tunnels, bridges 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

“2007 Joint Announcement”	means the joint announcement of HH and HHI dated 1 June 2007 in relation to the entering into of the Phase II Management Agreement between West Route JV and Nan Yue;
“Construction Contractors”	means the contractors appointed by West Route JV for the construction of the Phase III 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;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Nan Yue”	means Guangdong Nan Yue Logistics Company Limited* (廣東南粵物流股份有限公司), a company listed on the Main Board of the Stock Exchange;
“Phase II Management Agreement”	means the agreement dated 1 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, as disclosed in the 2007 Joint Announcement;

“Phase II West”	means the 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;
“Phase II West Project”	refers to the planning, design, construction and operation of Phase II West and related facilities by West Route JV;
“Phase III Management Agreement”	means the conditional agreement dated 24 May 2010 entered into between West Route JV and Nan Yue in relation to the management of the material-supply for the Phase III West Project;
“Phase III West”	means the approximately 38 km Zhongshan to Zhuhai section of the Western Delta Route;
“Phase III West Project”	refers to the planning, design, construction and operation of Phase III West and related facilities by West Route JV;
“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 the Macau Special Administrative Region;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	shall have the meaning ascribed in the Listing Rules;
“West Route JV”	means Guangdong Guangzhou-Zhuhai West Superhighway Company Limited* (廣東廣珠西綫高速公路有限公司), in which the HHI group and West Route PRC Partner each holds 50% interest;

“West Route PRC Partner” means Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), which holds 50% interest in West Rout JV; and

“Western Delta Route” means the route for a network of dual three lane toll-expressways in the western PRD, linking Guangzhou, Foshan, Zhongshan and Zhuhai.

By Order of the Board
HOPEWELL HOLDINGS LIMITED
Richard Cho Wa LAW
Company Secretary

By Order of the Board
HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED
Richard Cho Wa LAW
Company Secretary

Hong Kong, 24 May 2010

In this announcement, conversions of RMB into HK\$ are made, for illustration only, at the rate of RMB1.00 to HK\$1.137. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rate or at all.

As at the date of this announcement, the board of directors of HH comprises nine Executive Directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director), Mr. Josiah Chin Lai KWOK (Deputy Managing Director), Mr. Robert Van Jin NIEN, Mr. Albert Kam Yin YEUNG, Mr. Eddie Wing Chuen HO Junior, Mr. William Wing Lam WONG and Ir. Leo Kwok Kee LEUNG; three Non-Executive Directors namely, Mr. Henry Hin Moh LEE, Lady WU Ivy Sau Ping KWOK 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 six 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. Cheng Hui JIA and Mr. Alan Ming Fai TAM and five Independent Non-Executive Directors namely, Mr. Philip Tsung Cheng FEI, Mr. Lee Yick NAM, Mr. Kojiro NAKAHARA, Dr. Gordon YEN and Professor Chung Kwong POON.

** For identification only*