

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00406)

ENTERING INTO OF MANAGEMENT AGREEMENT FOR MANAGEMENT OF HOTEL

This announcement is made by the Company pursuant to rule 13.09 of the Listing Rules. The entering into of the Management Agreement does not constitute a notifiable transaction of the Company under the Listing Rules.

Further to the Announcement of the Company, the Board is pleased to announce that on 15 July 2009, Million Wealth, a wholly-owned subsidiary of the Company, has entered into the Management Agreement with IHG whereby the Company intends to engage IHG in providing hotel management services to the Hotel.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, IHG and its ultimate beneficial owner(s) are not connected persons of the Company and are third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates according to the Listing Rules.

The Board considers that the terms of the Management Agreement and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INTRODUCTION

This announcement is made by the Company pursuant to rule 13.09 of the Listing Rules. The entering into of the Management Agreement does not constitute a notifiable transaction of the Company under the Listing Rules.

Further to the Announcement of the Company, the Board is pleased to announce that on 15 July 2009, Million Wealth, a wholly-owned subsidiary of the Company, has entered into the Management Agreement with IHG whereby the Company intends to engage IHG in providing hotel management services to the Hotel.

* For identification purpose only

The terms of the Management Agreement are as follows.

Date: 15 July 2009

Parties: (1) IHG; and
(2) Million Wealth

Million Wealth is a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, IHG and its ultimate beneficial owner(s) are not connected persons of the Company and are third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates according to the Listing Rules.

Condition of the Management Agreement

The Management Agreement is conditional upon Million Wealth's acquisition of the land title of the Hotel prior to 31 August 2009 and provision to IHG a certified copy of the Hotel's land title. In the event that Million Wealth does not acquire the land title of the Hotel prior to 31 August 2009 (or such later date as the parties may agree), IHG may terminate the Management Agreement by serving a thirty (30) day written notice to Million Wealth whereupon the Management Agreement shall terminate and have no further force and effect.

Term of the Management Agreement

The term of the Management Agreement is as follows:

- (a) the initial term will be 10 years commencing from the Commencement Date unless terminated earlier pursuant to the termination provision of the Management Agreement;
- (b) the first renewal term of 10 years will commence automatically upon expiration of the initial term and the subsequent renewal term of 10 years automatically upon the expiration of the previous renewal term. In the event either of Million Wealth or IHG does not want to renew the Management Agreement, it will, no less than six (6) months prior to the expiration of the initial term or first renewal term (as the case may be), provide the other with written notice that the Management Agreement shall not be renewed, whereupon the Management Agreement shall terminate at the end of the then current term.

Management Rights

Under the Management Agreement, Million Wealth intends to engage IHG in providing hotel management services to the Hotel. IHG shall from the Commencement Date, as agent of Million Wealth, manage and operate the Hotel at all times as a hotel under the Brand in accordance with provisions of the Management Agreement, the operational standard set out in the Brand standard and in compliance with the System requirements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MANAGEMENT AGREEMENT

On 5 May 2009, the Company announced that Million Wealth had entered into a legally binding provisional agreement for the purchase of the Site.

In its circular dated 27 May 2009, the Company disclosed that it intended to construct a hotel building on the Site.

The reason for the Company to decide to build a hotel on the Site is its confidence in the prospect in hotel industry. Demand for hotels rises when more people travel and they travel more frequently. The Company considers that there will be increasing demand for mid-range hotel rooms in convenient locations. The Site is located near the Central and SoHo districts and is considered as a good accommodation choice for both business and leisure travelers. The Company therefore decided to build a hotel at the Site.

In line with the decision to build a hotel on the Site, the Company has carried out certain preparatory works, one of which is to appoint IHG as a hotel manager. The Group had experience in working with IHG before. The Company entered into a management agreement with IHG for an initial term of 10 years in 2003 for managing a hotel built by the Group in Causeway Bay. The Group is satisfied with IHG's management services and the hotel managed by IHG during that period has strong contribution to the Group's result. Therefore, the Board considers that it is to the Company's advantage to subcontract again the management and operation of the Hotel to IHG.

The total consideration was determined after arm's length negotiations between the parties to the Agreements. The Directors have considered relevant factors for determining the consideration, such as the comparability of the management fee in the hotel industry, that the terms of the Management Agreement are no less favourable than the terms of the previous management agreement, and that the terms are the usual terms in the hotel management industry.

The Board considers that the terms of the Management Agreement and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE COMPANY, MILLION WEALTH AND IHG

The Company and its subsidiaries (including Million Wealth) are principally engaged in the contracting of building construction, plumbing, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading and property investment.

IHG is an international hotel company listed on the London and New York stock exchanges. IHG is the world's largest hotel group by number of rooms. It operates in nearly 100 countries and territories around the world. IHG operates seven hotel brands - InterContinental, Crowne Plaza, Hotel Indigo, Holiday Inn, Holiday Inn Express, Staybridge Suites and Candlewood Suites.

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Announcement”	the announcement made by the Company on 15 May 2009
“Board”	the board of Directors

“Brand”	“Holiday Inn Express”, one of the hotel brands under IHG
“Commencement Date”	1 November 2012
“Company”	Yau Lee Holdings Limited, a company incorporated in Bermuda with limited liabilities, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s), including independent non-executive director(s), of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	a hotel to be built at 77-85 Jervois Street and 14A, 16-22 Burd Street, Sheung Wan, Hong Kong
“IHG”	InterContinental Hotels Group (Greater China) Limited, a company incorporated in Hong Kong and is a subsidiary of InterContinental Hotels Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the management agreement entered into by Million Wealth and IHG dated 15 July 2009 in relation to the hotel management service to the Hotel
“Million Wealth”	Million Wealth Enterprises Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.2 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Site”	<p>All those pieces or parcels of grounds registered in the Land Registry as:</p> <ol style="list-style-type: none"> (1) Inland Lot Nos. 902 and 8042 (Nos. 77, 79 & 81 Jervois Street & Nos. 14A, 16 & 18 Burd Street, Hong Kong); (2) Inland Lot Nos. 4244 and 4245 (No. 20 Burd Street & No. 83 Jervois Street, Hong Kong); (3) The Remaining Portion of Inland Lot No. 900 (No. 85 Jervois Street, Hong Kong); and (4) Section A of Inland Lot No. 900 (No. 22 Burd Street, Hong Kong).
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“System”

a system solely owned by IHG’s affiliates and is designed to be associated with hotels operating under the Brand or to contribute to such identification or association and all elements which identify or reflect the quality standards and business practices of such hotels

By Order of the Board

Wong Ip Kuen

Chairman

Hong Kong, 15 July 2009

As at the date of this announcement, the board of directors of the Company comprises Wong Ip Kuen (Chairman), Wong Tin Cheung, Wong Wai Man, So Yau Chi, Sun Chun Wai as Executive Directors and Wu King Cheong, Chan Bernard Charnwut, Yeung Tsun Man, Eric as Independent Non-executive Directors.