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USI Holdings Limited

富聯國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 369)

CONTINUING CONNECTED TRANSACTIONS: OPERATING AND LICENCE AGREEMENTS

On 8 January 2009, Lanson Place Malaysia, Lanson Place Singapore and Lanson Place Bermuda, all of which are wholly-owned subsidiaries of the Company, entered into the following operating agreements and licence agreements.

- (a) (i) Lanson Place Singapore entered into an operating agreement for its provision of serviced apartment management services and (ii) Lanson Place Bermuda entered into a licence agreement for its grant of the right to use certain trademarks and tradenames, in each case, with Winshine Investment Pte Ltd in relation to a serviced apartment block located at 167 Penang Road, Singapore for a term of ten years from 8 January 2009 to 7 January 2019;
- (b) (i) Lanson Place Malaysia entered into an operating agreement for its provision of hotel apartment management services and (ii) Lanson Place Bermuda entered into a licence agreement for its grant of the right to use certain trademarks and tradenames, in each case, with Seniharta Sdn Bhd in relation to a hotel apartment block located at 1, Jalan Ampang Hilir, 55000 Kuala Lumpur, Malaysia for a term of ten years from 8 January 2009 to 7 January 2019;
- (c) (i) Lanson Place Malaysia entered into an operating agreement for its provision of serviced apartment management consulting services and (ii) Lanson Place Bermuda entered into a licence agreement for its grant of the right to use certain trademarks and tradenames, in each case, with Seniharta Sdn Bhd in relation to a serviced apartment block located at 6, Jalan Ampang Hilir, 55000 Kuala Lumpur, Malaysia for a term of ten years from 8 January 2009 to 7 January 2019; and
- (d) (i) Lanson Place Malaysia entered into an operating agreement for its provision of serviced apartment management consulting services (instead of serviced apartment management services as mentioned in the announcement of the Company dated 24 April 2008) and (ii) Lanson Place Bermuda entered, pursuant to the terms of the JV Agreement, into a licence agreement for its grant of the right to use certain trademarks and tradenames, in each case, with the JV Company in relation to the Development. Those two agreements were entered into on 8 January 2009. Each of them is for a term of ten years from the date of opening of the Development as a serviced apartment block, which is expected to be 1 July 2011.

Each of the JV Company, Winshine Investment Pte Ltd, and Seniharta Sdn Bhd is an Associate of Wing Tai, which is a substantial shareholder of the Company, and therefore a Connected Person of the Company under the Listing Rules. The Operating and Licence Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On the basis of the estimated Annual Caps of the Operating and Licence Agreements, the relevant percentage ratios in respect of the Operating and Licence Agreements will, on an annual basis, be more than 0.1% but less than 2.5%. On this basis, the Operating and Licence Agreements are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but do not require the approval of the Company's independent shareholders. Since each of the Operating and Licence Agreements is for a term of 10 years, an independent financial adviser is required under Rule 14A.35(1) of the Listing Rules to be appointed to explain why a period longer than 3 years is required and to confirm whether it is normal business practice for contracts of the same type to be of such duration.

Operating and Licence Agreements

On 8 January 2009 Lanson Place Malaysia, Lanson Place Singapore and Lanson Place Bermuda, all of which are wholly-owned subsidiaries of the Company, entered into the following Operating and Licence Agreements.

- (a) (i) Lanson Place Singapore entered into an operating agreement for its provision of serviced apartment management services; and
- (ii) Lanson Place Bermuda entered into a licence agreement for its grant of the right to use certain trademarks and tradenames,

in each case, with Winshine Investment Pte Ltd in relation to a serviced apartment block located at 167 Penang Road, Singapore for a term of ten years from 8 January 2009 to 7 January 2019, under which Lanson Place Singapore or, as the case may be, Lanson Place Bermuda is entitled to receive in cash the following fees:

- (1) a basic management fee in an amount equal to a percentage of the net revenue of the serviced apartment for each operating year, such fee being payable within twenty days from receipt by Winshine Investment Pte Ltd of each monthly financial report for the serviced apartment;
- (2) an incentive management fee for each operating year in an amount equal to a percentage of the total yearly income of the serviced apartment before fixed charges and licence fee, such fee payable within twenty days from receipt by Winshine Investment Pte Ltd of the audited annual financial report for the serviced apartment; and
- (3) a fixed licence fee for each operating year, such fee payable within twenty days from the commencement of each operating year.

The amount of the above fees was determined by mutual agreement between Lanson Place Singapore, Lanson Place Bermuda and Winshine Investment Pte Ltd following arm's length negotiations by reference to the relevant fees charged by the Group for comparable projects.

Winshine Investment Pte Ltd has also agreed under the operating agreement to reimburse Lanson Place Singapore for certain out-of-pocket expenses incurred by Lanson Place Singapore in connection with the operation and management of the project.

- (b) (i) Lanson Place Malaysia entered into an operating agreement for its provision of serviced apartment management services; and
- (ii) Lanson Place Bermuda entered into a licence agreement for its grant of the right to use certain trademarks and tradenames,

in each case, with Seniharta Sdn Bhd in relation to a hotel apartment block located at 1, Jalan Ampang Hilir, 55000 Kuala Lumpur, Malaysia for a term of ten years from 8 January 2009 to 7 January 2019, under which Lanson Place Malaysia or, as the case may be, Lanson Place Bermuda is entitled to receive in cash the following fees:

- (1) a basic management fee in an amount equal to a percentage of the net revenue of the hotel apartment for each operating year, such fee payable within twenty days from receipt by Seniharta Sdn Bhd of each monthly financial report for the hotel apartment;
- (2) an incentive management fee for each operating year in an amount equal to a percentage of the total yearly income of the hotel apartment before fixed charges and licence fee, such fee payable within twenty days from receipt by Seniharta Sdn Bhd of the audited annual financial report for the hotel apartment; and
- (3) a fixed licence fee for each operating year, such fee payable within twenty days from the commencement of each operating year.

The amount of the above fees was determined by mutual agreement between Lanson Place Malaysia, Lanson Place Bermuda and Seniharta Sdn Bhd following arm's length negotiations by reference to the relevant fees charged by the Group for comparable projects.

Seniharta Sdn Bhd has also agreed under the operating agreement to reimburse Lanson Place Malaysia for certain out-of-pocket expenses incurred by Lanson Place Malaysia in connection with the operation and management of the project.

- (c) (i) Lanson Place Malaysia entered into an operating agreement for its provision of serviced apartment management consulting services; and
- (ii) Lanson Place Bermuda entered into a licence agreement for its grant of the right to use certain trademarks and tradenames,

in each case, with Seniharta Sdn Bhd in relation to a serviced apartment block located at 6, Jalan Ampang Hilir, 55000 Kuala Lumpur, Malaysia for a term of ten years from 8 January 2009 to 7 January 2019, under which Lanson Place Malaysia or, as the case may be, Lanson Place Bermuda is entitled to receive in cash the following fees:

- (1) a basic consultation fee in an amount equal to a percentage of the net revenue of the serviced apartment for each operating year, such fee payable within twenty days from receipt by Seniharta Sdn Bhd of each monthly financial report for the serviced apartment; and
- (2) a fixed licence fee for each operating year, such fee payable within twenty days from the commencement of each operating year.

The amount of the above fees was determined by mutual agreement between Lanson Place Malaysia, Lanson Place Bermuda and Seniharta Sdn Bhd following arm's length negotiations by reference to the relevant fees charged by the Group for comparable projects.

- (d)
 - (i) Lanson Place Malaysia entered into an operating agreement for its provision of serviced apartment management consulting services (instead of serviced apartment management services as mentioned in the announcement of the Company dated 24 April 2008); and
 - (ii) Lanson Place Bermuda, pursuant to the terms of the JV Agreement, entered into a licence agreement for its grant of the right to use certain trademarks and tradenames,

in each case, with the JV Company in relation to the Development. Those two agreements were entered into on 8 January 2009. Each of them is for a term of ten years from the date of opening of the Development as a serviced apartment block, which is expected to be 1 July 2011. Under those agreements, Lanson Place Malaysia or, as the case may be, Lanson Place Bermuda is entitled to receive in cash the following fees:

- (1) a basic consultation fee in an amount equal to a percentage of the net revenue of the JV Company for each operating year, such fee payable within twenty days from receipt by the JV Company of each monthly financial report for the serviced apartment;
- (2) an incentive consultation fee for each operating year in an amount equal to a percentage of the total yearly income of the JV Company before fixed charges and licence fee, such fee payable within twenty days from receipt by the JV Company of the audited annual financial report for the serviced apartment; and
- (3) a fixed licence fee for each operating year, such fee payable within twenty days from the commencement of each operating year.

The amount of the above fees was determined by mutual agreement between Lanson Place Malaysia, Lanson Place Bermuda and the JV Company following arm's length negotiations by reference to the relevant fees charged by the Group for comparable

projects.

Annual Caps

The Board estimates that the maximum aggregate annual value of the basic management fee, the basic consultation fee, the incentive management fee, the incentive consultation fee and the licence fee payable under the Operating and Licence Agreements during their respective terms will be as follows:

For the year ending 31 December (HK\$ million)												
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
6.5	7.2	9.0	12.8	13.3	15.1	17.0	18.7	20.0	21.3	9.3	10.0	10.7

The Annual Caps represent an estimate of the maximum aggregate annual amount of the fees payable to Lanson Place Malaysia, Lanson Place Singapore and Lanson Place Bermuda under the Operating and Licence Agreements. The Annual Cap for the year ending 31 December 2019 decreases as the Operating and Licence Agreements (other than those in relation to the Development) will expire in January 2019. The Operating and Licence Agreements in respect of the Development are expected to expire in June 2021. The Annual Caps were determined on the basis of:

- (a) the aggregate annual values of the corresponding fees for each of the two financial years ended 31 December 2007 and 31 December 2008 (other than those in relation to the Development) were approximately HK\$4.3 million and HK\$4.9 million, respectively;
- (b) the current room rate and occupancy rate of the relevant project (other than the Development);
- (c) the revenues of comparable properties in Malaysia, or as the case may be, Singapore as disclosed in publicly available market research materials; and
- (d) forecasted rates of exchange of Malaysian Ringgit into Hong Kong dollars and Singaporean dollars into Hong Kong dollars.

Information about the Company and the parties to the Operating and Licence Agreements

The Company is an investment holding company. Its principal subsidiaries and jointly controlled entities are engaged in property development, property investment and management, hospitality investment and management, garment manufacturing and trading, branded products distribution and investing activities.

Winshine Investment Pte Ltd is a company incorporated in Singapore which is engaged in property development and property investment.

Seniharta Sdn Bhd is a company incorporated in Malaysia which is engaged in property development and property investment.

The JV Company is a company incorporated in Malaysia for the purpose of acquiring and operating the Development.

Reasons for entering into the Operating and Licence Agreements

The Board considers it beneficial for the Group to enter into long-term operating and licence agreements to ensure continuity of operation and management and, as the case may be, consulting services, which will further strengthen and expand the Group's hospitality business in major Asian cities.

The Directors, including the independent non-executive directors of the Company, have considered the Operating and Licence Agreements and are of the opinion that they have been entered into the usual and ordinary course of business of the Group, on normal commercial terms and their terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications of the Operating and Licence Agreements

Each of the JV Company, Winshine Investment Pte Ltd and Seniharta Sdn Bhd is an Associate of Wing Tai, which is substantial shareholder of the Company, and therefore a Connected Person of the Company under the Listing Rules. The Operating and Licence Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On the basis of the estimated Annual Caps, the relevant percentage ratios in respect of the Operating and Licence Agreements will, on an annual basis, be more than 0.1% but less than 2.5%. On this basis, the Operating and Licence Agreements are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but do not require the approval of the Company's independent shareholders. Since each of the Operating and Licence Agreements is for a term of 10 years, an independent financial adviser is required under Rule 14A.35(1) of the Listing Rules to be appointed to explain why a period longer than 3 years for the Operating and Licence Agreements is required and to confirm whether it is normal business practice for contracts of the same type to be of such duration. The Company has appointed Piper Jaffray Asia Limited as the IFA to comment on the duration of the Operating and Licence Agreements.

The IFA considers:

- (a) that an Operating and Licence Agreement for a term longer than three years is necessary to align the mutual interests of Lanson Place Malaysia, Lanson Place Singapore, Lanson Place Bermuda and the owners of the serviced apartments;
- (b) that in the light of the substantial initial costs (such as marketing effort and the implementation of systems and procedures) of the management of a serviced apartment project and provision of management consulting services, it is normal market practice for serviced apartment management companies to enter into long-term management contracts or long-term consultancy contracts so as to capture the

monetary benefits brought by time and resources committed to the operations and provision of services; and

- (c) the term of a number of operating and licence agreements or similar arrangements of a number of other companies in relation to the provision of cross-border hospitality management and consultancy and franchising services typically of ten years or longer.

The IFA therefore considers that the nature of the continuing connected transactions requires each of the Operating and Licence Agreements to be of a duration longer than three years and that it is normal business practice for contracts of the same type to be of such duration.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

- “Annual Caps”** means the maximum aggregate annual value of the basic management fee, the basic consultation fee, the incentive management fee, the incentive consultation fee and the licence fee payable under the Operating and Licence Agreements;
- “Associate”** has the meaning ascribed to it under the Listing Rules;
- “Board”** means the board of directors of the Company;
- “Company”** means USI Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange;
- “Connected Person”** has the meaning ascribed to it under the Listing Rules;
- “Development”** means a building to be developed at Geran No. 49875 Lot 1315 Seksyen 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan, Kuala Lumpur, Malaysia comprising 115 units of condominium apartments and up to 230 car park spaces;
- “DNP”** means DNP Holdings Berhad, a company incorporated in Malaysia with limited liability and the issued shares of which are listed on the Main Board of Bursa Malaysia Securities;
- “Group”** means the Company and its subsidiaries;
- “HK\$”** means Hong Kong dollars, the lawful currency of Hong Kong;
- “IFA”** means the independent financial adviser to the Company in respect of the Operating, Consultancy and Licence Agreements;
- “JV Agreement”** means the joint venture and shareholders’ agreement entered into by the Company, the JV Company and DNP on 23 April 2008;

“JV Company”	means Kualiti Gold Sdn Bhd, a company incorporated in Malaysia;
“Lanson Place Singapore”	means Lanson Place Hospitality Management (Singapore) Pte Limited, a wholly-owned subsidiary of the Company incorporated in Singapore;
“Lanson Place Malaysia”	means Lanson Place Hospitality Management (Malaysia) Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands;
“Lanson Place Bermuda”	means Lanson Place Hotels & Residences (Bermuda) Limited, a wholly-owned subsidiary of the Company incorporated in Bermuda;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Operating and Licence Agreements”	means (i) the operating agreement dated 8 January 2009 between Lanson Place Malaysia and the JV Company for the provision by Lanson Place Malaysia of serviced apartment management consulting services and the licence agreement dated 8 January 2009 between Lanson Place Bermuda and the JV Company for the grant by Lanson Place Bermuda of the right to use certain trademarks and tradenames, in each case, in relation to the Development; (ii) the operating agreement dated 8 January 2009 between Lanson Place Singapore and Winshine Investment Pte Ltd for the provision by Lanson Place Singapore of serviced apartment management services and the licence agreement dated 8 January 2009 between Lanson Place Bermuda and Winshine Investment Pte Ltd for the grant by Lanson Place Bermuda of the right to use certain trademarks and tradenames, in each case, in relation to a serviced apartment block located at 167 Penang Road, Singapore; (iii) the operating agreement dated 8 January 2009 between Lanson Place Malaysia and Seniharta Sdn Bhd for the provision by Lanson Place Malaysia of serviced apartment management services and the licence agreement dated 8 January 2009 between Lanson Place Bermuda and Seniharta Sdn Bhd for the grant by Lanson Place Bermuda of the right to use certain trademarks and tradenames, in each case, in relation to a serviced apartment block located at 1, Jalan Ampang Hilir, 55000 Kuala Lumpur, Malaysia; and (iv) the operating agreement dated 8 January 2009 between Lanson Place Malaysia and Seniharta Sdn Bhd for the provision by Lanson Place Malaysia of serviced apartment management consulting services and the licence agreement dated 8 January 2009 between Lanson Place Bermuda and Seniharta Sdn Bhd for the grant by Lanson Place Bermuda of the right to use certain trademarks and tradenames, in each case, in relation to a serviced apartment block located at 6, Jalan Ampang Hilir, 55000 Kuala Lumpur,

Malaysia;

- “Shareholders”** means the holders of the Shares;
- “Shares”** means the ordinary share(s) of HK\$0.50 each in the issued share capital of the Company;
- “Stock Exchange”** means The Stock Exchange of Hong Kong Limited; and
- “Wing Tai”** means Wing Tai Holdings Limited, a company incorporated in Singapore.

By Order of the Board
USI Holdings Limited
FUNG Ching Man, Janet
Company Secretary and Chief Financial Officer

Hong Kong, 8 January 2009

As at the date of this announcement, the directors of the Company are

Executive directors:

Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward, Mr. Cheng Man Piu, Francis, Mr. Chow Wai Wai, John, Mr. Ng Tak Wai, Frederick and Mr. Au Hing Lun, Dennis

Non-executive directors:

Mr. Kwok Ping Luen, Raymond, Mr. Wong Yick Kam, Michael (also an alternate to Kwok Ping Luen, Raymond), Mr. Hong Pak Cheung, William and Mr. Loh Soo Eng

Independent non-executive directors:

Mr. Simon Murray, Mr. Fang Hung, Kenneth and Mr. Yeung Kit Shing, Jackson

* *For identification purposes only*